

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for)	DOCKET NO. 910759-EI
Determination of Need for)	ORDER NO. 25359
Proposed Electrical Power Plant)	ISSUED: 11/19/91
and related facilities Polk)	
County Units 1-4, by Florida)	
Power Corporation.)	
)	

Pursuant to Notice, a Prehearing Conference was held on Monday, November 4, 1991, in Tallahassee, Florida, before Commissioner Betty Easley, Prehearing Officer.

A. APPEARANCES:

Cheryl G. Stuart, Esquire and Carlos Alvarez, Esquire, Hopping, Boyd, Green and Sams, Post Office Box 6526, 123 South Calhoun Street, Tallahassee, Florida 32314
On behalf of Florida Power Corporation.

James P. Fama, Esquire, Post Office Box 14042, 3201 Thirty-fourth Street, South, St. Petersburg, Florida 33733
On behalf of Florida Power Corporation.

Wayne L. Schiefelbein, Esquire, Gatlin, Woods, Carlson & Cowdery, 1709-D Mahan Drive, Tallahassee, Florida 32308
On behalf of Chesapeake Utilities Corporation.

Suzanne Brownless, Esquire and Ken Irwin, Esquire, Oertel, Hoffman, Fernandez & Cole, P.A., 2700 Blair Stone Road, Suite C, Tallahassee, Florida 32301
On behalf of Destec Energy, Inc.

Richard A. Zambo, Esquire, Richard A. Zambo, P.A., 598 S.W. Hidden River Avenue, Palm City, Florida 34990
On behalf of Florida Industrial Cogeneration Association.

Paul Sexton, Esquire, Richard A. Zambo, P.A., 2544 Blairstone Pines Drive, Tallahassee, Florida 32301.
On behalf of Florida Industrial Cogeneration Association.

Terry R. Black, Esquire, Pace University Energy Project, Center for Environmental Legal Studies, 78 N. Broadway, White Plains, New York 10603
On behalf of Floridians for Responsible Utility Growth.

Edward R. Gwynn, Esquire, 4100 Spring Valley, Suite 1001, Dallas, Texas 75244
On behalf of Panda Energy Corporation.

DOCUMENT NUMBER-DATE

11462 NOV 19 1991

FSCC-RECORDS/REPORTING

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 2

Martha C. Brown, Esquire, and Michael A. Palecki,
Esquire, 101 East Gaines Street, Suite 216, Tallahassee,
Florida 32399-0863
On behalf of the Commission Staff.

Prentice Pruitt, Esquire, the Office of the General
Counsel, 101 East Gaines Street, Suite 212, Tallahassee,
Florida 32399-0861
Counsel to the Commissioners.

PREHEARING ORDER

Background

On July 8, 1991, Florida Power Corporation (FPC) filed with the Commission its Notice of Intent to file a Petition for Determination of Need for a proposed electrical power plant and related facilities at a site located in Polk County, Florida. FPC filed its Petition on August 16, 1991, in which it requested that the Commission determine the need for the construction of four advanced combined cycle units fired primarily with natural gas with the capability to be converted to burn coal gas in the future. FPC estimates that the units will produce 940 MW of electricity. Related facilities attendant to the construction of the proposed plant include transmission lines located in Polk County, a gas transmission lateral that may cross portions of both Polk and Hillsborough Counties, and other associated facilities.

Destec Energy, Inc., Panda Energy Corporation, the Florida Industrial Cogenerator's Association (FICA), the Floridians for Responsible Utility Growth (FRG), and the Florida Division of Chesapeake Utilities Corporation (Chesapeake), have been granted leave to intervene in this proceeding.

FICA and FRG filed several motions in this docket which were addressed and disposed of by the prehearing officer in Order No. 25221. That order granted intervention, granted partial extension of time to file testimony, denied FICA's motion regarding discovery, denied FRG's motion for continuance, and granted FRG's attorney's motion for admission to practice before the Commission. FICA petitioned the full Commission to reconsider the prehearing officer's decision on its motion to extend the time to file testimony and its motion regarding discovery. FICA's petition was denied by the full Commission at its November 5, 1991 Agenda Conference.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 3

General Matters

The substantive aspects of this proceeding are governed by Section 403.519, Florida Statutes. The procedural aspects of the case are governed by the provisions of Chapter 120, Florida Statutes, and Chapter 25-22, Florida Administrative Code.

Section 403.519 states that;

The Florida Public Service Commission shall be the sole forum for the determination of need for electrical power plants and related facilities, which accordingly shall not be raised in any other forum or in the review of proceedings in such other forum. In making its determination, the commission shall take into account the need for electric system reliability and integrity, the need for adequate electricity at a reasonable cost, and whether the proposed plant is the most cost-effective alternative available. The commission shall also expressly consider the conservation measures taken by or reasonably available to the applicant or its members which might mitigate the need for the proposed plant, and other matters within its jurisdiction which it deems relevant.

Only issues relating to the need for the proposed power plant as prescribed by section 403.519, Florida Statutes will be heard in this proceeding. Separate public hearings will be held by the Department of Environmental Regulation before the Division of Administrative Hearings to consider environmental and other impacts of the proposed plant and associated facilities. The substantive and procedural issues of the case, as set forth in this prehearing order, will be framed accordingly. Members of the public have been invited to attend and participate in this hearing. Their appearance will be governed by the provisions of Rule 25-22.046, Florida Administrative Code, which provides that the presiding officer at the hearing will set fair and reasonable conditions on such appearances.

Use of Prefiled Testimony

All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and exhibits, unless there is a sustainable objection. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand.

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 4

Use of Depositions and Interrogatories

If any party desires to use any portion of a deposition or an interrogatory, at the time the party seeks to introduce that deposition or a portion thereof, the request will be subject to proper objections and the appropriate evidentiary rules will govern. The parties will be free to utilize any exhibits requested at the time of the depositions subject to the same conditions.

B. ORDER OF WITNESSES

In keeping with Commission practice, witnesses will be grouped by the subject matter of their testimony. The witness schedule is set forth below in order of appearance by the witness's name, subject matter, and the issues which will be covered by his or her testimony.

<u>WITNESS</u>	<u>SUBJECT MATTER</u>	<u>ISSUE</u>
<u>FPC</u>		
A. J. Keesler	Overview of need power; general policy.	27
R. G. Ruisch, Jr.	Construction of utility plant.	20
W. A. Abrams	Impact of purchased power on credit rating.	16b,17
K. H. Wieland	Financial analysis of project; impact of purchased power on FPC.	16,16a,16b,17,18,20
S. Watsey	Natural gas supply and transportation.	5,6,8,10,15
M. R. Waller	Natural gas demand, commitments and pipeline expansion.	8,10
D. D. Williams	Fuel price forecast.	7
B. Schlesinger	Natural gas price projections, supply and pipeline expansion.	7,8

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 5

<u>WITNESS</u>	<u>SUBJECT MATTER</u>	<u>ISSUE</u>
M. F. Jacob	Load forecast.	2
T. J. Gelvin	Demand side management.	21
R. D. Dolan	Cogeneration assumptions.	20
L. B. Tittle	Technology screening.	22 (stipulated issue)
R. D. Niekum	System reliability; generation plan development and analysis; Clean Air Act impacts.	1,3,4,5,6,11,14 19,21,23,24,26
E. G. Major	Project and site specific information.	5,6,12,13,25
S. S. Speck	Need of Peninsular Florida.	4,14,24
M. B. Foley	FPC's planning process; why FPC should build the unit; consequences of delay; policy.	5,6,9,19,20 26,27

FICA

John L. Seelke, Jr.	Coordinating the planning hearing and need hearing process; state and utility need for power; financial impacts of purchased power; utility v. QF capital cost; planning and operating flexibility; natural gas transportation; utility and QF equality; resetting avoided cost and the standard offer.	3,4,5,6,7, 10,13,14,15, 16,16a,16b,17, 18,19,20,22, 23,24,26,27
---------------------	---	---

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 6

WITNESSSUBJECT MATTERISSUEFRG

Paul L. Chernick

The adequacy of Florida
Power's integrated
resource planning, use
of conservation measures,
and need for the proposed
units.

3,4,5,6,11,14,
21,24,27,32,33

PANDA

Darol Lindloff

Availability of
cogenerated
power in FPC's
service territory.

