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 Subject: Docket 060635-EU

ORIGINAL

Attachments: Docket 060635 - Applicants' Prehearing Statement.DOC

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Docket  
 060635 - Applicants'  
 Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 060635-EU

In re: Petition To Determine Need For an Electrical Power Plant in Taylor County

c. Document being filed on behalf of Florida Municipal Power Agency, JEA, Reedy Creek Improvement District and City of Tallahassee

d. There are a total of 22 pages.

e. The document attached for electronic filing is Prehearing Statement of Florida Municipal Power Agency, JEA, Reedy Creek Improvement District and City of Tallahassee

Thank you for your cooperation.

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DOCUMENT NUMBER- DATE  
 11261 DEC-8 06  
 FPSC-COMMISSION CLERK

BEFORE THE PUBLIC SERVICE COMMISSION

In re: 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.

DOCKET NO. 060635-EU

FILED: December 8, 2006

**PREHEARING STATEMENT OF FLORIDA MUNICIPAL POWER AGENCY, JEA, REEDY CREEK IMPROVEMENT DISTRICT AND CITY OF TALLAHASSEE**

Pursuant to the requirements of the Order Establishing Procedure (Order No. PSC-06-0819-PCO-EU), Florida Municipal Power Agency (FMPA), JEA, Reedy Creek Improvement District (RCID) and City of Tallahassee (collectively, the "Applicants") hereby submit their Prehearing Statement.

A. **Known Witnesses** - The Applicants intend to offer the testimony of:

| <u>Witness</u>  | <u>Proffered By</u> | <u>Subject Matter</u>  |
|-----------------|---------------------|--|
| <u>Direct</u>   |                     |  |
| Paul Arsuaga    | Applicants          | Request for Power Supply Proposals (RFP); description and evaluation of proposals received.  |
| Theodore Breton | Applicants          | Natural gas and fuel oil price projections.  |
| Gary Brinkworth | Applicants          | Description of Tallahassee's generating system, load forecast and projected capacity requirements; summary of Tallahassee's DSM & conservation programs; strategic considerations that support Tallahassee's participation in TEC; Tallahassee's ability to finance its share of TEC; and overview of TEC transmission interconnections. |
| Steven Fetter   | Applicants          | Benefits of fuel diversity.  |

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FPSC-COMMISSION CLERK

PREHEARING STATEMENT OF FLORIDA MUNICIPAL  
POWER AGENCY, REEDY CREEK IMPROVEMENT  
DISTRICT, AND CITY OF TALLAHASSEE  
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| <u>Witness</u>       | <u>Proffered By</u> | <u>Subject Matter</u>   |
|----------------------|---------------------|---|
| Don Gilbert          | Applicants          | Description of JEA's generating system, purchase power resources, load forecast and projected capacity requirements; strategic considerations that support JEA's participation in TEC; and JEA's ability to finance its share of TEC.   |
| Nicholas Guarriello  | Applicants          | Description of RCID and its generating system, purchase power resources, load forecast and projected capacity requirements; DSM and conservation programs, strategic considerations that support RCID's participation in TEC; and RCID's ability to finance its share of TEC.   |
| James Heller         | Applicants          | Forecasted rail rates.  |
| Paul Hoornaert       | Applicants          | Technical aspects of TEC; projected capital & O&M costs; plant performance, availability and schedule; advanced technology features incorporated in TEC design.   |
| Christopher Klausner | Applicants          | Conventional and emerging supply-side alternatives; supply-side alternatives considered in the economic analyses.   |
| Bradley Kushner      | Applicants          | Economic analyses of supply-side resources performed individually for FMPA, JEA, RCID and Tallahassee; evaluation of DSM measures for each Applicant.   |
| Michael Lawson       | Applicants          | Proposed ownership structure of TEC and decision not to pursue the bids received in response to the RFP.  |
| William May          | Applicants          | Description of FMPA and its All-Requirements Project (ARP); FMPA's existing generation system and available purchase power resources; FMPA's expected need for capacity; overview of DSM programs offered by FMPA members; strategic considerations that support FMPA's participation in TEC; and FMPA's ability to finance its share of TEC. |
| Jim Myers            | Applicants          | Description of TEC fuels; TEC's fuel procurement and delivery strategy; forecast of delivered prices for various grades of coal from numerous coal producing regions, petroleum coke (petcoke), natural gas, and fuel oil (No. 2 distillate and No. 6 residual).  |

