

ORIGINAL

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May 15, 2006

VIA HAND DELIVERY

Blanca S. Bayó, Director Division of the Commission Clerk & Administrative Services Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850

Re: Docket No.: 060220-EC

Dear Ms. Bayó:

RECEIVED-FPSC 06 MAY 15 PM 3:19 COMMISSION CLERK

Enclosed for filing are the original and fifteen (15) copies of the Prehearing Statement of Seminole Electric Cooperative, Inc., together with a diskette containing the electronic version of same. The enclosed diskette is HD density, the operating system is Windows XP, and the word processing software in which the document appears is Word 2000.

If there are any questions regarding this transmittal, please contact me at 222.2300.

- CMP GCL OPC RCA SCR SGA SEC OTH

Very truly yours,

SQUIRE, SANDERS & DEMPSEY L.L.P.

Charles A. Guyton (signature)

Charles A. Guyton Partner

CAG:gcm Enclosure Copy to: Martha Carter Brown, Esq.

TALLAHASSEE/55333.1

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for determination of Need for )  
Seminole Generating Station Unit 3 electrical )  
power plant in Putnam County, by Seminole )  
Electric Cooperative, Inc. )  
\_\_\_\_\_ )

Docket No. 060220-EC

Date: May 15, 2006

PREHEARING STATEMENT OF  
SEMINOLE ELECTRIC COOPERATIVE, INC.

Seminole Electric Cooperative, Inc. ("Seminole"), pursuant to the Order Establishing Procedure, Order No. PSC-06-0247-PCO-EC, hereby files with the Florida Public Service Commission ("Commission") its Prehearing Statement in Docket No. 060220-EC and states:

**A. All Known Witnesses**

Seminole has identified seven witnesses for whom testimony has been prefiled:

<b>Witness</b>	<b>Subject Matter</b>
Timothy S. Woodbury	Describes Seminole and its Members, provides an overview of Seminole's case, introduces Seminole's witnesses and Need Study and addresses adverse consequences if an affirmative determination of need is not granted
Mike Opalinski	Describes Seminole Generating Station Unit 3 ("SGS Unit 3") and addresses Seminole's experience in the construction and operation of pulverized coal units
Richard Klover	Provides a detailed description of SGS Unit 3, presents feasibility studies and a technology assessment prepared by Burns & McDonnell and addresses the experience of Burns & McDonnell

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Wm. Jack Reid	Presents the fuel supply and transportation plans for SGS Unit 3 and the fuel forecasts used in the analyses of options considered by Seminole
William (Bill) Lawton	Presents the Member load forecasts used in the selection of SGS Unit 3 and addresses why there is not sufficient conservation and DSM available to avoid SGS Unit 3
Trudy Novak	Addresses Seminole's experience in capacity solicitations, the RFP conducted to address Seminole's Members 2009/2012 base load capacity need, the bids received, the screening of bids and other purchased power options considered by Seminole
Lane Mahaffey	Addresses Seminole's power supply planning process, the reliability and need assessment performed to identify Seminole's 2012 base load capacity need, Seminole's economic evaluation of self-built and purchased power options, the risk assessment performed for Seminole, why SGS Unit 3 is the best, most cost-effective option to meet reliability and economic needs of Seminole and its Members and the adverse consequences if SGS Unit 3 is not granted an affirmative determination of need

**B. All Known Exhibits**

Seminole has identified and prefiled the following exhibits:

<b>Exhibit</b>	<b>Witness</b>	<b>Description</b>
Exhibit No. __	Woodbury, Reid, Opalinski, Novak, Klover, Lawton, Mahaffey	Need Study and Appendices
Exhibit TSW-1	Woodbury	Seminole's Member Distribution Cooperatives
Exhibit TSW-2	Woodbury	Seminole's 2006 Capacity Resources
Exhibit TSW-3	Woodbury	Seminole's Power Purchase Contracts With Renewable Resources
Exhibit TSW-4	Woodbury	Seminole's Power Purchase Contracts
Exhibit TSW-5	Woodbury	Seminole Interconnections
Exhibit TSW-6	Woodbury	Seminole's Reliance Upon Natural Gas Generation