14,20,24,26,27

C. EXHIBIT LISTExhibit NumberWitnessDescription(RGR-1)

Ruisch
(FPC)

Cost Comparison

(WAA-1)

Abrams
(FPC)

The Duff & Phelps
Approach to
Utility Credit
Analysis

(WAA-2)

Abrams
(FPC)

Standard & Poor's
Utilities Credit
Comment

(WAA-3)

Abrams
(FPC)

Moody's Special
Comment August,
1990 Purchased
Power Commitments
and Their Impact
on Investor-Owned
Electric Utility
Credit Quality

(WAA-4)

Abrams
(FPC)

Coverage Ratio
Adjustment for
Purchased Power

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 7

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(WAA-5)</u>	Abrams (FPC)	Duff & Phelp Inc. News Release - April 18, 1991 Rating Downgrade Consolidated Edison Company of New York
<u>(KHW-1)</u>	Wieland (FPC)	Ratio of Financings to Capitalization
<u>(KHW-2)</u>	Wieland (FPC)	Computation of True Cost of Purchase
<u>(KHW-3)</u>	Wieland (FPC)	Calculation of the True Cost of Capacity Payments
<u>(RGR-1)</u>	Ruisch (FPC)	Cost Comparison
<u>(WAA-1)</u>	Abrams (FPC)	The Duff & Phelps Approach to Utility Credit Analysis
<u>(WAA-2)</u>	Abrams (FPC)	Standard & Poor's Utility Credit Comment
<u>(WAA-3)</u>	Abrams (FPC)	Moody's Special Comment August, 1990 Purchased Power Commitments and Their Impact on Investor-Owned Electric Utility Credit Quality
<u>(WAA-4)</u>	Abrams (FPC)	Coverage Ratio Adjustment for Purchased Power

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 8

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(WAA-5)</u>	Abrams (FPC)	Duff & Phelp Inc. News Release - April 18, 1991 Rating Downgrade Consolidated Edison Company of New York
<u>(WAA-6)</u>	Abrams (FPC)	Credit Issues for Utility Purchases by Curtis Moulton
<u>(WAA-7)</u>	Abrams (FPC)	Duff & Phelps Perspective The Purchase Power Commitment
<u>(KHW-1)</u>	Wieland (FPC)	Ratio of Financings to Capitalization
<u>(KHW-2)</u>	Wieland (FPC)	Computation of True Cost of Purchase
<u>(KHW-3)</u>	Wieland (FPC)	Calculation of the True Cost of Capacity Payments
<u>(SW-1)</u>	Watsey (FPC)	Tentative Project Schedule Option A Pipeline (September, 1991)
<u>(SW-2)</u>	Watsey (FPC)	Potential Option "A" Pipeline Using Existing Transmission Rights-of-Way
<u>(SW-3)</u>	Watsey (FPC)	New pipeline construction status report - A.G.A.

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 9

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(SW-4)</u>	Watsey (FPC)	Letter to Peter Wielder, Florida Gas Transmission Co., from D. J. Rowland dated October 2, 1991
<u>(SW-5)</u>	Watsey (FPC)	Letter to Florida Power Corporation from Peter Wielder dated October 16, 1991
<u>(DDW-1)</u>	Williams (FPC)	1973-June 1990 Average Annual Price Escalations
<u>(DDW-2)</u>	Williams (FPC)	Comparison of 1990 and 1991 FPC Fuel Price Forecasts
<u>(BS-1)</u>	Schlesinger (FPC)	Natural Gas Forecasts Distillate Fuel Oil Forecasts Residual Fuel Oil Forecasts Coal Forecasts Natural Gas Price Forecasts Wellhead Prices Distillate Fuel Oil Forecasts Coal Price Forecasts No. 6 Oil Price Forecasts

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 10

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
		Sources for the Fuel Forecasts
		Comparisons Against Florida Power Corporation's Fuel Price Forecasts
<u>(BS-2)</u>	Schlesinger (FPC)	Present Value of the Difference of Natural Gas and Coal Prices
		Present Value of the Difference of Natural Gas and Residual Oil Prices
		Present Value of the Difference of Natural Gas and Distillate Fuel Oil Prices
<u>(BS-3)</u>	Schlesinger (FPC)	Potential Supply of Natural Gas in the United States
<u>(TJG-1)</u>	Gelvin (FPC)	Conservation Program Impacts - Winter Peak and Energy Reductions
<u>(TJG-2)</u>	Gelvin (FPC)	Relative Size of Major Conservation & Load Management Programs
<u>(TJG-3)</u>	Gelvin (FPC)	Inputs for M.A.C.S.

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 11

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(TJG-4)</u>	Gelvin (FPC)	M.A.C.S. Case Impacts: 1992 - 2001
<u>(TJG-5)</u>	Gelvin (FPC)	Illustration of Comprehensive Coverage of M.A.C.S. Case DSM Programs
<u>(TJG-6)</u>	Gelvin (FPC)	Typical Energy Use in an All- Electric Home
<u>(TJG-7)</u>	Gelvin (FPC)	Electricity Use for Heating and Cooling
<u>(TJG-8)</u>	Gelvin (FPC)	Home Energy Check
<u>(TJG-9)</u>	Gelvin (FPC)	Normal Monthly Heating and Cooling Degree Days
<u>(TJG-10)</u>	Gelvin (FPC)	1990 Electricity Sales: Residential, Commercial & Industrial Florida Power Corporation & Non-Florida Utilities
<u>(TJG-11)</u>	Gelvin (FPC)	Monthly Peaks as a Ratio of Annual Peak
<u>(RDD-1)</u>	Dolan (FPC)	Status of QF Capacity Under Contract

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 12

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(LBT-1)</u>	Tittle (FPC)	Technology Screening Process
<u>(LBT-2)</u>	Tittle (FPC)	Conceptual Generation Projects
<u>(RDN-1)</u>	Niekum (FPC)	Serc Net Maximum Generating Capacity for Winter 1992
<u>(RDN-2)</u>	Niekum (FPC)	Assistance Area Model for Tiger Before Addition of Third 500 kV TIE Line
<u>(RDN-3)</u>	Niekum (FPC)	Assistance Area Model for Tiger After Addition of Third 500 kV TIE Line
<u>(RDN-4)</u>	Niekum (FPC)	Reserve Margins on FPC System Without the Polk County Units (or Equivalent New Capacity Resource)
<u>(RDN-5)</u>	Niekum (FPC)	Ten Proposed Alternatives
<u>(RDN-6)</u>	Niekum (FPC)	Clean Air Act Compliance Strategies for Alternatives
<u>(RDN-7)</u>	Niekum (FPC)	Decision Tree With Probability

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 13

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(RDN-8)</u>	Niekum (FPC)	Comparison of Alternatives Cumulative Present Worth Revenue Requirements
<u>(RDN-9)</u>	Niekum (FPC)	Comparison of Alternatives Cumulative Present Worth Revenue Requirements
<u>(RDN-10)</u>	Niekum (FPC)	Risk Analysis in Year 2020 Cumulative Present Worth Revenue Comparison
<u>(RDN-11)</u>	Niekum (FPC)	Risk Analysis in Year 2020 Cumulative Present Worth Revenue Comparison
<u>(RDN-12)</u>	Niekum (FPC)	Reserve Margin for Alternative 3 = CC Units (Gas)
<u>(RDN-13)</u>	Niekum (FPC)	Loss of Load Probability for the 10 Alternative Resource Plans
<u>(RDN-14)</u>	Niekum (FPC)	Impact of Delaying Construction on Polk County Units

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 14

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(EGM-1)</u>	Major (FPC)	Polk County Site
<u>(EGM-2)</u>	Major (FPC)	Phase I Site Plan Polk County Site 940 mw
<u>(EGM-3)</u>	Major (FPC)	Power Block Lay- Out Polk County Site 3000 mw
<u>(EGM-3)</u>	Major (FPC)	Combined Cycle Process Diagram (Typical)
<u>(EGM-4)</u>	Major (FPC)	Installed Cost Estimate Polk County Units
<u>(EGM-5)</u>	Major (FPC)	Project Schedule (Initial Unit)
<u>(SSS-1)</u>	Speck (FPC)	1998/1999 Resource and Demand Summary (in MW)
<u>(MBF-1)</u>	Foley (FPC)	FPC's Integrated Resource Study
<u>(MBF-2)</u>	Foley (FPC)	Ten Proposed Alternatives
<u>(MBF-3)</u>	Foley (FPC)	Expected Total Cost of Alternatives to Ratepayers
<u>(MBF-4)</u>	Foley (FPC)	Installed Generating Capability - Winter - MW and Percentages Florida Subregion