PREHEARING STATEMENT OF FLORIDA MUNICIPAL  
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| <u>Witness</u>       | <u>Proffered By</u> | <u>Subject Matter</u>   |
|----------------------|---------------------|---|
| Peter Norfolk        | Applicants          | Projections of dry bulk carrier freight rates for coal imports into Florida.  |
| Jonathan Nunes       | Applicants          | Forecast of electrical power demand and energy consumption for FMPA's ARP.  |
| Ryan Pletka          | Applicants          | Renewable technologies evaluated as supply-side alternatives; advanced technologies, energy storage technologies, and distributed technologies considered in evaluation.  |
| Matthew Preston      | Applicants          | Commodity fuel price and emission allowance price projections.  |
| Myron Rollins        | Applicants          | Overview of the TEC Need for Power Application, Exhibit __ (TEC-1); economic parameters used to evaluate alternatives available to meet the capacity needs of the Applicants; environmental considerations included in the analysis of TEC; screening analyses for all supply-side alternatives; consistency with Peninsular Florida's capacity and reliability needs; consequences of delay. |
| <u>Rebuttal</u>      |                     |   |
| Paul Hoornaert       | Applicants          | Rebuttal of Smith regarding: TEC capital cost estimates; increasing construction costs for coal-fired power plants.   |
| Christopher Klausner | Applicants          | Rebuttal of Smith regarding capital cost estimates and increasing construction costs for coal-fired power plants and other alternatives.  |
| Bradley Kushner      | Applicants          | Rebuttal of Smith, Bryk, Powell and Deevy regarding: cost-effectiveness of TEC in light of increasing construction costs; evaluation of DSM, biomass and IGCC; Tallahassee's contract with BG&E; Tallahassee's evaluation of reduced share of TEC.  |
| Michael Lawson       | Applicants          | Rebuttal of Smith regarding investigation of DOE funding for IGCC and other coal technologies.  |



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| <u>Witness</u>       | <u>Proffered By</u> | <u>I.D. No.</u>                        | <u>Description</u>  |
|----------------------|---------------------|--|---|
|                      |                     | <u>                    </u><br>(TEC-1) | Sections A.3.3.7, E.1.0, E.2.0, E.3.0, E.4.0, E.7.1, E.8.0, and E.10                        |
| Steven Fetter        | Applicants          | <u>                    </u><br>(SMF-1) | Resumé of Steven Fetter   |
| Don Gilbert          | Applicants          | <u>                    </u><br>(DG-1)  | Resumé of Don Gilbert   |
|                      |                     | <u>                    </u><br>(TEC-1) | Sections C.1 through C.4, C.7.1, C.8, and C.10  |
| Nicholas Guarriello  | Applicants          | <u>                    </u><br>(TEC-1) | Sections D.1.0, D.2.0, D.3.0, D.4.0, D.7.0, D.8.0, and D.10.0                               |
| James Heller         | Applicants          | <u>                    </u><br>(JH-1)  | Resumé of James Heller  |
|                      |                     | <u>                    </u><br>(JH-2)  | Rail Rate Forecasts for Proposed New Plant Site Near Perry, FL (Constant 2005 \$/Short Ton) |
|                      |                     | <u>                    </u><br>(TEC-1) | Section A.4.6.6   |
| Paul Hoornaert       | Applicants          | <u>                    </u><br>(PH-1)  | Resumé of Paul Hoornaert  |
|                      |                     | <u>                    </u><br>(TEC-1) | Sections A.3.2, A.3.3 through A.3.3.6, A.3.3.8, A.3.5, A.3.6, A.3.7, A.3.8, and A.3.9       |
|                      |                     | <u>                    </u><br>(PH-1R) | Updated Capital Cost Summary  |
| Christopher Klausner | Applicants          | <u>                    </u><br>(CK-1)  | Resumé of Christopher Klausner  |
|                      |                     | <u>                    </u><br>(CK-2)  | “Generating Unit Alternatives for Selected Sites”   |