<b>Exhibit</b>	<b>Witness</b>	<b>Description</b>
Exhibit MPO-1	Opalinski	Site Location Map – Putnam County
Exhibit MPO-2	Opalinski	Site Arrangement with SGS Unit 3
Exhibit MPO-3	Opalinski	SGS Unit 3 Project Capital Cost Components
Exhibit RAK-1	Klover	Summary of Richard Klover’s Experience
Exhibit RAK-2	Klover	Summary of Burns & McDonnell Steam Electric Power Station Experience
Exhibit RAK-3	Klover	Seminole Generating Station 650 MW Solid Fuel Fired Unit Feasibility Study, dated August 2004
Exhibit RAK-4	Klover	Seminole Generating Station 750 MW (Net) Solid Fuel Fired Unit Feasibility Study, dated February 2005
Exhibit RAK-5	Klover	Seminole Generating Station Technology Assessment Study
Exhibit RAK-6	Klover	SGS Unit 3 Steam Cycle
Exhibit RAK-7	Klover	SGS Unit 3 Fact Sheet
Exhibit RAK-8	Klover	SGS Unit 3 Expected Construction Schedule
Exhibit WJR-1	Reid	August 2003 Fuel Price Forecast
Exhibit WJR-2	Reid	April 2004 Fuel Price Forecast
Exhibit WJR-3	Reid	December 2004 Fuel Price Forecast
Exhibit WJR-4	Reid	August 2005 Fuel Price Forecast
Exhibit WJR-5	Reid	June 2005 Global Insights Report
Exhibit WJR-6,	Reid	July 2005 Pace Global Energy Services Report
Exhibit WTL-1	Lawton	Seminole’s Member Distribution Cooperatives
Exhibit WTL-2	Lawton	Seminole Electric History and Forecast Annual Energy (GWH), Winter Peak Demand (MW) and Summer Peak Demand (MW)
Exhibit TSN-1	Novak	Seminole Electric Cooperative, Inc. History of Seminole’s Formal Request for Proposals
Exhibit TSN-2	Novak	Seminole Electric Cooperative, Inc. April 2004 Request for Proposals Direct Contact List
Exhibit TSN-3	Novak	Seminole Electric Cooperative, Inc. April 2004 Request for Proposals Summary Responses
Exhibit LTM-1	Mahaffey	Seminole’s Capacity Need Without SGS Unit 3
Exhibit LTM-2	Mahaffey	Seminole Power Supply Resource Requirements
Exhibit LTM-3	Mahaffey	Summary of Bus Bar Costs
Exhibit LTM-4	Mahaffey	Present Worth Revenue Requirements Results
Exhibit LTM-5	Mahaffey	Cumulative and Annual PWRR Results

### **C. Basic Position**

Seminole, a not for profit generation and transmission cooperative organized to serve its Member cooperatives, requests an affirmative determination of need for SGS Unit 3, a 750 MW supercritical pulverized coal generating unit to be located at the Seminole Generating Station. SGS Unit 3 will be designed to burn bituminous coal as well as a mix of coal and up to 30% petroleum coke and to employ state of the art air emission controls. SGS Unit 3 has an estimated cost of approximately \$1.4 billion and is scheduled for commercial operation in May 2012.

Seminole has undertaken a rigorous process to determine the most cost-effective means of meeting its capacity needs. Seminole and its Members need over 1,200 MW to meet their reliability criteria in 2012, and 750 MW should be base load. Seminole, its Member and their member/consumers need SGS Unit 3 to maintain system reliability and integrity, to provide adequate electricity at a reasonable cost and to avoid an undue reliance upon natural gas.

Seminole has considered a wide variety of alternatives to SGS Unit 3, including market alternatives identified in an open and fair capacity solicitation. There is not sufficient conservation and DSM available to Seminole and its Members to avoid the need for SGS Unit 3. Seminole's extensive analyses show that SGS Unit 3 is the most cost-effective means for Seminole, its Members and their member/consumers to meet their base load needs in 2012.

Seminole has met each of the standards under Section 403.519, Florida Statutes for an affirmative determination of need. In addition, Seminole has proven serious adverse consequences to Seminole, its Members and their member/consumers and the communities they serve if an affirmative determination of need for SGS Unit 3 is not granted. Therefore, an affirmative determination of need for SGS Unit 3 is warranted.

#### **D. Statement of Issues and Positions**

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

**Seminole:** Yes. Seminole needs over 1,200 MW of additional capacity in 2012 to meet its reliability criteria, and at least 750 MW need to be base load. Absent the addition of SGS Unit 3, Seminole will fail to meet its 15% reserve margin criterion, and its Members and their member/consumers will be faced with an unacceptably high risk of service interruptions. (Mahaffey, Lawton, Woodbury.)