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 15

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(PLC-1)</u>	Chernick (FRG)	Statement of Qualifications of Paul L. Chernick
<u>(PLC-2)</u>	Chernick (FRG)	FPC's Planned Capacity Additions in Polk County
<u>(PLC-3)</u>	Chernick (FRG)	FPC's Projected Loads and Resources
<u>(PLC-4)</u>	Chernick (FRG)	FPC's Planned DSM Resources Compared with Projected New Resource Requirements
<u>(PLC-5)</u>	Chernick (FRG)	Utility Expenditures on Collaborative DSM Programs as Percent of Revenues
<u>(PLC-6)</u>	Chernick (FRG)	1991 Collaborative DSM Savings as Percent of 1991 Peak and Sales
<u>(PLC-7)</u>	Chernick (FRG)	Cumulative and Total Demand and Energy DSM Savings as Percent of Growth for Collaborative Programs
<u>(PLC-8)</u>	Chernick (FRG)	Cost of Residential and C/I DSM Savings from Collabora- tive Programs

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 16

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(PLC-9)</u>	Chernick (FRG)	Incentives Paid in Collaboratively Designed DSM Programs
<u>(PLC-10)</u>	Chernick (FRG)	Specifics of Collaborative DSM Program Designs
<u>(PLC-11)</u>	Chernick (FRG)	Participation Rates for FPC Conservation and Load Management Programs
<u>(PLC-12)</u>	Chernick (FRG)	FPC Demand Side Resources with DSM Additions Based on Plans of Utilities with Collaborative DSM Programs
<u>(PLC-13)</u>	Chernick (FRG)	Comparison of FPC Resource Plan with Plan Utilizing Collaborative-Scale DSM
<u>STAFF</u>		
<u>(STAFF-1)</u>	Abrams (FPC)	Duff & Phelps News Release dated July 11, 1989, July 18, 1989, Oct. 26, 1990, July 13, 1990, July 19, 1991, regarding Downgrades to Delaware Economics Development Authority Orange & Rockland Utilities, Inc., Eastern Edison Co., Public Service Elec.

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 17

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
		and Gas Co. and Potomac Electric Co.
<u>(STAFF-2)</u>	Watsey (FPC)	Interr. #61 Including any attachments to those responses
<u>(STAFF-3)</u>	Watsey (FPC)	Interr. #66 Including any attachments to those responses
<u>(STAFF-4)</u>	Watsey (FPC)	Interr. #72 Including any attachments to those responses
<u>(STAFF-5)</u>	Watsey (FPC)	Interr. #84 Timing of FPC activities re- garding construc- tion and gas transportation
<u>(STAFF-6)</u>	Schlesinger (FPC)	Interr. #76 Including any attachments to those responses
<u>(STAFF-7)</u>	Jacob (FPC)	Interr. #30 Response
<u>(STAFF-8)</u>	Jacob (FPC)	Interr. #31 Response
<u>(STAFF-9)</u>	Jacob (FPC)	Interr. #34 Response
<u>(STAFF-10)</u>	Jacob (FPC)	Interr. #35 (Revised) Response
<u>(STAFF-11)</u>	Jacob (FPC)	Interr. #36 Response

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 18

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(STAFF-12)</u>	Jacob (FPC)	Interr. #37 Response
<u>(STAFF-13)</u>	Gelvin (FPC)	Interr. #38 Response
<u>(STAFF-14)</u>	Gelvin (FPC)	Interr. #39 Response
<u>(STAFF-15)</u>	Gelvin (FPC)	Interr. #40 Response
<u>(STAFF-16)</u>	Gelvin (FPC)	Interr. #41 Response
<u>(STAFF-17)</u>	Gelvin (FPC)	Interr. #42 Response
<u>(STAFF-18)</u>	Gelvin (FPC)	Interr. #43 Response
<u>(STAFF-19)</u>	Gelvin (FPC)	Interr. #44 Response
<u>(STAFF-20)</u>	Gelvin (FPC)	Interr. #45 Response
<u>(STAFF-21)</u>	Gelvin (FPC)	Interr. #77 Response
<u>(STAFF-22)</u>	Dolan (FPC)	Interr. #85 Status of each QF
<u>(STAFF-23)</u>	Tittle (FPC)	Interr. #26 Total installed cost of alterna- tive technologies
<u>(STAFF-24)</u>	Tittle (FPC)	Interr. #26a,b,c
<u>(STAFF-25)</u>	Niekum (FPC)	Interr. #1 Reliability criteria

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 19

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(STAFF-26)</u>	Niekum (FPC)	Interr. #2 Minimum additions
<u>(STAFF-27)</u>	Niekum (FPC)	Interr. #9-NPV curves by year 30-year
<u>(STAFF-28)</u>	Niekum (FPC)	Interr. #10-Risk curves by year 30 year
<u>(STAFF-29)</u>	Niekum (FPC)	Interr. #11 Minimum CC cap factor to meet Clean Air
<u>(STAFF-30)</u>	Niekum (FPC)	Interr. #12 Response
<u>(STAFF-31)</u>	Niekum (FPC)	Interr. #79 Effect of deferring one 1999 CC one year
<u>(STAFF-32)</u>	Niekum (FPC)	Interr. #80-NPV of deferring one 1999 CC one year
<u>(STAFF-33)</u>	Niekum (FPC)	Interr. #86 Megawatts needed if 500 kV line not constructed
<u>(STAFF-34)</u>	Niekum (FPC)	Interr. #81a,b,c
<u>(STAFF-35)</u>	Niekum (FPC)	Interr. #82a
<u>(STAFF-36)</u>	Major (FPC)	Interr. #24
<u>(STAFF-37)</u>	Major (FPC)	Interr. #25

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 18

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(STAFF-12)</u>	Jacob (FPC)	Interr. #37 Response
<u>(STAFF-13)</u>	Gelvin (FPC)	Interr. #38 Response
<u>(STAFF-14)</u>	Gelvin (FPC)	Interr. #39 Response
<u>(STAFF-15)</u>	Gelvin (FPC)	Interr. #40 Response
<u>(STAFF-16)</u>	Gelvin (FPC)	Interr. #41 Response
<u>(STAFF-17)</u>	Gelvin (FPC)	Interr. #42 Response
<u>(STAFF-18)</u>	Gelvin (FPC)	Interr. #43 Response
<u>(STAFF-19)</u>	Gelvin (FPC)	Interr. #44 Response
<u>(STAFF-20)</u>	Gelvin (FPC)	Interr. #45 Response
<u>(STAFF-21)</u>	Gelvin (FPC)	Interr. #77 Response
<u>(STAFF-22)</u>	Dolan (FPC)	Interr. #85 Status of each QF
<u>(STAFF-23)</u>	Tittle (FPC)	Interr. #26 Total installed cost of alterna- tive technologies
<u>(STAFF-24)</u>	Tittle (FPC)	Interr. #26a,b,c
<u>(STAFF-25)</u>	Niekum (FPC)	Interr. #1 Reliability criteria

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 20

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(STAFF-38)</u>	Major (FPC)	Interr. #84 Timing of FPC activities re- garding construc- tion and gas transportation

D. PARTIES' STATEMENT OF BASIC POSITIONS

STAFF: No position at this time.

FLORIDA POWER CORPORATION (FPC): FPC is seeking a determination of need to construct 940 MW of natural gas fired' combined cycle capacity in the 1998-2000 time frame. FPC has developed an integrated resource plan which takes into account FPC's expected load growth, its existing generation, purchases from both utility and non-utility generators, and demand side management alternatives. Approximately 30% of new growth over the next ten years will be met through demand side management; 8% will be purchased from the Southern Company; 15% will be purchased from cogenerators; 10% will be purchased over the proposed new 500 kV tie line; 16% will be met through the addition of new peaking capacity; 2% will be met through new interruptible load; and 19% of FPC's future need is represented by the units that are the subject of this need determination. The integrated resource plan shows FPC's balanced approach to meeting its future capacity needs.

