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ORIGINAL

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Subject: NRDC Preliminary Statement of Issues and Positions - Docket number: 060635-EU
Attachments: NRDC Statement of Issues and Positions.doc

a. Person responsible for this electronic filing:

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b. Docket number: 060635-EU

Petition for determination of need for Electrical power plant in Taylor County by Florida Municipal Power Agency, JEA, Reedy Creek Improvement District, and City of Tallahassee.

c. The document is being filed on behalf of the Natural Resources Defense Council

d. There are a total of 7 pages in this filing.

e. The document attached is NRDC's Preliminary Statement of Issues and Positions.

Thank you for your attention to this matter.

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DOCUMENT NUMBER-DATE

10455 NOV 14 06

11/14/2006

FPSC-COMMISSION CI FRK

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November 14, 2006

Blanca Bayo
Director, Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd
Tallahassee, Florida 32399-0850

RE: Docket No. 060635-EU, Petition for determination of need for Electrical power plant in Taylor County by Florida Municipal Power Agency, JEA, Reedy Creek Improvement District, and City of Tallahassee.

Dear Ms. Bayo:

Please find enclosed the Natural Resources Defense Council's Preliminary Statement of Issues and Positions in the above referenced proceeding, consisting of 6 pages. I thank you for your attention to this matter.

Sincerely,

/s/ Patrice L Simms

Patrice L. Simms
Senior Project Attorney
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DOCUMENT NUMBER-DATE

10455 NOV 14 8

FPSC-COMMISSION CLERK

BEFORE THE PUBLIC SERVICE COMMISSION

ORIGINAL

In re: Petition for determination of need for)	
Electrical power plant in Taylor County by)	
Florida Municipal Power Agency, JEA, Reedy)	Docket No. 060635EU
Creek Improvement District, and City of)	
Tallahassee.)	

PRELIMINARY STATEMENT OF ISSUES AND POSITIONS

Petitioner Natural Resources Defense Council, Inc., ("NRDC") hereby files this Preliminary Statement of Issues and Positions in the above-captioned docket.

I. Background

Owners of the proposed TEC project, Jacksonville Electric Authority (JEA), the City of Tallahassee, the Reedy Creek Improvement District (RCID), and the Florida Municipal Power Agency (FMPPA), filed a Petition for a Determination of Need on or about September 19, 2006. By Order dated October 4, 2006 FPSC established procedures for the above captioned docket; among other things the Commission required interveners to file testimony and associated exhibits by October 24, 2006. By subsequent Order the FPSC modestly adjusted the deadline for filing of Intervenors' testimony and associate exhibits to November 2, 2006. On November 2, 2006 NRDC filed its Petition to Intervene in this proceeding, along with the preliminary testimony of two witnesses.

II. Preliminary Issues and Positions

Petitioner disputes whether JEA, the City of Tallahassee, FMPPA, or RCID (collectively the “Owners”) have demonstrated the need for a new 765 MW pulverized coal and petroleum coke electric generating plant to be located in Taylor County, Florida. We specifically raise the following disputed issues:¹

1. **Issue:** Whether JEA, the City of Tallahassee, FMPPA, or RCID, independently or collectively, have adequately demonstrated a need for additional generating capacity in the area(s) that will be served by the proposed plant.
 - a. Whether the Owners analysis was sufficient to conclude that there are no reasonably available conservation or DSM measures, which would mitigate the need for the proposed plant.
 - b. Whether the Owners, independently or collectively, have adequately evaluated conservation and DSM opportunities, including identification and evaluation of all possible options.
 - c. Whether the Owners, independently or collectively, have appropriately evaluated conservation and DSC opportunities, including consideration of actual costs to rate payers.

Position 1: Owners have not met their affirmative obligation to demonstrate a need for the proposed additional generating capacity in the area(s) that will be served by the TEC because they have not adequately or appropriately evaluated DSM opportunities.

¹ Petitioner reserves the right to rephrase or reorganize its issues, and to raise additional issues as permitted by FPSC rule, procedural order, or other authority, as they become apparent through the course of investigation and discovery.

2. **Issue:** Whether JEA, the City of Tallahassee, FMPPA, or RCID, independently or collectively, have met their affirmative obligation to demonstrate that the proposed TEC is the most cost-effective and lowest risk alternative to provide needed capacity in each area that will be served by the proposed plant.
- a. Whether the regulation of CO₂ is sufficiently likely to warrant formal consideration in the needs determination for the TEC.
 - b. Whether the Owners' assessment of the proposed plant as the most cost-effective alternative adequately and appropriately accounts for the cost of complying with future CO₂ regulation, including whether the application adequately discusses and evaluates potential CO₂ cost and identifies an appropriate range of likely CO₂ costs.
 - c. Whether the failure to formally and adequately consider CO₂ in connection with the needs determination for the TEC is a breach of the Owners' obligations and of the obligation of the FPSC to protect the interests of Florida's electricity consumers.

Position 2: The future regulation of CO₂ is sufficiently certain that in order to protect consumers the FPSC should require formal consideration of CO₂ costs in connection with any need determination for a coal-fired power plant; and because the Owners have not adequately or appropriately accounted for the cost of complying with future CO₂ regulation, they have not adequately demonstrated that the proposed plant is the most

cost-effective and lowest-risk alternative to provide needed capacity in each area that will be served by the proposed plant.

3. **Issue:** Whether Owners adequately and appropriately valued conservation and DSM in connection with assessing the need for and appropriateness of a new 765 MW coal-fired electric generating plant, including whether Owners appropriately identified the relative benefits of conservation and DSM in light of all the costs and risks associated with construction of a pulverized coal plant (including costs related to complying with future CO₂ regulations).

Position 3: Owners have undervalued the relative benefits of conservation and DSM.

4. **Issue:** Whether the Owners adequately and appropriately considered alternative new capacity options such as renewable energy sources, natural gas, and IGCC.

Position 4: Owners have not adequately or appropriately considered alternative new-capacity options, including for example IGCC, especially in light of likely CO₂ costs associated with coal-fired power production.

III. Conclusion

The analysis that the Owners offer in support of the request for a determination of need does not fully evaluate important alternatives (such as conservation, DSM and IGCC), does not adequately assess the full range of costs that will affect this plant over

its life, and does not analyze important risks associated with the operation of a new coal-fired power plant. Each of these elements is necessary to protect the interests of affected consumers as required by Florida law. The FPSC must closely scrutinize the TEC proposal, including cost projections, evaluation of alternatives, evaluation of risks (including consideration of carbon-related costs), and the conclusion that new capacity totaling 765 MW is needed, collectively and independently, in the areas to be served by the proposed source. The FPSC must require additional analysis where any of these evaluations are found lacking, and should decline to certify the need for the proposed facility if the application does not fully and affirmatively demonstrate that the proposed plant is needed and is the best available alternative.

DATED THIS 14th DAY OF NOVEMBER,
2006.

Respectfully submitted,

/s/ Patrice L Simms

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CERTIFICATE OF SERVICE

I certify that a copy of this PRELIMINARY STATEMENT OF ISSUES AND POSITIONS in Docket No. 060635-EU was provided this 14th day of November, 2006, by electronic service and by regular mail to each party listed below:

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