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| <u>Witness</u> | <u>Proffered By</u>                               | <u>I.D. No.</u> | <u>Description</u>   |
|----------------|---|-----------------|--|
| Jim Myers      | Applicants  | _____           | Resumé of Jim Myers  |
|                |   | (JM-1)          |  |
|                |   | _____           | Delivered Fuel Price Forecast for the Base Case  |
|                |   | (JM-2)          |  |
|                |   | _____           | Delivered Fuel Price Forecast for the High Sensitivity Case  |
|                |   | (JM-3)          |  |
| Peter Norfolk  | Applicants  | _____           | Resumé of Peter Andrew Norfolk   |
|                |   | (PN-1)          |  |
|                |   | _____           | Dry Bulk Carrier Freight Projections for Coal Imports into Florida (Constant 2005 US \$/Short Ton) |
|                |   | (PN-2)          |  |
|                |   | _____           | Section A.4.6.7  |
|                |   | (TEC-1)         |  |
| Jonathan Nunes | Applicants  | _____           | Resumé of Jonathan Nunes   |
|                |   | (JPN-1)         |  |
| Ryan Pletka    | Applicants  | _____           | Section B.3.0  |
|                |   | (TEC-1)         |  |
|                |   | _____           | Resumé of Ryan J. Pletka   |
| (RJP-1)        |   |                 |  |
| _____          | Sections A.6.1, A.6.3, A.6.4, and A.6.5           |                 |  |
| (TEC-1)        |   |                 |  |
| _____          | Biomass Unit Size by Year of Commercial Operation |                 |  |
| (RJP-1R)       |   |                 |  |



**C. Statement of Basic Position –**

**Applicants:** The Commission should grant the petition for determination of need for the Taylor Energy Center (TEC). TEC is needed to satisfy each Applicant's forecast capacity requirements and to maintain their respective reserve margins. TEC is the most cost-effective option to meet the Applicants' capacity needs. As a cost-effective and reliable resource, TEC will provide adequate electricity at a reasonable cost. There are no conservation measures taken by or reasonably available to the Applicants which would mitigate the need for the proposed plant. Fuel diversity and supply reliability also will be increased through the capability to utilize fuel sourced from multiple international and domestic supply regions. The use of demonstrated supercritical pulverized coal technology will also increase reliability. As such, TEC meets all of the pertinent statutory criteria and, therefore, should be approved. (All Applicant Witnesses)

**D.-F. Issues and Positions**

The Applicants' positions on the issues identified in this proceeding are as follows:

**ISSUES INCLUDED IN STAFF'S PRELIMINARY  
CONSOLIDATED LIST OF ISSUES**

**ISSUE 1:** Is there a need for the proposed Taylor Energy Center (TEC) generating unit, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** Yes. TEC is needed to satisfy each Applicant's forecast capacity requirements and to maintain their respective reserve margins. Fuel diversity and supply reliability also will be increased through the capability to utilize fuel sourced from multiple international and domestic supply regions. The use of demonstrated supercritical pulverized coal technology will also increase reliability. (Witnesses Brinkworth, Fetter, Gilbert, Guarriello, Hoomaert, May, Myers, Nunes, Preston, and Rollins)

**ISSUE 1A:** Is there a need for the proposed TEC generating unit, taking into account the need for electric system reliability and integrity with regard to JEA, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** This issue is subsumed within Issue 1 above and should not be listed separately. In any event, the answer to this issue is "Yes." JEA's projections indicate that

JEA's capacity will fall below its required 15 percent reserve margin during the winter of 2011/12. At that time, JEA's reserve margin is projected to fall to 13.0 percent or 67 MW short of the 15 percent required reserve margin. The deficit continues to increase in the winter of 2012/13, when the margin is projected to be 9.7 percent or 182 MW short of the 15 percent required reserve margin. TEC will provide generating capacity to satisfy JEA's capacity shortfall. (Witnesses Fetter, Gilbert, Hoornaert, Myers, Preston, and Rollins)

**ISSUE 1B:** Is there a need for the proposed TEC generating unit, taking into account the need for electric system reliability and integrity with regard to FMPA, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** This issue is subsumed within Issue 1 above and should not be listed separately. In any event, the answer to this issue is "Yes." In the summer of 2011, FMPA's reserve margin is projected to decrease to 13.9 percent, or 59 MW below the required capacity, with an additional 230 MW needed to maintain an 18 percent reserve margin by the summer season of 2012. TEC will provide generating capacity to satisfy FMPA's capacity shortfall. (Witnesses Fetter, Hoornaert, May, Myers, Nunes, Preston, and Rollins)

