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**Sent:** Monday, June 30, 2008 3:55 PM  
**To:** Filings@psc.state.fl.us  
**Cc:** Katherine Fleming  
**Subject:** Docket 080253-EM  
**Attachments:** Docket 080253-EM - FMPA's Preliminary List of Issues.DOC

## Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 080253-EM

In re: Petition to Determine Need for Cane Island Power Park Unit 4 Electrical Power Plant in Osceola County, by Florida Municipal Power Agency

c. Document being filed on behalf of Florida Municipal Power Agency

d. There are a total of 5 pages.

e. The document attached for electronic filing is Florida Municipal Power Agency's Preliminary List of Issues and Positions.

Thank you for your cooperation.

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6/30/2008

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to determine need for Cane Island Power Park Unit 4 electrical power plant in Osceola County, by Florida Municipal Power Agency.

DOCKET NO. 080253-EM

DATED: JUNE 30, 2008

**FLORIDA MUNICIPAL POWER AGENCY'S  
PRELIMINARY LIST OF ISSUES AND POSITIONS**

Florida Municipal Power Agency (FMPA) hereby submits its Preliminary List of Issues and Positions:

**ISSUE 1: Is there a need for Cane Island Unit 4, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?**

Yes. FMPA needs Cane Island Unit 4 to meet the growing capacity requirements of the All-Requirements Power Supply Project (ARP). For planning purposes, FMPA has established a 15 percent minimum planned reserve margin criterion for the winter period and an 18 percent planned reserve margin criterion for the summer period. Because FMPA's forecast annual peak demands are projected to occur in the summer of each year, capacity additions necessary to maintain forecast capacity requirements are driven by projected summer peak demands. FMPA's summer reserve margins are forecast to fall shortly below the 18 percent level in the summer of 2010. By the following summer of 2011, FMPA's reserve margin is projected to decrease to -1.3 percent, or 286 MW below the required capacity. By the summer of 2012, 363 MW is needed to maintain an 18 percent reserve margin. By providing approximately 300MW of capacity, Cane Island Unit 4 will help to meet the ARP's growing needs and contribute to the reliability and integrity of the FMPA/ARP electric system.

**ISSUE 2: Is there a need for Cane Island Unit 4, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes?**

As stated above, Cane Island Unit 4 is needed to maintain FMPA's reserve margin criteria. FMPA evaluated several supply side technologies, either as alternatives to Cane Island Unit 4 or as capacity resource options for installation following the proposed unit. As part of that analysis, FMPA evaluated renewable technologies, conventional technologies, and emerging technologies. Based on the results of production cost modeling of multiple economic scenarios, FMPA identified a new nominal 300 MW combined cycle generating facility as the most

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cost-effective alternative to meet the ARP's capacity needs. Although FMPA, an association of municipal utilities, is not subject to the Commission's "Bid Rule," the agency issued a competitive request for proposals (RFP) for purchase power options, as well as separate RFPs for renewable and solar energy resources. Based on FMPA's evaluation, none of the responses to the RFPs were cost-effective as compared to the self-build alternative. As FMPA's most cost-effective means of meeting the ARP's growing needs, Cane Island Unit 4 will help FMPA and the ARP member provide adequate electricity at a reasonable cost. Cane Island Unit 4 is highly efficient and takes advantage of existing electric, natural gas, and other infrastructure to lower the cost of installation.

**ISSUE 3: Is there a need for Cane Island Unit 4, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519, Florida Statutes?**

Yes. FMPA's capacity resources consist of a diversified mix of generation ownership and purchase power, including fossil-fueled (natural gas, oil and coal), nuclear and renewable resources. Due to projected increases in natural gas production and the importation of liquefied natural gas, natural gas supplies are projected to meet growing demand in the United States. There also are several new natural gas storage and pipeline projects that should increase the supply of natural gas to the Southeast region. Moreover, the Cane Island Site is served by two independent suppliers of natural gas: Florida Gas Transmission Company (FGT) and Gulfstream Natural Gas System, LLC. For these reasons, Cane Island Unit 4 will have a reliable fuel supply.