FPC proposes to brings 235 MW on-line in November, 1998; 470 MW in November 1999; and 235 MW in November, 2000. Without this capacity, FPC will violate its 15% winter reserve margin criteria in those years, even after taking into account all reasonably available and economically prudent alternatives to new construction.

All of these units will burn natural gas as a primary fuel and are capable of conversion to use coal gas if future circumstances so warrant. All of the units will be constructed at a site located in Polk County. FPC selected this site of phosphate mine activity after an exhaustive site selection process involving consideration of numerous environmental, fuel, and economic factors. The site, which can support up to approximately 3000 MW of capacity, offers a rare opportunity to make beneficial use of an already disturbed area, and is one of the few remaining large tracts of land in Florida that can reasonably be used to site a significant amount of additional generating capacity with minimal environmental impact.

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 18

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(STAFF-12)</u>	Jacob (FPC)	Interr. #37 Response
<u>(STAFF-13)</u>	Gelvin (FPC)	Interr. #38 Response
<u>(STAFF-14)</u>	Gelvin (FPC)	Interr. #39 Response
<u>(STAFF-15)</u>	Gelvin (FPC)	Interr. #40 Response
<u>(STAFF-16)</u>	Gelvin (FPC)	Interr. #41 Response
<u>(STAFF-17)</u>	Gelvin (FPC)	Interr. #42 Response
<u>(STAFF-18)</u>	Gelvin (FPC)	Interr. #43 Response
<u>(STAFF-19)</u>	Gelvin (FPC)	Interr. #44 Response
<u>(STAFF-20)</u>	Gelvin (FPC)	Interr. #45 Response
<u>(STAFF-21)</u>	Gelvin (FPC)	Interr. #77 Response
<u>(STAFF-22)</u>	Dolan (FPC)	Interr. #85 Status of each QF
<u>(STAFF-23)</u>	Tittle (FPC)	Interr. #26 Total installed cost of alterna- tive technologies
<u>(STAFF-24)</u>	Tittle (FPC)	Interr. #26a,b,c
<u>(STAFF-25)</u>	Niekum (FPC)	Interr. #1 Reliability criteria

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 19

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(STAFF-26)</u>	Niekum (FPC)	Interr. #2 Minimum additions
<u>(STAFF-27)</u>	Niekum (FPC)	Interr. #9-NPV curves by year 30-year
<u>(STAFF-28)</u>	Niekum (FPC)	Interr. #10-Risk curves by year 30 year
<u>(STAFF-29)</u>	Niekum (FPC)	Interr. #11 Minimum CC cap factor to meet Clean Air
<u>(STAFF-30)</u>	Niekum (FPC)	Interr. #12 Response
<u>(STAFF-31)</u>	Niekum (FPC)	Interr. #79 Effect of deferring one 1999 CC one year
<u>(STAFF-32)</u>	Niekum (FPC)	Interr. #80-NPV of deferring one 1999 CC one year
<u>(STAFF-33)</u>	Niekum (FPC)	Interr. #86 Megawatts needed if 500 kV line not constructed
<u>(STAFF-34)</u>	Niekum (FPC)	Interr. #81a,b,c
<u>(STAFF-35)</u>	Niekum (FPC)	Interr. #82a
<u>(STAFF-36)</u>	Major (FPC)	Interr. #24
<u>(STAFF-37)</u>	Major (FPC)	Interr. #25

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 20

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(STAFF-38)	Major (FPC)	Interr. #84 Timing of FPC activities re- garding construc- tion and gas transportation

D. PARTIES' STATEMENT OF BASIC POSITIONS

STAFF: No position at this time.

FLORIDA POWER CORPORATION (FPC): FPC is seeking a determination of need to construct 940 MW of natural gas fired combined cycle capacity in the 1998-2000 time frame. FPC has developed an integrated resource plan which takes into account FPC's expected load growth, its existing generation, purchases from both utility and non-utility generators, and demand side management alternatives. Approximately 30% of new growth over the next ten years will be met through demand side management; 8% will be purchased from the Southern Company; 15% will be purchased from cogenerators; 10% will be purchased over the proposed new 500 kV tie line; 16% will be met through the addition of new peaking capacity; 2% will be met through new interruptible load; and 19% of FPC's future need is represented by the units that are the subject of this need determination. The integrated resource plan shows FPC's balanced approach to meeting its future capacity needs.

FPC proposes to bring 235 MW on-line in November, 1998; 470 MW in November 1999; and 235 MW in November, 2000. Without this capacity, FPC will violate its 15% winter reserve margin criteria in those years, even after taking into account all reasonably available and economically prudent alternatives to new construction.

All of these units will burn natural gas as a primary fuel and are capable of conversion to use coal gas if future circumstances so warrant. All of the units will be constructed at a site located in Polk County. FPC selected this site of phosphate mine activity after an exhaustive site selection process involving consideration of numerous environmental, fuel, and economic factors. The site, which can support up to approximately 3000 MW of capacity, offers a rare opportunity to make beneficial use of an already disturbed area, and is one of the few remaining large tracts of land in Florida that can reasonably be used to site a significant amount of additional generating capacity with minimal environmental impact.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 21

In order to ensure sufficient quantities of natural gas may be transported to the site, a new natural gas pipeline will need to be constructed. The Polk County units will provide the "anchor" demand for this new pipeline capacity. The pipeline will either be constructed by FPC with other partners, by Florida Gas Transmission, or by a competing pipeline company. In the event the pipeline is constructed by FGT, an associated gas lateral connecting the site with existing FGT facilities just across the Hillsborough County line will be necessary. The only associated transmission will be the rebuilding of the existing Barcola-Ft. Meade 230 kV transmission line with double circuit structures, and the addition of a new 230 kV circuit running from the plant site to Ft. Meade. This will require the relocation of the existing Ft. Meade-Rockland 115 kV circuit (approximately 2.6 miles).

The Polk County units also represent a critical component of FPC's overall strategy to comply with the newly-enacted Clean Air Act. Without these units on FPC's system in the projected time frames, FPC will be required to undertake more costly alternatives to not only meet its capacity needs, but to meet the emissions limitations imposed by the Clean Air Act.

CHESAPEAKE UTILITIES CORPORATION (CHESAPEAKE): The Florida Division of Chesapeake Utilities Corporation operates natural gas distribution facilities in Hillsborough, Polk and Osceola Counties. Over 85% of its total system throughput is sales and transportation service to industrial customers. With the advent of open access transportation, the possibility of physical bypass of local distribution companies like the Florida Division is increased. Any natural gas transmission facilities in or near the Florida Division's service territory may be utilized to physically bypass the Florida Division to serve present and future large end users of natural gas. The Florida Division's intent in intervening in this proceeding is essentially to advance the idea that uneconomic bypass of the Florida Division, through any present or proposed natural gas transmission facilities in or near the Florida Division's service territory, is not in the public interest.

DESTEC ENERGY, INC. (DESTEC): Although Destec applauds FPC's attempt to plan for its customers on a long term basis, FPC's construction of the proposed capacity is not the only reasonable alternative available to meet its projected need. Given the substantial time lag between FPC's current petition and the time that DER permitting and construction would need to begin, any number of alternatives could materialize which could also more economically meet that need.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 22

FLORIDA INDUSTRIAL COGENERATION ASSOCIATION (FICA): Florida Power Corporation's (FPC's) need petition is premature and should not be considered by the Commission at this time. Instead, the Commission should use this proceeding to decide three basic issues: 1) the timing of FPC's next avoided unit absent FPC's purchased power opportunities from QFs; 2) the parameters of such avoided unit; and 3) whether QFs could reasonably displace this unit with standard offer or negotiated contracts. This will then provide the Commission with sufficient information to re-set FPC's avoided unit, its avoided cost and its standard offer, thereby allowing QFs a meaningful opportunity to provide capacity in lieu of FPC's planned units. The Commission can reassess FPC's need to construct generating capacity, if any, at the appropriate time. If the Commission issues a favorable need determination finding for FPC's proposed 940 MW combined cycle power plants for 1998 through 2000, Cogenerators will have been denied the opportunity to provide firm capacity in lieu of FPC's constructing the proposed units, contrary to Federal and Florida law, and to the ultimate detriment of the ratepayers.