**ISSUE 1C:** Is there a need for the proposed TEC generating unit, taking into account the need for electric system reliability and integrity with regard to the City of Tallahassee, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** This issue is subsumed within Issue 1 above and should not be listed separately. In any event, the answer to this issue is "Yes." The City is expected to encounter a capacity shortfall in the summer of 2011, at which time approximately 22 MW of additional capacity will be required. The need for additional summer capacity increases to approximately 294 MW by 2025. TEC will provide generating capacity to satisfy the City's capacity shortfall. (Witnesses Brinkworth, Fetter, Hoornaert, Myers, Preston, and Rollins)

**ISSUE 1D:** Is there a need for the proposed TEC generating unit, taking into account the need for electric system reliability and integrity with regard to RCID, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** This issue is subsumed within Issue 1 above and should not be listed separately. In any event, the answer to this issue is "Yes." RCID is expected to encounter a capacity shortfall in 2011, at which time approximately 134 MW of additional capacity will be required to maintain a 15 percent reserve margin. By 2025,

RCID's need for additional capacity increases to approximately 185 MW. TEC will provide some, but not all, of the additional generating capacity needed to satisfy RCID's capacity shortfall. (Witnesses Fetter,, Guarriello, Hoornaert, Myers, Preston, and Rollins)

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

**Applicants:** Yes. TEC was identified as the most cost-effective unit addition available to each of the Applicants. Comprehensive economic analyses have been performed for each Applicant, including numerous sensitivity analyses. TEC was identified as the most cost-effective alternative for each Applicant. (Witnesses Brinkworth, Fetter, Gilbert, Guarriello, Heller, Hoornaert, Kushner, Lawson, May, Myers, Norfolk, Pletka, Preston, and Rollins)

**ISSUE 2A:** **Is there a need for the proposed TEC generating unit, taking into account the need for adequate electricity at a reasonable cost for JEA, as this criterion is used in Section 403.519, Florida Statutes?**

**Applicants:** This issue is subsumed within Issue 2 above and should not be listed separately. In any event, the answer to this issue is "Yes" for the reasons discussed in response to Issue 2. (Witnesses Brinkworth, Gilbert, Fetter, Heller, Hoornaert, Kushner, Lawson, Myers, Norfolk, Pletka, Preston, and Rollins)

**ISSUE 2B:** **Is there a need for the proposed TEC generating unit, taking into account the need for adequate electricity at a reasonable cost for FMPA, as this criterion is used in Section 403.519, Florida Statutes?**

**Applicants:** This issue is subsumed within Issue 2 above and should not be listed separately. In any event, the answer to this issue is "Yes" for the reasons discussed in response to Issue 2. (Witnesses Brinkworth, Fetter, Heller, Hoornaert, Kushner, Lawson, May, Myers, Norfolk, Pletka, Preston, and Rollins)

**ISSUE 2C:** **Is there a need for the proposed TEC generating unit, taking into account the need for adequate electricity at a reasonable cost for the City of Tallahassee, as this criterion is used in Section 403.519, Florida Statutes?**

**Applicants:** This issue is subsumed within Issue 2 above and should not be listed separately. In any event, the answer to this issue is “Yes” for the reasons discussed in response to Issue 2. (Witnesses Brinkworth, Fetter, Heller, Hoornaert, Kushner, Lawson, Myers, Norfolk, Pletka, Preston, and Rollins)

**ISSUE 2D:** Is there a need for the proposed TEC generating unit, taking into account the need for adequate electricity at a reasonable cost for RCID, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** This issue is subsumed within Issue 2 above and should not be listed separately. In any event, the answer to this issue is “Yes” for the reasons discussed in response to Issue 2. (Witnesses Brinkworth, Fetter, Guarriello, Heller, Hoornaert, Kushner, Lawson, Myers, Norfolk, Pletka, Preston, and Rollins)

**ISSUE 3:** Is there a need for the proposed TEC generating unit, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** Yes. TEC will increase fuel diversity and supply reliability for each Applicant and the State of Florida as a whole. TEC will be capable of utilizing fuel sourced from multiple international and domestic supply regions with multiple transportation alternatives. (Witnesses Brinkworth, Fetter, Gilbert, Guarriello, Heller, Hoornaert, May, Myers, Norfolk, Preston, and Rollins)

