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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Determination
of Need for Hines Unit 3 Power
Plant.

Docket No.: 020953-EI

Filed: December 2, 2002

**PREHEARING STATEMENT OF FLORIDA
PARTNERSHIP FOR AFFORDABLE COMPETITIVE ENERGY**

Pursuant to Order No. PSC-02-1650-PHO-EI, FLORIDA PARTNERSHIP FOR
AFFORDABLE COMPETITIVE ENERGY ("PACE"), files its Prehearing
Statement.

A. APPEARANCES:

Jon C. Moyle, Jr.
Florida Bar No. 727016
Cathy M. Sellers
Florida Bar No. 0784958
Moyle, Flanigan, Katz, Raymond & Sheehan, P.A.
The Perkins House
118 North Gadsden Street
Tallahassee, Florida 32301

**On behalf of Florida Partnership for Affordable
Competitive Energy, Intervenor**

B. WITNESSES AND SUBJECT MATTER OF TESTIMONY:

None.

C. EXHIBITS:

As PACE is sponsoring no witnesses, the only exhibits it will use are those presented
during the cross-examination of witnesses sponsored by Florida Power Corporation.

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D. STATEMENT OF BASIC POSITION:

PACE asserts that the choice of Hines 3 by Florida Power Corporation does not meet the statutory criteria set forth in Section 403.519, Florida Statutes. Specifically, FPC does not have a secure source of water for the Hines 3 unit, calling into question the reliability and cost effectiveness of Hines 3. The Hines 3 unit is not guaranteed by the turbine manufacturer to operate within the guidelines set forth by the Florida Reliability Coordinating Council, calling into question its reliability if it does not meet the FRCC guidelines, and its cost effectiveness if FPC commits to operate within FRCC guidelines, but outside of the warranty provided by the turbine manufacturer. FPC has not properly allocated the costs of existing infrastructure at the Hines Energy Complex, in that certain costs common to Hines 1, Hines 2 and Hines 3 are not allocated to Hines 3, calling into question the accuracy of the cost analysis and the cost-effectiveness of the Hines 3 unit. Additionally, FPC appears to have modeled Hines 3 at an unrealistically low heat rate (approx. 6,900 Btu/kwh), as compared to the value reported in its most recent Ten-Year Site Plan (7,306 Btu/kwh). This difference would result in significant cost impacts to FPC customers. If the Commission grants a determination of need for Hines 3, FPC should be held to the terms of its “winning” proposal for all regulatory purposes.

E. STATEMENT OF ISSUES AND POSITIONS:

ISSUE 1: Is there a need for the proposed Hines Unit 3, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?

PACE: There is no present need for the Hines 3 unit, but for a voluntary stipulation entered by FPC to increase its reserve margin from 15% to 20%. A reserve margin of approximately 17% in 2005-06, without the addition of Hines 3, will suffice to ensure system reliability and integrity. Even assuming that FPC needs additional resources, it does not need Hines 3. Options, including shorter term purchased power arrangements, are available to FPC that are cost-effective and that impose less risk to FPC’s customers.

ISSUE 2: Is there a need for the proposed Hines Unit 3, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes?

PACE: There is no present need for the Hines 3 unit, but for a voluntary stipulation entered by FPC to increase its reserve margin from 15% to 20%. A reserve

margin of approximately 17% in 2005-06 without the addition of Hines 3, will suffice to ensure system reliability and integrity. Options, including shorter term purchased power arrangements, are available to FPC that are cost-effective and that impose less risk to FPC's customers.

ISSUE 3: Has Florida Power Corporation met the requirements of Rule 25-22.0826, Florida Administrative Code, "Selection of Generating Capacity".

PACE: No. Implicit in this rule is the requirement that a fair, "apples to apples" comparison be performed. FPC, when considering outside proposals, considered factors that were not set forth in its RFP document.

ISSUE 4: Is the proposed Hines Unit 3 the most cost-effective alternative available, as this criterion is used in Section 403.519?