Further, because FPC's assertion that purchased power results in "hidden costs" to a utility and its ratepayers has statewide policy implications far beyond the scope of this proceeding, it should not be considered in this need proceeding. FPC's assertion questions the very framework and wisdom of coordinated statewide planning, and indirectly challenges numerous policies of this Commission, such as the continued merits of conservation, load management, firm power transactions, and transmission line construction for firm power transactions. FPC's claim of negative impacts associated with purchased power is nothing more than a creative but transparent attempt to discourage and discredit competition from the cogeneration industry while turning attention away from the serious deficiencies of its own plan. The Commission should not, led by FPC in the guise of a need hearing, unnecessarily rush its consideration of such an important generic issue. The Commission should only consider FPC's assertion in a need hearing after adopting, on its own merits, a policy regarding the validity of the financial impact issue as it relates to the Commission's present policies.

FLORIDIANS FOR RESPONSIBLE UTILITY GROWTH (FRG): Florida Power has not demonstrated that the proposed new units are the least cost or most cost-effective options for meeting future demand, and it has failed to show that it has taken all of the conservation measures reasonably available to mitigate the need for new power plants. Thus, the Commission should withhold approval of the utility's petition until it clearly demonstrates (1) that it has undertaken to implement all economic energy efficiency and load management

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 23

measures that might mitigate the need for new plants and (2) that the proposed new gas-fired units are the least cost options to meet any remaining requirements.

PANDA ENERGY CORPORATION (PANDA): Florida Power Corporation's (FPC) need determination should not be approved by the Commission at this time. FPC has not fully explored the alternatives to constructing planned units, specifically the availability and the economic viability of natural gas fired cogenerated power. If approved as requested by FPC, the acquisition of less costly capacity and energy from Qualifying Cogeneration Facilities ("QF's") would be precluded for a protracted period to the detriment of Florida Consumers. As a consequence, FPC's ability to comply with the requirements of the Public Utilities Regulatory Policies Act and the Florida Legislature's counterpart thereto would be placed in jeopardy. Accordingly, FPC's petition must be denied.

E. STATEMENT OF ISSUES AND POSITIONS

Need for Electric System Reliability

ISSUE 1: Are the reliability criteria used by FPC to determine its need for 940 MW of combined cycle units reasonable for planning purposes?

POSITIONS

STAFF: No position at this time.

FPC: Yes. FPC uses both a loss of load probability (LOLP) of 0.1 days/year and a 15% winter reserve margin to assess its need for additional capacity. Both of these criteria are widely used and accepted by utilities in Florida, and are proper measures for FPC's system. In this case, without the proposed 940 MW of combined cycle capacity in the 1998-2000 time frame, FPC will violate its reserve margin criteria in each of those years, even after taking into all reasonably available and prudent alternatives. (Niekum)

CHESAPEAKE: No position.

DESTEC: Destec is not fully able to evaluate the planning criteria used by FPC at this time. However, given that such criteria have been utilized previously and evaluated by the Commission, Destec's position is a qualified yes as it applies to capacity need,

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 24

but not to the necessity of utility construction of such capacity.

FICA: No, subject to the testimony presented at the hearing.

FRG: No position.

PANDA: No position.

ISSUE 2: Is the load forecast used by FPC to determine its need for 940 MW of combined cycle units reasonably adequate for planning purposes?

POSITION

STAFF: No position at this time.

FPC: Yes. FPC's load forecast is a long term projection of its customers, energy sales, and peak demand. These forecasts are derived using a mix of forecasting techniques, including simple time series and regression analysis, as well as detailed end-use models. FPC first establishes a "base case" forecast, and uses a Monte Carlo simulation procedure to develop high and low sensitivity cases to energy and peak demand. The results of the load forecast show compound average annual growth rates of approximately 2.17% for customers, 3.41% for total energy sales, and 2.15% for winter peak demand for the period ending 2010. (Jacob)

CHESAPEAKE: No position.

DESTEC: Destec is not fully able to evaluate the planning criteria used by FPC at this time. However, to the extent that such criteria has been utilized previously and evaluated by the Commission, Destec's position is a qualified yes.

FICA: No, subject to the testimony presented at the hearing.

FRG: No position.

PANDA: No position.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 25

ISSUE 3: Does FPC, as a utility interconnected with the statewide grid, exhibit a need for 235 MW of capacity in 1998, 470 MW of capacity in 1999, and 235 MW of capacity in 2000?

POSITION

STAFF: No position at this time.

FPC: Yes. In order to meet its reserve margin reliability criteria, and to be able to cost-effectively comply with the Clean Air Act emission limitations, FPC must add a total of 940 MW beginning in November, 1998. (Niekum)

CHESAPEAKE: No position.

DESTEC: Based on the assumption that FPC's planning methodology is reasonable, it would appear that such need does exist.

FICA: No. Because capacity has been offered to FPC by Orlando Utilities Commission (OUC) and others, FPC does not have a need to construct the proposed facilities in 1998. (Seelke)

FRG: No.

PANDA: Yes, we believe the need does exist.

ISSUE 4: Are the proposed 940 MW of combined cycle units needed to contribute to electric system reliability and integrity to FPC and to the State of Florida?

POSITION

STAFF: No position at this time.

FPC: Yes. In order to maintain electrical system reliability and integrity, the proposed 940 MW of natural gas fired combined cycle capacity will need to be added in the 1998-2000 time frame. These capacity additions will allow FPC to cost-effectively meet its reserve margin reliability criteria in those years. The proposed units will also contribute to the overall Peninsular Florida reliability need for new generating capacity in these years. (Niekum, Speck)

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 26

CHESAPEAKE: No position.

DESTEC: Yes.

FICA: No. Because OUC appears to have 110 MW of excess capacity available for sale to FPC in 1998, the need for the proposed capacity would be deferred to 1999. Additionally, generating resources available through self-service, higher than expected performance by QFs and other factors indicate that the proposed units can be deferred without adversely affecting electric system reliability or integrity. (Seelke)

FRG: No.

PANDA: No.

ISSUE 5: Are there any adverse consequences to FPC and its customers if all four of its proposed combined cycle units are not completed in the approximate time frame requested by FPC?

POSITION

STAFF: No position at this time.

FPC: Yes. Unless FPC adds the proposed capacity, it will not have sufficient resources to meet its reliability criteria and provide adequate and reliable service at the time of winter peak to its customers in those years. In addition, FPC would be forced to search for more costly alternatives to meet the emissions limitations set out in the Clean Air Act. If these units are not now permitted to be completed in the proposed time frame, the addition of new gas pipeline capacity in this state is jeopardized. Finally, if the proposed units are not allowed to move forward toward completion at the anticipated dates, FPC's ability to ensure the development of the site in a timely and cost effective manner is also limited. (Niekum, Foley, Watsey, Major)

CHESAPEAKE: No position.

DESTEC: There may be adverse consequences associated with the failure of FPC to acquire this capacity through

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 27

careful analysis of its least-cost options. However, these consequences will only materialize if FPC actually needs this capacity in the time frame requested and if that capacity cannot be obtained from others.

FICA: No. Due to the long time before these units are to be operational, their specific need is somewhat speculative. Combinations of cogeneration, cogeneration self-service and other alternatives could directly substitute for FPC's proposed units with less risk to the ratepayers. (Seelke)

FRG: No.

PANDA: No. FPC's time frame for construction is excessive, as demonstrated by Panda's ability to permit and construct a 175 MW Natural Gas Fired Facility in 23 months. Hence, the need can be filled by other means.

ISSUE 6: Is the timing of FPC's petition to determine the need for its proposed combined cycle units appropriate?

POSITION

STAFF: No position at this time.

FPC: Yes. FPC's petition was filed in accordance with the Commission's applicable rules which permit utilities to file in advance of its site certification application. This filing is critical to FPC at this juncture for several reasons. A timely determination of need will minimize the risk of all of the adverse consequences identified in Issue 5. It will allow continued work on site development without undue financial risk; it will allow necessary initial commitments for the development of new natural gas pipeline capacity into Florida; it will allow FPC to maintain some flexibility to advance the in-service date of the units if certain contingencies occur, such as higher than anticipated demand, a delay in the proposed 500 kV transmission line, of a delay in expected QF capacity; and it will give FPC and its customers greater assurance that it can cost-

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 28

effectively meet Clean Air Act requirements.
 (Niekum, Foley, Major, Watsey)

CHESAPEAKE: No position.