**ISSUE 3A:** Is there a need for the proposed TEC generating unit, taking into account the need for fuel diversity and supply reliability on JEA’s system, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** This issue is subsumed within Issue 3 above and should not be listed separately. In any event, the answer to this issue is “Yes” for the reasons discussed in response to Issue 3. (Witnesses Fetter, Gilbert, Heller, Hoornaert, Myers, Norfolk, Preston, and Rollins)

**ISSUE 3B:** Is there a need for the proposed TEC generating unit, taking into account the need for fuel diversity and supply reliability on FMPA’s system, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** This issue is subsumed within Issue 3 above and should not be listed separately. In any event, the answer to this issue is “Yes” for the reasons discussed in

response to Issue 3. (Witnesses Fetter, Heller, Hoornaert, May, Myers, Norfolk, Preston, and Rollins)

**ISSUE 3C:** Is there a need for the proposed TEC generating unit, taking into account the need for fuel diversity and supply reliability on the City of Tallahassee's system, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** This issue is subsumed within Issue 3 above and should not be listed separately. In any event, the answer to this issue is "Yes" for the reasons discussed in response to Issue 3. (Witnesses Brinkworth, Fetter, Heller, Hoornaert, Myers, Norfolk, Preston, and Rollins)

**ISSUE 3D:** Is there a need for the proposed TEC generating unit, taking into account the need for fuel diversity and supply reliability on RCID's system, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** This issue is subsumed within Issue 3 above and should not be listed separately. In any event, the answer to this issue is "Yes" for the reasons discussed in response to Issue 3. (Witnesses Fetter, Guarriello, Heller, Hoornaert, Myers, Norfolk, Preston, and Rollins)

**ISSUE 4:** Are there any conservation measures taken by or reasonably available to the Florida Municipal Power Agency, JEA, Reedy Creek Improvement District, and City of Tallahassee (Applicants) which might mitigate the need for the proposed TEC generating unit?

**Applicants:** No. The Applicants' analyses of conservation and DSM measures demonstrate that there are no conservation measures taken by or reasonably available to the Applicants which may mitigate the need for TEC. FMPA and JEA used the Commission-approved FIRE model and determined that no conservation or DSM measures were cost-effective. Tallahassee's evaluation was consistent with the methodology used in recent internal evaluations. If Tallahassee's DSM measures result in the assumed capacity reductions, Tallahassee's capacity need for TEC may be delayed until 2016, but such a delay would not affect Tallahassee's economic need for TEC. RCID and its customers continually evaluate and implement opportunities for energy conservation. RCID has assisted and participated in numerous conservation and efficiency programs to meet customer needs, but further energy conservation for RCID is not feasible at this time. (Witnesses Brinkworth, Gilbert, Guarriello, Kushner, May, and Para)

**ISSUE 4A:** Are there any conservation measures taken by or reasonably available to JEA which might mitigate the need for the proposed TEC generating unit?

**Applicants:** This issue is subsumed within Issue 4 above and should not be listed separately. In any event, the answer to this issue is “No” for the reasons discussed in response to Issue 4. (Witnesses Gilbert Kushner, Para)

**ISSUE 4B:** Are there any conservation measures taken by or reasonably available to FMPA which might mitigate the need for the proposed TEC generating unit?

**Applicants:** This issue is subsumed within Issue 4 above and should not be listed separately. In any event, the answer to this issue is “No” for the reasons discussed in response to Issue 4. (Witnesses Kushner and May)

**ISSUE 4C:** Are there any conservation measures taken by or reasonably available to the City of Tallahassee which might mitigate the need for the proposed TEC generating unit?

**Applicants:** This issue is subsumed within Issue 4 above and should not be listed separately. In any event, the answer to this issue is “No” for the reasons discussed in response to Issue 4. (Witnesses Brinkworth, Kushner, and Para)

**ISSUE 4D:** Are there any conservation measures taken by or reasonably available to RCID which might mitigate the need for the proposed TEC generating unit?

**Applicants:** This issue is subsumed within Issue 4 above and should not be listed separately. In any event, the answer to this issue is “No” for the reasons discussed in response to Issue 4. (Witnesses Guarriello and Kushner)

**ISSUE 5:** Does the proposed TEC generating unit include the costs for the environmental controls necessary to meet current state and federal environmental requirements? (Note: Intervenors Whitton, Armstrong, NRDC, and Sierra Club propose adding the phrase, “to meet current and reasonably anticipated state and federal...” to Issue 5.)