PACE: No. Hines 3 costs were not properly calculated and certain Hines Energy Complex costs were not properly ascribed to Hines 3. Uncertainty regarding the availability of sufficient ground water at the Hines Energy Complex may require more expensive methods of providing water or cooling the Hines 3 unit. Further, FPC used an aggressive heat rate in estimating the costs for the Hines 3 unit. Moreover, the most cost-effective alternative is for Hines 3 not be built at this time, as the resulting reserve margin of 17% in 2005-06 is adequate to ensure reliability and is undoubtedly more cost effective than building Hines 3.

ISSUE 5: Are there any conservation measures taken by or reasonably available to Florida Power Corporation which might mitigate the need for the proposed power plant?

PACE: No position.

ISSUE 6: Has Florida Power Corporation adequately ensured the availability of fuel commodity and transportation to serve Hines Unit 3?

PACE: No. Ensuring the availability of fuel transportation and fuel is best done through firm contracts, which FPC does not have in place for Hines 3. FPC itself has stated that it should not contract with bidders who do not have firm gas transportation contracts; FPC should be held to its own standard regarding fuel transportation.

ISSUE 7: Based on the resolution of the foregoing issues, should the Commission grant Florida Power Corporation's petition to determine the need for the proposed Hines Unit 3?

PACE: No.

ISSUE 8: Should this docket be closed?

PACE: Yes.

F. STIPULATED ISSUES:

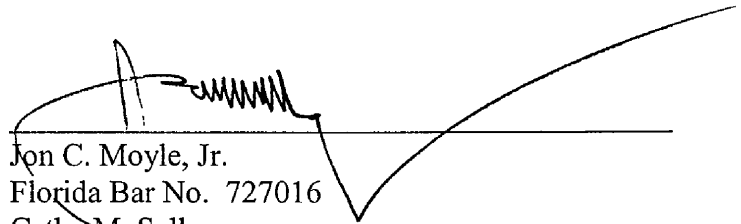
None at this time.

G. PENDING MOTIONS:

None at this time.

H. OTHER MATTERS:

None identified at this time.



Jon C. Moyle, Jr.
Florida Bar No. 727016
Cathy M. Sellers
Florida Bar No. 0784958
Moyle, Flanigan, Katz, Raymond & Sheehan, PA.
The Perkins House
118 North Gadsden Street
Tallahassee, Florida 32301
Telephone: (850) 681-3828
Facsimile: (850) 681-8788

**Attorneys for Florida Partnership for
Affordable Competitive Energy**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by hand delivery to those listed below with an asterisk ("*"), and by e-mail and facsimile to all listed below on this 2nd day of December, 2002:

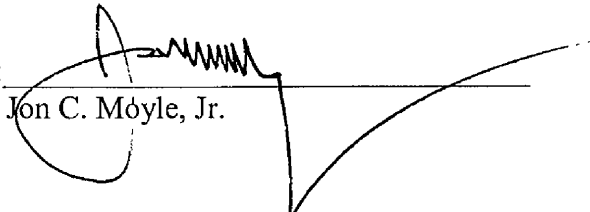
*Lawrence Harris, Esquire
*Marlene Stern, Esquire
Legal Division
Florida Public Service Commission
Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

*Gary L. Sasso, Esquire
Jill H. Bowman, Esquire
Carlton Fields Law Firm
One Progress Plaza
200 Central Avenue, Suite 2300
St. Petersburg, Florida 33701

*W. Douglas Hall, Esquire
Carlton Fields Law Firm
215 South Monroe Street, Suite 500
Tallahassee, Florida 32302-0190

James A. McGee,
Associate General Counsel
Progress Energy Service Company, LLC
100 Central Avenue
St. Petersburg, Florida 33701

*Mr. Paul Lewis, Jr.
Florida Power Corporation
106 East College Avenue, Suite 800
Tallahassee, Florida 32301-7740

By: 
Jon C. Moyle, Jr.