DESTEC: No. Destec believes that the filing is premature. FPC should more fully evaluate alternatives to self-construction and defer application for certification of its currently projected need until such evaluation is complete and risks associated with future uncertainties are eliminated or mitigated. Furthermore, the perception of risk associates with purchasing power may change over time. In sum, a delay would be unlikely to adversely affect FPC, its ratepayers or Florida.

FICA: No. FPC's petition is premature due to the fact that FPC has failed to afford QFs an opportunity to provide capacity. In addition, it is unreasonable to determine the need for units eight to ten years in advance when the construction lead time is only three years. FPC's premature filing places a substantial and unnecessary risk on FPC's ratepayers that assumptions and projections will not be realized. Because FPC's expansion plan has changed several times in the past year, it is speculative to determine need eight to ten years in advance. Further, because FPC has not disclosed its site until this year, a waiver of DCA rules would be required. (Seelke)

FRG: No.

PANDA: Yes, the timing is right to determine need - our concern centers around the fact that if the need exists FPC should consider other economically competitive alternatives such as QFs.

Fuel Issues

ISSUE 7: Is the fuel price forecast used by FPC reasonably adequate for planning purposes?

POSITIONS

STAFF: Yes. Staff's current analysis of FPC's fuel price forecast indicates that that forecast is reasonably adequate for planning purposes.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 29

FPC: Yes. FPC's fuel price forecast is a reasonable projection of fuel prices for its system and is reasonable for use in FPC's planning process. (Williams, Schlesinger)

CHESAPEAKE: No position.

DESTEC: No position

FICA: No, subject to testimony presented at the hearing.

FRG: No position.

PANDA: No position.

ISSUE 8: Have adequate assurances been provided regarding:
A) the sufficiency of supplies of natural gas; B) the commitment of natural gas supplies to FPC, and C) the availability either of gas transportation capacity or of commitments to build sufficient capacity; to serve the needs of the proposed Polk County units?

POSITIONS

STAFF: No position at this time.

FPC: Yes. There is an abundance of domestic natural gas supplies, at attractive prices, available for the Polk County units, which is reasonably projected to continue well into the future. FPC believes it would be imprudent and impractical to have signed letters of intent, contracts or other commitments in place with natural gas suppliers at this time. FPC continues to evaluate the alternatives available for construction of new pipeline capacity. The building of all four Polk County units is a crucial portion of the demand commitment necessary to assure that new pipeline capacity will be built. Without the determination of need for these units, FPC believes it would be impractical to sign letters of intent or contracts for pipeline capacity. (Watsey, Schlesinger, Waller)

CHESAPEAKE: No position.

DESTEC: No.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 30

FICA: No. FPC's project, as proposed, would place the risk of obtaining fuel at a reasonable cost entirely on the ratepayers.

FRG: No position at this time.

PANDA: No position.

ISSUE 9: Will the Polk County Project contribute to fuel diversity for FPC's system, and for peninsular Florida?

POSITIONS

STAFF: Yes. The Polk County Project will contribute to fuel diversity for FPC and for peninsular Florida. Even if FPC adds 940 MW of combined cycle capacity less than 33% of its fossil fuel fired capacity will be natural gas. The Polk County Project will decrease dependency on nuclear fuel, coal and oil.

FPC: Yes. FPC uses virtually no natural gas on its system at present. The Polk County units will allow FPC to diversify its generation mix. In addition, the units will increase the percentage of installed natural gas fired capacity statewide from approximately 6% to 9%. (Foley)

CHESAPEAKE: No position.

DESTEC: Yes. However, FPC construction of gas-fired generation is not the only way to achieve fuel diversity on FPC's system and in Peninsular Florida: for example, non-utility construction of such capacity could just as well achieve such diversity.

FICA: No. FPC's units will only increase natural gas usage by FPC and Peninsular Florida. Compared to QFs, which rely on gas, waste heat, biomass and other such fuel sources, FPC's plan does not contribute to fuel diversity. (Seelke)

FRG: No position.

PANDA: Yes, although new QF construction could accomplish the same result.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 31

ISSUE 10: If FPC is not authorized to construct all four of its proposed combined cycle units will FPC be able to secure an economical gas supply?

POSITIONS

STAFF: No position at this time.

FPC: No. Certification of less than all four units prohibits FPC from making the necessary commitments for new pipeline construction. (Watsey, Waller)

CHESAPEAKE: No position.

DESTEC: In all likelihood, yes. Destec has a great deal of experience in securing natural gas supplies for gas-fired projects. Such experience indicates that secure supplies can be assured for projects substantially smaller than 940 MW.

FICA: According to FPC's figures, its four proposed units do not have enough demand by themselves to "anchor" a pipeline. FPC has managed to cumulate some demand through a delayed conversion of its Anclote units to gas, rather than reaping the savings of an earlier conversion. Further, Mr. Schlesinger testified that, because of Florida's location relative to Gulf Coast and offshore supplies and the industry's view that Florida is a prime state for gas expansion, there is expected to be abundant, economically-priced gas available. (Seelke)

FRG: No position.

PANDA: In all likelihood, yes.

Reasonable Cost

ISSUE 11: Did FPC reasonably consider the costs of environmental compliance associated with the Clean Air Act when it evaluated its future generation needs?

POSITIONS

STAFF: No position at this time.

FPC: Yes. FPC evaluated each alternative plan to determine its impact on FPC's expected system

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 32

emissions allowance under the new Clean Air Act. The Polk County units provide the most cost-effective means for FPC to comply with the Clean Air Act. (Niekum)

CHESAPEAKE: No position.

DESTEC: No position at this time.

FICA: No. By failing to consider generation by QFs as an alternative to its proposed units, FPC has ignored a Clean Air Act compliance alternative to the risk and detriment of its ratepayers. QFs could provide equal or greater benefits regarding Clean Air Act compliance than the proposed units at less cost to FPC and its ratepayers.

FRG: No.

PANDA: No position.

ISSUE 12: Have the reasonably anticipated costs to FPC of environmental compliance of the proposed units been properly considered by FPC?

POSITIONS

STAFF: No position at this time.

FPC: Yes. FPC has evaluated appropriate air quality control technologies for the proposed units and taken into account all other reasonably anticipated environmental compliance requirements. Moreover, FPC has chosen a site which offers a rare opportunity to convert an environmentally disturbed site into a productive use as a site for generation capacity. (Major)

CHESAPEAKE: No position.

DESTEC: No position at this time.

FICA: No. By failing to consider generation by QFs as an alternative to its proposed units, FPC has ignored a Clean Air Act compliance alternative to the risk and detriment of its ratepayers. QFs could provide equal or greater benefits regarding Clean Air Act

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 33

compliance than the proposed units at less cost to FPC and its ratepayers.

FRG: No position.

PANDA: No position.

ISSUE 13: Has FPC provided sufficient information on the site, design and engineering characteristics of its 940 MW of combined cycle units to evaluate its proposal?

POSITIONS

STAFF: No position at this time.

FPC: Yes. FPC is proposing to construct the proposed 940 MW of combined cycle capacity at a site in Polk County. As described in the Integrated Resource Study, the site was chosen after a detailed site evaluation process. The technical characteristics and estimated cost of the units have also been provided. (Major)

CHESAPEAKE: No position.

DESTEC: No.

FICA: No.

FRG: No position.

PANDA: No position subject to the testimony presented at the hearing.

ISSUE 14: Do FPC's proposed combined cycle units contribute to the provision of adequate electricity to FPC and the State of Florida at a reasonable cost?

POSITIONS

STAFF: No position at this time.

FPC: Yes. The proposed Polk County units will provide adequate electricity to meet FPC's reliability criteria at the most reasonable cost of any alternative reasonably available to FPC. These units provide the best overall economics of any

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 34

alternative considered. The units will also contribute to Peninsular Florida's reliability in the 1998-2000 time frame. (Niekum, Speck)

CHESAPEAKE: No position.