**Applicants:** Yes. The proposed TEC generating unit includes the costs for the environmental controls necessary to meet all current state and federal environmental requirements. The additional language proposed for this issue by the intervenors is not appropriate because it is vague and would require speculation as to what state and federal environmental requirements may be imposed in the future. The Commission has previously recognized that it cannot reach findings of fact relating to proposed or possible regulations because such findings of fact require speculation as to what might or might not occur. See Re Gulf Power Company, Docket No. 921155-EI, Order No. PSC-93-1376-FOF-EI (Sep. 20, 1993); Re Gulf Power Company, Docket No. 921155-ET, Order No. PSC-94-0264-FOF-EI (Mar. 8, 1994) (order denying motion for reconsideration). (Witnesses Hoornaert and Rollins)

**ISSUE 6:** **Is the proposed TEC generating unit the most cost-effective alternative available, as this criterion is used in Section 403.519, Florida Statutes?**

**Applicants:** Yes. TEC is the most cost-effective alternative available to the Applicants to satisfy forecast capacity requirements. This determination was made by conducting comprehensive, detailed economic analyses of each Applicant's system considering numerous other potentially available generating and DSM alternatives. TEC is the most cost-effective alternative for each Applicant. (Witnesses Arsuaga, Breton, Brinkworth, Gilbert, Guarriello, Heller, Hoornaert, Klausner, Kushner, Lawson, May, Myers, Norfolk, Pletka, Preston, and Rollins)

**ISSUE 6A:** **Is the proposed TEC generating unit the most cost-effective alternative available for JEA, as this criterion is used in Section 403.519, Florida Statutes?**

**Applicants:** This issue is subsumed within Issue 6 above and should not be listed separately. In any event, the answer to this issue is "Yes" for the reasons discussed in response to Issue 6. (Witnesses Arsuaga, Breton, Brinkworth, Gilbert, Heller, Hoornaert, Klausner, Kushner, Lawson, Myers, Norfolk, Pletka, Preston, and Rollins)

**ISSUE 6B:** **Is the proposed TEC generating unit the most cost-effective alternative available for FMPA, as this criterion is used in Section 403.519, Florida Statutes?**

**Applicants:** This issue is subsumed within Issue 6 above and should not be listed separately. In any event, the answer to this issue is “Yes” for the reasons discussed in response to Issue 6. (Witnesses Arsuaga, Breton, Brinkworth, Heller, Hoornaert, Klausner, Kushner, Lawson, May, Myers, Norfolk, Pletka, Preston, and Rollins)

**ISSUE 6C:** Is the proposed TEC generating unit the most cost-effective alternative available for the City of Tallahassee, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** This issue is subsumed within Issue 6 above and should not be listed separately. In any event, the answer to this issue is “Yes” for the reasons discussed in response to Issue 6. (Witnesses Arsuaga, Breton, Brinkworth, Heller, Hoornaert, Klausner, Kushner, Lawson, Myers, Norfolk, Pletka, Preston, and Rollins)

**ISSUE 6D:** Is the proposed TEC generating unit the most cost-effective alternative available for RCID, as this criterion is used in Section 403.519, Florida Statutes?

**Applicants:** This issue is subsumed within Issue 6 above and should not be listed separately. In any event, the answer to this issue is “Yes” for the reasons discussed in response to Issue 6. (Witnesses Arsuaga, Breton, Brinkworth, Guarriello, Heller, Hoornaert, Klausner, Kushner, Lawson, Myers, Norfolk, Pletka, Preston, and Rollins)

**ISSUE 7:** Based on the resolution of the foregoing issues, should the Commission grant the Applicants’ petition to determine the need for the proposed TEC generating unit?

**Applicants:** Yes. The Commission should grant the petition for determination of need for TEC. TEC provides the Applicants and the Florida electric system reliability and integrity, adequate electricity at a reasonable cost, fuel diversity and supply reliability, and is the most cost-effective alternative available. There also are no conservation measures taken by or reasonably available to the Applicants which mitigate the need for the unit. (All Applicant Witnesses)

**ISSUE 8:** Should this docket be closed?

**Applicants:** Yes. When the Commission has issued its final order in the case and the time for reconsideration has passed, this docket should be closed.

