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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF WILLIAM S. MAY

ON BEHALF OF

FLORIDA MUNICIPAL POWER AGENCY

DOCKET NO. 050256-EM

APRIL 13, 2005

Q. Please state your name and business address.

A. My name is William S. May. My business address is 8553 Commodity Circle, Orlando, Florida, 32819.

Q. By whom are you employed and in what capacity?

A. I am employed by the Florida Municipal Power Agency (FMPA) as the Planning and Contracts Manager.

Q. Please describe your responsibilities in that position.

A. As Planning and Contracts Manager I am responsible for the performance of Planning Team members, directing the production of Integrated Resource Plans, composing requests for proposals for short-term power purchases, evaluating those proposals, providing analytical input to the Risk Management Group, and directing the use of the PROSYM production costing model to evaluate multiple purchase power and expansion alternatives.

1 **Q. Please describe your educational background and professional experience.**

2 A. I received two Bachelors of Science degrees in electrical engineering and
3 applied mathematics from North Carolina State University. I received a Masters
4 of Science in electrical engineering from the Georgia Institute of Technology. I
5 have experience in the execution and evaluation of power supply requests for
6 proposals, load forecasting, short and long term generation and transmission
7 planning activities, presentations to a wide range of audiences including peers,
8 company management, executive committees, the Board of Directors, and the
9 Florida Public Service Commission. I have over 30 years experience as a
10 consultant to the power industry, a power systems engineer, an energy market
11 price forecaster, a transmission planning engineer, a substation design engineer,
12 and a designer of simulation software.

13

14 **Q. What is the purpose of your testimony in this proceeding?**

15 A. The purpose of my testimony is to discuss the request for power supply
16 proposals. My testimony will include discussion of the request for proposal
17 process, a description of the proposals received, and an overview of the proposal
18 evaluation process.

19

20 **Q. Are you sponsoring any sections of Exhibit No. __ (FMPA-1), the Treasure
21 Coast Energy Center (TCEC) Unit 1 Need for Power Application?**

22 A. Yes. I am sponsoring Section 8 of the TCEC Unit 1 Need for Power
23 Application, which was prepared by me or under my direct supervision. I also
24 am sponsoring Appendices C and D to the Application.

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Q. Please describe FMPA’s efforts to solicit proposals from other power supply providers.

A. On September 22, 2004, FMPA issued a Request for Power Supply Proposal (RFP) which is contained in Appendix C to the Need for Power Application, Exhibit No. __ (FMPA-1). The RFP served as an invitation for qualified companies to submit proposals for the supply of capacity and energy to meet a portion of the projected power requirements of All-Requirements Project (ARP) beginning no earlier than December 16, 2007, and no later than May 1, 2008, for contract periods of and continuing over a period of three (3), five (5), or twenty (20) years. The RFP requested a minimum of 100 MW up to a maximum of 300 MW. The RFP specified that all proposed capacity and energy must be delivered into the Florida Power & Light Company’s (FPL’s) transmission system. Proposals were due November 23, 2004.

Qualified bidders included electric utilities, independent power producers (IPPs), qualifying facilities (QFs), exempt wholesale generators, nonutility generators, and electric power marketers who have received certification by the FERC. Bidders unfamiliar to FMPA were required to provide proof of experience. Bidders proposing to develop a power generating project were required to have had in operation for a minimum of one year, at least one power supply project similar to or larger than the one proposed. Bidders proposing to provide power from an existing generating resource or portfolio were required to

1 have successfully provided similar levels of service to at least one electric utility
2 for at least one year.

3

4 **Q. Please describe the responses to the RFP.**

5 A. On November 23, 2004, FMPA received bids from three bidders which for
6 confidentiality purposes are identified as Bidders A, B, and C. Bidder A
7 provided proposals for 300 MW for 5 and 20 year contract terms from a 2x1
8 combined cycle unit to be constructed. Bidder B provided a proposal for
9 300 MW for 20 years from three simple cycle combustion turbines to be
10 constructed. Bidder C provided two proposals for purchase power from a
11 311 MW 1x1 combined cycle unit and a 635 MW 2x1 combined cycle unit, both
12 for 20 years. Detailed descriptions of the proposals are provided in Appendix D
13 to the Need for Power Application.

14

15 **Q. Please summarize the Proposal Evaluation Process?**

16 A. The first step in the evaluation process included a determination of whether the
17 proposals met the requirements of the RFP. We then evaluated non-price factors
18 associated with each proposal as compared to the self-build option. Finally, a
19 detailed system cost analysis was performed to determine the most cost-effective
20 alternative. The system cost analysis is discussed in the pre-filed testimony of
21 Myron R. Rollins.

22

1 **Q. Did all of the proposals meet the requirements of the RFP?**

2 A. No. None of the bidders meet all the requirements of the RFP. Bidder A
3 specified firm natural gas transportation allotments that would not allow the unit
4 to operate as a base or intermediate generating unit as required by the RFP.
5 Bidder B offered three simple cycle combustion turbines which were not
6 considered an appropriate replacement alternative to the self-build Combined
7 Cycle unit. In addition, Bidder B proposed to use combustion turbine
8 technology that is unproven and, therefore, poses an increased risk to FMPA's
9 ability to reliably meet the ARP's load requirements. Both of Bidder C's
10 projects proposed a commercial operation date of January 1, 2009, which does
11 not meet FMPA's need for power in summer 2008 and is not compliant with the
12 RFP-required operation date of no later than May 1, 2008. In addition, one of
13 Bidder C's proposals was for more capacity than the maximum specified by the
14 RFP. Despite these bids not being compliant with the RFP requirements, all
15 proposals were evaluated for non-price factors and detailed system cost.

16

17 **Q. What non-price criteria did FMPA use in the evaluation process?**

18 A. The RFP identified the following non-price criteria important to FMPA:

- 19 • **Components of Power Cost:** Refers to pricing structure.
- 20 • **Contract Flexibility:** FMPA prefers flexible contracts, particularly the
21 ability to increase/decrease the capacity amount and term.
- 22 • **Dispatchability:** FMPA prefers contracts which would allow FMPA to
23 dispatch resources off line during periods which FMPA deems
24 economical to do so.

- 1 • **Fuel Risk:** FMPA prefers proposals that have firm fuel supply
2 contracts; multiple suppliers are also preferred.
- 3 • **Firm Supply:** The proposals will be evaluated on the availability of
4 generating resources, arrangements for firming or reserved capacity, and
5 penalties for nonperformance.
- 6 • **Transmission:** FMPA prefers generating resources that require a
7 minimum number of intermediate transmission systems. Delivery to
8 FPL or PEF networks will be given greater consideration, i.e., the
9 resource has the capability to be delivered to either network.
- 10 • **Technology:** Proposals utilizing commercially proven technologies are
11 preferred.
- 12 • **Environmental Effects:** FMPA prefers those proposals which minimize
13 potentially adverse environmental impacts.

14 In addition, other non-price criteria have significant importance to FMPA
15 including, but not limited to, counterparty risk, regulatory risk, cost stability
16 risk, credit risk, and construction schedule risk. Appendix D to the Need for
17 Power Application highlights the non-price aspects of each proposal and
18 includes a table outlining the degree to which each proposal meets the non-price
19 criteria.

20

21 **Q. Please summarize the results of FMPA’s evaluation of non-price criteria.**

22 A. The self-build option compares favorably to the RFP proposals with respect to
23 components of power cost, contract flexibility, dispatchability, transmission

1 technology, environmental effects, counterparty risks, credit risk, and
2 construction schedule risk.

3

4 **Q. Does this conclude your pre-filed testimony?**

5 A. Yes.