**ISSUE 4: Are there any conservation measures taken by or reasonably available to the Florida Municipal Power Agency which might mitigate the need for the proposed Cane Island Unit 4?**

No. As a wholesale supplier of electric energy to the ARP, FMPA is not directly responsible for conservation and DSM programs. However, ARP members offer a variety of conservation and DSM programs to their consumers. The impact of these existing conservation and DSM programs are reflected in the ARP's load forecast. As part of its commitment to conservation, in July 2007, FMPA issued an RFP for DSM activities. Discussions are proceeding with the two vendors for the potential implementation of load control measures designed to reduce peak load demand and one vendor providing ESCO services. Additionally, FMPA is developing a program to assist ARP Members in implementing energy conservation measures. Under this program, FMPA could collect funds through its rates that would be allocated among the ARP Members for conservation programs.

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**ISSUE 5: Is the proposed Cane Island Unit 4 the most cost-effective alternative available, as this criterion is used in Section 403.519, Florida Statutes?**

Yes. Cane Island Unit 4 provides the most cost-effective solution to satisfy FMPA's forecast capacity requirements. As noted above, based on the results of production cost modeling of multiple economic scenarios, FMPA identified a new nominal 300 MW combined cycle generating facility as the most cost-effective alternative to meet the ARP's need for additional capacity. FMPA's evaluation included several sensitivity analyses utilizing different fuel costs and potential CO<sub>2</sub> regulatory costs based on estimates developed by the U.S. Department of Energy's Energy Information Agency and the U.S. Environmental Protection Agency. All of the analyses demonstrate that the proposed Cane Island Unit 4 with an in-service date of 2011 is FMPA's most cost-effective alternative to meet the ARP's need for additional capacity.

**ISSUE 6: Are renewable energy sources and technologies, as well as conservation measures, utilized to the extent reasonably available?**

Yes. FMPA's generating mix already includes reasonably available renewable resources. Nevertheless, FMPA issued an RFP for purchase power options, as well as separate RFPs for renewable and solar energy resources. Based on FMPA's evaluation, none of the RFP responses were cost-effective compared to the self-build alternative. However, as part of its commitment to renewable resources, the ARP is investigating a new solar initiative which would include initial installation of 10 MW of solar photovoltaic (PV) capacity with potential to ultimately increase the PV capacity to 100 MW. FMPA also is in discussions with a proposer regarding a potential purchase of renewable energy from a new biomass facility. However, FMPA's ultimate decision whether or not to utilize the additional biomass resource at the attendant higher cost will depend the ability to reach acceptable contractual terms, as well as the resolution of numerous regulatory issues. Although FMPA has not made a final decision on the potential solar and biomass purchases, they have been included in two of the alternative resource plans examined in the economic analyses. Those analyses demonstrate that Cane Island Unit 4 would still be the most cost-effective alternative for meeting the ARP's capacity needs even if FMPA were to enter into the biomass and solar purchases.

As noted above, FMPA is not directly responsible for conservation and DSM programs. However, ARP members offer a variety of conservation and DSM programs to their consumers. Additionally, as a result of the DSM RFP and other efforts, FMPA continues to explore potential conservation measures.

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**ISSUE 7: Based on the resolution of the foregoing issues, should the Commission grant the Florida Municipal Power Agency's petition to determine the need for the proposed Cane Island Unit 4?**

Yes. The Commission should grant the petition for determination of need for Cane Island Unit 4 because it is the most cost-effective option available to meet FMPA's needs beginning in 2011. There are no cost-effective conservation or demand-side measures available to offset the need. Cane Island Unit 4 will provide FMPA adequate electricity at a reasonable cost and it will contribute to the reliability and integrity of FMPA's system. In addition, FMPA and the ARP members have utilized renewable energy sources and technologies as well as conservation measures to the extent reasonably available.

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

Yes. This docket should be closed after expiration of the time for filing an appeal of the Commission's final order addressing the petition for determination of need.

Respectfully submitted this 30<sup>th</sup> day of June, 2008.

HOPPING GREEN & SAMS, P.A.

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing has been served by electronic mail and U.S. Mail to the following on this 30<sup>th</sup> day of June, 2008:

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