**ADDITIONAL ISSUES PROPOSED BY THE INTERVENORS**

**PROPOSED**

**ISSUE:** Have the Applicants appropriately evaluated the cost of CO<sub>2</sub> emission mitigation costs in their economic analyses?

**Applicants:** Because there currently are no federal, state, or local regulations that impose CO<sub>2</sub> mitigation costs on power plants in Florida, the Commission cannot make any dispositive findings regarding potential CO<sub>2</sub> emission costs. The Commission has previously recognized that it cannot reach findings of fact relating to proposed or possible regulations because such findings of fact require speculation as to what might or might not occur. See Re Gulf Power Company, Docket No. 921155-EI, Order No. PSC-93-1376-FOF-EI (Sep. 20, 1993); Re Gulf Power Company, Docket No. 921155-ET, Order No. PSC-94-0264-FOF-EI (Mar. 8, 1994) (order denying motion for reconsideration). Accordingly, the Applicants object to this proposed issue because it would require speculation as to what, if any, CO<sub>2</sub> regulatory system may be adopted in the future. The Applicants have appropriately addressed potential CO<sub>2</sub>-related costs by submitting a sensitivity analysis for the Commission's information only. However, The Commission cannot base its decision on what, if any, CO<sub>2</sub> regulation and associated costs may be imposed in the future. (Witnesses Kushner, Preston, and Rollins)

**PROPOSED**

**ISSUE:** Have the Applicants appropriately evaluated compliance costs associated with the Clean Air Interstate Rule (CAIR) and Clean Air Mercury Rule standards?

**Applicants:** Costs for complying with existing environmental regulations, including CAIR and CAMR, are components of the economic analyses addressed in other issues related to cost-effectiveness. As such, there is no reason to include this proposed issue separately. In any event, the Applicants appropriately evaluated compliance costs associated with CAIR and CAMR. (Kushner, Preston, and Rollins)

**PROPOSED**

**ISSUE:** Is Commission approval of the need for the TEC generating unit consistent with the requirements of Section 366.81, Florida Statutes?

**Applicants:** This issue is not appropriate and should not be included in the final list of issues in the prehearing order. Section 366.81, Florida Statutes (F.S.), provides the legislative findings for the Florida Energy Efficiency and Conservation Act (FEECA). The only substantive requirement of FEECA is that the Commission

establish conservation goals for certain utilities whose annual sales exceed 2,000 gigawatt hours as of July 1, 1993. FEECA does not impose any “requirements” on utilities whose annual sales do *not* exceed 2,000 gigawatt hours, need for power applicants or proposed projects. Rather, Section 366.81, F.S., merely provides that other FEECA provisions, including Section 403.519, F.S., which governs need proceedings, “are to be liberally construed in order to meet the complex problems of reducing and controlling the growth rates of electric consumption and reducing the growth rates of weather-sensitive peak demand; increasing the overall efficiency and cost-effectiveness of electricity and natural gas production and use; encouraging further development of cogeneration facilities; and conserving expensive resources, particularly petroleum fuels.” This is a guide to statutory construction, not a substantive requirement. (Witness Para)

**PROPOSED**

**ISSUE:** Are the projected purchase prices and transportation costs for natural gas and coal used in the Applicants’ need filing reasonable?

**Applicants:** Fuel prices and transportation costs are components of the economic analyses addressed in other issues related to cost-effectiveness. As such, there is no reason to include this proposed issue separately. In any event, the projected purchase prices and transportation costs for natural gas and coal used in the Applicants’ filing were reasonable. (Witnesses Breton, Heller, Myers, Norfolk, and Preston)

**PROPOSED**

**ISSUE:** Have the Applicants requested available funding from DOE to construct an IGCC unit or other cleaner coal technology?

**Applicants:** This issue is irrelevant and should not be included in the final list of issues in the prehearing order. Seeking DOE funding to construct alternatives to the proposed plant is not one of the criteria listed in Section 403.519, F.S., and therefore, is an issue that is beyond the jurisdiction of the Commission. See Panda Energy International v. Jacobs, 813 So.2d 46, 54 n.10 (Fla. 2002), quoting Tampa Electric Co. v. Garcia, 767 So.2d 428, 435 (Fla. 2000). Without waiving their objection to this issue, the Applicants note that significant efforts were made on behalf of the Applicants to investigate the availability of DOE funding for IGCC or other emerging advanced technologies. (Witness Lawson)

**PROPOSED**

**ISSUE:** Has each Applicant secured final approval of its respective governing body for the construction of the proposed TEC generating unit?