DESTEC: Uncertainties arising due to the long lead time associated with the proposed units make it impossible to determine at this juncture whether FPC has proposed units that would provide electricity at a reasonable cost. The determination of reasonableness depends vitally upon the relative cost comparison of FPC's proposed units and possible available alternatives. It is Destec's position that deferral of a determination of need would allow FPC to more fully evaluate the alternatives available - both those available currently and those which become available.

FICA: No. Unless FPC first allows QFs to displace the proposed units, the Commission cannot conclude that electricity produced by the proposed facilities would be at a reasonable cost. (Seelke)

FRG: No, not within the proposed planning period.

PANDA: No. Acquisitions of capacity and energy from Qualified Cogeneration Facilities is a less costly alternative.

ISSUE 15: Assuming that the construction of a natural gas pipeline would be beneficial to the state, could natural gas-fired QFs provide the "anchor" demand which FPC indicates is so important?

POSITIONS:

STAFF: No position at this time.

FPC: No. While natural gas-fired QFs may place some demand on new pipeline capacity, individual QFs cannot provide the significant "anchor" demand at a location necessary to establish the economic incentive for pipeline development. (Watsey)

CHESAPEAKE: No position.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 35

DESTEC: With the proper direction from the Commission, QFs can be developed in sufficient quantity to provide the "anchor" for the proposed natural gas pipeline.

FICA: Yes. Of the eight QFs with which FPC contracted in its "capacity bidding" earlier this year, four are to be fueled with natural gas (380 MW), comprising 68% of the total contracted capacity. It is reasonable to expect, therefore, that QFs, if allowed to provide capacity in lieu of FPC's proposed Polk County plants, could provide the equivalent anchor demand.

FRG: No position.

PANDA: No position.

Most Cost-effective Alternative

ISSUE 16: What would be the anticipated effect on FPC's credit rating if FPC constructs its proposed capacity?

POSITIONS

STAFF: No position at this time.

FPC: FPC has taken a balanced approach to the proposed construction of capacity. The amount of external financing required is compatible with the internal generation of funds. Therefore, the construction will have no impact on FPC's credit rating. (Wieland)

CHESAPEAKE: No position.

DESTEC: Agree with FPC.

FICA: The effect would be to increase FPC's credit risk and thereby downgrade FPC's credit rating. (Seelke)

FRG: No position.

PANDA: No position.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 36

ISSUE 16a: What would be the anticipated effect on FPC's credit rating if FPC constructs its proposed capacity in conjunction with the construction of a potential gas pipeline by FPC or others?

POSITIONS:

STAFF: No position at this time.

FPC: The construction of a natural gas pipeline by FPC or others in conjunction with its proposed capacity will not affect FPC's credit rating. (Wieland)

CHESAPEAKE: No position.

DESTEC: Agree with FPC.

FICA: The effect would be to increase FPC's credit risk to a greater extent than construction of the facility alone, thereby downgrading FPC's credit rating further. (Seelke)

FRG: No position.

PANDA: No position.

ISSUE 16b: What would be the anticipated effect on FPC's credit rating if FPC relies on self-service generation, including self-service wheeling, in lieu of capacity purchases, conservation and load management?

POSITIONS:

STAFF: Staff has no position at this time.

FPC: Self-service generation, and particularly self-service wheeling, increases credit risk because it increases a company's market and business risk. (Abrams, Wieland)

CHESAPEAKE: No position.

DESTEC: No position.

FICA: There would be either no effect or an improvement in credit risk and credit rating. (Seelke)

FRG: No position.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 37

PANDA: No position.

ISSUE 17: What would be the anticipated effect on FPC's credit rating if all or part of the proposed capacity were replaced by purchased power?

POSITIONS

STAFF: No position at this time.

FPC: Purchased power is specifically taken into account by credit rating agencies evaluating utilities, including FPC. When the amount of purchased capacity reaches 10-15 percent of the total generation resources, close scrutiny is given to adjusting the coverage ratios. FPC is presently planning to have approximately 15% of its total generation resources from purchases. Additional purchases would require the utility to compensate in some way for the impact on its credit rating. (Abrams, Wieland)

CHESAPEAKE: No position.

DESTEC: There would be either no effect or possibly an improvement in the utility's credit rating.

FICA: There would be either no effect or an improvement in credit risk and credit rating. (Seelke)

FRG: No position.

PANDA: Agree with FICA.

ISSUE 18: What would be the general effect on FPC's revenue requirements if its proposed capacity was replaced in whole or in part by purchased power and the effects of credit ratings are considered?

POSITIONS

STAFF: No position at this time.

FPC: If the Polk County units were replaced in whole or in part by purchased power, the revenue requirements, excluding fuel, would be 20-60% higher than the cost of building if the full avoided cost were paid. (Wieland)

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 38

CHESAPEAKE: No position.

DESTEC: Depending on the nature of the purchased power cost recovery mechanism, the revenue requirement of FPC would likely be no higher, and would perhaps be lower, if the needed capacity were purchased rather than constructed by FPC.

FICA: Revenue requirements would be higher if FPC builds any of its proposed capacity in lieu of purchased power. (Seelke)

FRG: No position.

PANDA: Agree with FICA.

ISSUE 19: Has the availability of purchased power from other utilities been adequately explored and evaluated by FPC?

POSITIONS

STAFF: No position at this time.

FPC: Yes. Additional purchased power would have a detrimental effect on FPC's credit rating. Nevertheless, as part of its integrated resource plan, FPC evaluated two purchase offers from utilities. The first was a limited 110 MW offer from the Orlando Utilities Commission (Alternative 6). The second was an offer of coal based capacity from Cajun (Alternative 10). Neither of these offers was as cost effective as the proposed Polk County units. (Niekum, Foley)

CHESAPEAKE: No position.

DESTEC: No.

FICA: No. (Seelke)

FRG: No position.

PANDA: No.

ISSUE 20: Has the availability of non utility generation, including firm capacity purchases and self-service

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 39

generation, been adequately explored and evaluated by FPC?

POSITIONS

STAFF: No position at this time.

FPC: Yes. FPC has assumed that approximately 15% of its increased load will be met by purchases from cogenerators. Most of this capacity is presently under contract. FPC does not believe that requiring it to put this capacity out for is necessary or appropriate. Additional purchases, whether from QFs or other non utility generators, may result in a negative impact on FPC's credit rating. In addition, FPC believes it can construct the capacity more cost-effectively than a non-utility generator. Allowing additional capacity to be provided by QFs would impact FPC's ability to meet Clean Air Act requirements, and would not ensure the addition of new gas pipeline capacity in Florida. FPC has taken into account a reasonable amount of self-service generation. (Dolan, Foley, Wieland, Ruisch)

CHESAPEAKE: No position.

DESTEC: No.

FICA: No. Based on its filing and testimony in this proceeding, FPC has ignored both of these resources as an alternative to the proposed units, as a matter of company policy. (Seelke)

FRG: No position.

PANDA: No. Panda has repeatedly demonstrated its willingness to supply FPC's rate-payers with capacity and energy at or below FPC's avoided cost.

ISSUE 21: Has FPC demonstrated that it has adequately considered conservation or other non-generating alternatives, including the end use of natural gas, reasonably available to it that could mitigate the need for all or part of FPC's proposed 940 MW of combined cycle units?

POSITIONS

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 40

STAFF: No position at this time.

FPC: Yes. FPC has taken a "DSM-first" approach to its integrated resource planning. The plan calls for almost 30% of new load growth to be met through various demand side management measures. An additional 2% will be served by new interruptible load. FPC has taken into account all of the reasonably available, reliable, and cost-effective demand side management alternatives, and still has a need for the Polk County units. (Gelvin, Niekum)

CHESAPEAKE: No position.

DESTEC: No position.

FICA: No, subject to testimony presented at the hearing.

FRG: No.

PANDA: No.

ISSUE 22: Has FPC adequately explored other reasonably
STIPULATED available generating technologies for utility construction in lieu of the proposed project?

POSITION: Yes.

ISSUE 23: Are FPC's planned unit retirements in 1999 and 2000 cost-effective compared to the refurbishment and continued operation of those units?

POSITIONS:

STAFF: No position at this time.