##### **ISSUE 2: Is there a need for SGS 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?**

**Seminole:** Yes. Seminole's analyses show that at least 750 MW of Seminole's over 1,200 MW capacity need in 2012 needs to be base load for reasons of economics. SGS Unit 3 is the most cost-effective alternative available to Seminole and its Members to meet their base load capacity need. If SGS Unit 3 is not constructed, Seminole's Members and their member/consumers will face significantly higher costs of approximately \$500 million and greater price uncertainty. (Mahaffey, Lawton, Woodbury.)

##### **ISSUE 3: Is there a need for SGS Unit 3, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519, Florida Statutes?<sup>1</sup>**

**Seminole:** Yes. SGS Unit 3 is a coal unit that allows Seminole to avoid an undue reliance upon natural gas generation. Seminole currently generates approximately 37% of its energy with natural gas. Without SGS Unit 3 natural gas generation on Seminole's system in 2013 would increase to 52%, but with SGS Unit 3, natural gas generation on Seminole's system would be only 29%. By avoiding an undue reliance upon natural gas generation, Seminole maintains a fuel mix which is diverse, reduces Seminole's vulnerability to the historical price uncertainty of natural gas, and limits Seminole's exposure to reliability issues related to natural gas. The addition of SGS Unit 3 would also reduce the State of Florida's reliance upon natural gas generation and improve its fuel diversity. (Woodbury, Mahaffey)

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

**Seminole:** Yes. SGS Unit 3 is the most cost-effective alternative available to Seminole, its Members and their member/consumers to meet their base load capacity needs,

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<sup>1</sup> Section 403.519, Florida Statutes, has been amended by the Legislature to include this new criterion, but the Law has not yet been signed by the Governor. It is likely to become effective before the hearing. So, Seminole has raised this as an issue, recognizing that it may need to be deleted.

both reliability and economic, in 2012. Seminole's comprehensive evaluation of alternatives shows that SGS Unit 3 is more cost-effective than market based and self-build alternatives, saving almost \$500 million relative to an all gas alternative. (Mahaffey, Novak, Reid, Lawton, Woodbury, Opalinski, Klover)

**ISSUE 5: Are there any conservation measures taken by or reasonably available to Seminole Electric Cooperative, Inc. which might mitigate the need for the proposed power plant?**

**Seminole:** No. Seminole does not have the opportunity to offer conservation or DSM programs directly to retail customers, and Seminole and its members do not have Commission-approved goals and plans pursuant to FEECA; however, Seminole's Members do offer conservation and DSM programs to their member/consumers, and the historic effect of those programs is captured in the load forecast. Even after consideration of such conservation and DSM efforts, Seminole has a capacity need of over 1,200 MW in 2012. It is readily apparent there is not sufficient DSM and conservation available to avoid the need for SGS Unit 3. (Lawton, Woodbury)

**ISSUE 6: Based on the resolution of the foregoing issues, should the Commission grant Seminole Electric Cooperative, Inc.'s petition to determine the need for the proposed Seminole Generating Station Unit 3?**

**Seminole:** Yes. Seminole has satisfied each of the statutory criteria for a determination of need, and Seminole, its members and their member/consumers would suffer significant adverse consequences if such a determination were not granted.

**ISSUE 7: Should this docket be closed?**

**Seminole:** Yes.

**E. Stipulated Issues**

No issues have been stipulated, although Seminole is hopeful that Staff will ultimately take a position consistent with those of Seminole.

**F. Pending Motions And Other Matters Upon Which Action Is Sought**

There are no pending motions, and the only matter pending upon which action is sought is Seminole's Petition.

**G. Pending Requests Or Claims For Confidentiality**

There are no pending requests for confidentiality.

**H. Objections To Witness Qualifications**

Seminole has no objections to the qualifications of any witnesses who have prefiled testimony.

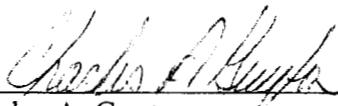
**I. Requirements Of Order Establishing Procedure**

Seminole believes it has met all the requirements of the Order Establishing Procedure but reserves the opportunity to comply in the event it is determined that Seminole has not met such requirements.

Respectfully submitted,

Squire, Sanders & Dempsey LLP  
215 S. Monroe St., Suite 601  
Tallahassee, FL 32301-1804

Attorneys for Seminole Electric Cooperative, Inc.

By:   
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Charles A. Guyton  
Fla. Bar No. 0398039

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing Prehearing Statement of Seminole Electric Cooperative, Inc. has been served by hand delivery on this 15th day of May, 2006, on the following:

Martha Carter Brown, Esq.  
Staff Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

  
\_\_\_\_\_  
Charles A. Guyton