**Applicants:** This issue is irrelevant and should not be included in the final list of issues in the prehearing order. Final board approval for *construction* is not one of the criteria listed in Section 403.519, F.S., and therefore, is an issue that is beyond the jurisdiction of the Commission. See Panda Energy International v. Jacobs, 813 So.2d 46, 54 n.10 (Fla. 2002), quoting Tampa Electric Co. v. Garcia, 767 So.2d 428, 435 (Fla. 2000). Like any other utility seeking a need determination, the Applicants retain the ability to explore all options pending final approval of the project under the Power Plant Siting Act (PPSA) and execution of appropriate contracts for construction of the facility. (Witnesses Brinkworth, Gilbert, Guarriello, Lawson, and May)

**PROPOSED**

**ISSUE:** Have the Applicants appropriately evaluated the cost of compliance with mercury, NO<sub>2</sub>, SO<sub>2</sub>, particulate emission and other applicable environmental and public health standards?

**Applicants:** Costs for complying with existing and applicable environmental and public standards are components of the economic analyses addressed in other issues related to cost-effectiveness. As such, there is no reason to include this proposed issue separately. The Applicants also object to this proposed issue to the extent it may imply that the Applicants and, ultimately the Commission, must speculate as to what, if any, additional environmental requirements may be imposed in the future. (Witnesses Brinkworth, Gilbert, Guarriello, Kushner, May, Preston, and Rollins)

**PROPOSED**

**ISSUE:** Are TEC's estimated construction costs reasonable?

**Applicants:** Construction cost estimates are components of the economic analyses addressed in other issues related to cost-effectiveness. As such, there is no reason to include this proposed issue separately. In any event, the construction costs estimates presented by the Applicants are reasonable. (Witness Hoornaert)

**PROPOSED**

**ISSUE:** Should the participants be required to report to the commission substantial revisions to capital costs and O&M costs which were not projected in the

**application, but which must be incurred at the time the plant becomes operational, and, should the participants analyze these “actual” costs in a least cost analysis?**

**Applicants:** The Applicants object to this proposed issue insofar as it suggests the Commission retain jurisdiction to review costs after the conclusion of the need determination proceeding. The Florida Electrical Power Plant Siting Act (PPSA), Section 403.501, F.S., *et seq.*, sets forth a detailed process for review and approval of proposed power plants. The Commission’s need determination is one of the first steps in that process and must be completed before the Siting Board makes a final decision as to whether to approve construction and operation of the proposed project. This proposed issue would turn the PPSA schedule on its head by suggesting that the Commission maintain jurisdiction over the project indefinitely, even after the Siting Board issues a final approval. Such a result is clearly inconsistent with the statute which neither authorizes nor requires the Commission to retain such jurisdiction.

**G. Stipulated Issues**

The Applicants are not parties to any stipulations at this time.

**H. Pending Motions**

The Applicants have the following motions pending at this time: Motion to Strike filed October 16, 2006; Motion to Strike filed November 9, 2006; Motion to Strike filed November 20, 2006 and two Motions to Strike filed on November 22, 2006. Parts or all of these motions may be mooted depending upon the resolution of the list of issues after the prehearing conference scheduled on December 21, 2006.

**I. Requests for Confidentiality**

The Applicants have no pending requests for confidential classification.

**J. Requirements of Order**

The Applicants believe that this prehearing statement complies with all the requirements of the Order Establishing Procedure.

**K. Objections to Qualifications**

Subject to the results of ongoing discovery, the Applicants reserve the right to object to the qualifications of any expert witness in this proceeding.

PREHEARING STATEMENT OF FLORIDA MUNICIPAL  
POWER AGENCY, JEA, REEDY CREEK IMPROVEMENT  
DISTRICT, AND CITY OF TALLAHASSEE  
DOCKET NO. 060635-EU  
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RESPECTFULLY SUBMITTED this 8<sup>th</sup> day of December, 2006.

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Applicants' Prehearing Statement in Docket No. 060635-EU was served upon the following by electronic mail(\*) or U.S. Mail(\*\*) on this 8<sup>th</sup> day of December, 2006:

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