FPC: Yes. The planned unit retirements in 1999 and 2000 are all units that will have reached their retirement life. The Higgins steam plants will be over 45 years old, the Higgins combustion turbines will be over 29 years old and the Avon Park combustion turbines will be over 32 years old. The retirement of these units along with the addition of combined cycle units using natural gas is part of Florida Power Corporation's Clean Air Act compliance plan. (Niekum)

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 41

CHESAPEAKE: No position.
DESTEC: No position.
FICA: No, subject to testimony presented at the hearing.
FRG: No position.
PANDA: Yes.

ISSUE 24: Will the proposed combined cycle units constructed by FPC be the most cost-effective alternative to FPC and Peninsular Florida?

POSITIONS

STAFF: No position at this time.

FPC: Yes. FPC evaluated ten alternative generation plans to meet its reliability criteria in the 1998-2000 time frame. Taking into account the uncertainties associated with future load growth, fuel prices, technological developments, economic conditions, and environmental compliance requirements, the proposed Polk County units constructed by FPC are the most cost-effective alternative to meet FPC's winter reserve margin. The addition of these cost effective units on FPC's system will also be a reliable, diverse, and cost effective addition to Peninsular Florida. (Niekum, Speck)

CHESAPEAKE: No position.

DESTEC: Although FPC's proposal may in fact be the most cost-effective alternative available to FPC and the State of Florida, much can happen prior to the time that decision needs to be made. It simply is too early to reach that decision with any degree of precision.

FICA: No. By definition, QFs are always the most cost-effective alternative if paid less than or equal to full avoided cost. Further, if FPC delays the conversion to help "anchor" a new pipeline, the lost savings should be added to the cost of constructing its new units. (Seelke)

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 42

FRG: No.

PANDA: No. Acquisition from QF facilities would be the most cost effective alternative.

Miscellaneous

ISSUE 25: What associated facilities are required in conjunction with the Polk County project?

POSITIONS

STAFF: Transmission, natural gas transportation, and distillate oil storage facilities will be required in conjunction with the Polk County units.

Currently, a 230 kV transmission line from Barcola to Ft. Meade passes through the middle of the Polk County site. With the addition of the first Polk County unit, it will be necessary for FPC to loop the existing Barcola-Ft. Meade line into a new 230 kV switchyard at the plant. With the addition of the remaining three Polk County units, FPC will have to rebuild the current line from the Polk County site to Barcola with double circuit structures to support two 230 kV circuits. In addition, a new 230 kV circuit will be needed for the remaining portion of the line from the Polk County site to Ft. Meade. Existing facilities can be used for this additional 230 kV circuit.

The facilities required to accommodate the use of natural gas as the primary fuel for the Polk County units depend upon the ultimate pipeline routing for FPC's fuel transportation. The pipeline is expected to pass adjacent to or through the Polk County site. A 20 inch diameter lateral with a length of up to 17 miles may be necessary depending upon the pipeline placement. A facility for storage of three days of distillate oil as a backup for natural gas will also be necessary.

FPC: A new natural gas lateral connecting the plant site to existing Florida Gas Transmission facilities in Hillsborough will be necessary if the new pipeline capacity is constructed by FGT. The existing Barcola-Ft. Meade 230 kV transmission line will be rebuilt with double circuit structures, and a new 230 kV circuit from the plant site to Ft. Meade

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 43

will be added. The existing 2.6 mile Ft. Meade-Rockland 115 kV circuit will be relocated. (Major)

- CHESAPEAKE: Among the associated facilities required will be natural gas transmission facilities and a natural gas lateral connecting to the plant site. It is the Florida Division's position that the owners/operators of those facilities should not be allowed to uneconomically bypass existing local distribution companies in order to serve the local distribution companies' existing or future customers.
- DESTEC: No position.
- FICA: The facilities described by Staff, except that FICA intends that associated "natural gas transportation" facilities will include, in addition to the gas lateral, the entire proposed natural gas pipeline.
- FRG: No position.
- PANDA: No position.
- ISSUE 26: Do purchases from QFs limit FPC's planning and operating flexibility?
- POSITIONS
- STAFF: No position at this time.
- FPC: Yes. Purchases from QFs limit FPC's ability to plan for future load growth simply because there is only a contractual assurance that the capacity will be available when committed. FPC still has the ultimate obligation to serve its customers. FPC's operational flexibility is also impacted, depending upon the contractual terms relating to unit operation (e.g., dispatchability). (Niekum, Foley)
- CHESAPEAKE: No position.
- DESTEC: No.
- FICA: No. To the contrary, they enhance FPC's planning and operating flexibility by providing, among other things, capital cost certainty; O&M cost certainty;

ORDER NO. 25359
 DOCKET NO. 910759-EI
 PAGE 44

smaller increments of capacity at economies of scale prices and contract length which can be tailored to specific needs. (Seelke)

FRG: No position.

PANDA: No.

ISSUE 27: Based on the resolution of the previous factual and legal issues, should FPC's petition for determination of need for 940 MW of combined cycle units, with 235 MW on-line in 1998, 470 MW on-line in 1999, and 235 MW on-line in 2000, be granted?

POSITIONS

STAFF: No position at this time.

FPC: Yes. The Commission should grant FPC's request for a determination of need for the Polk County units. (Keesler, Foley)

CHESAPEAKE: No position.

DESTEC: No, not at this time. Although Destec applauds FPC's attempt to plan for its customers on a long term basis, FPC's construction of the proposed capacity is not the only reasonable alternative available to meet its projected need. Given the substantial time lag between FPC's current petition and the time that DER permitting and construction would need to begin, any number of alternatives could materialize which could also more economically meet that need.

FICA: No. (Seelke)

FRG: No, not on the basis of the current filings.

PANDA: No.

F. STIPULATED ISSUES

Issue 22.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 45

G. LEGAL ISSUES

ISSUE 28: Based on the resolution of ISSUE 8, should the Commission grant or deny FPC's Petition for Determination of Need?

STAFF: No position at this time.

FPC: The Commission should grant FPC's petition based on all of the findings, taken together and given their appropriate weight. There is no one sole finding under Florida law, that in and of itself, should automatically mean a grant or denial of a need determination.

CHESAPEAKE: No position.

DESTEC: In general Dectec's position is that this application is premature and should be denied on that basis. The uncertainty surrounding the fuel is but one of a number of uncertainties which surround this application.

FICA: The Commission should deny FPC's petition of determination of need.

FRG: No Position.

PANDA: No.

ISSUE 29: Under Florida law, may the Commission impose upon new FPC constructed generating capacity the same cost and performance obligations and requirements that FPC places upon QFs, so that its stockholders bear the risk of construction and operation, rather than the ratepayers?

STAFF: No position at this time.

FPC: To the extent the Commission has the authority to impose performance obligations on a utility, that authority does not come from the law governing this need determination. Unlike QFs, the Commission already imposes such obligations, and many others, on FPC by virtue of the regulation of its rates.

CHESAPEAKE: No position.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 46

DESTEC: Yes.

FICA: Yes. This is fair in light of FPC's insistence that it can build and operate for less cost than QFs. If they are wrong or are misrepresenting the facts, the ratepayers should not be required to bear the additional cost beyond "avoided cost". In other words, FPC must understand there is no free lunch.

FRG: No position.

PANDA: Yes.

ISSUE 30: Is FPC obligated as a matter of law to purchase QF capacity in lieu of constructing the proposed units?

STAFF: No position at this time.

FPC: No.

CHESAPEAKE: No position.

DESTEC: FPC is required by law to pursue the most cost effective option whatever that may be.

FICA: Yes. 18 C.F.R. §292.304 and §366.051, F.S., require FPC to purchase capacity and energy from QFs. In addition, §403.519, F.S., must be construed in accordance with §366.81, F.S., to require FPC to encourage QF capacity through standard offer(s), negotiated contracts, and self-service generation in lieu of construction by FPC.

FRG: No position.

PANDA: Yes.

ISSUE 31: Under Florida law, may the Commission, in making a determination of need for FPC's proposed units, consider the benefits of a potential natural gas pipeline to persons other than FPC?

STAFF: No position at this time.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 47

FPC: Yes. The Commission may consider, along with all the other factors contemplated in s. 403.519, Florida Statutes, the benefits of additional natural gas pipeline capacity to the state.

CHESAPEAKE: Yes, the Commission should consider the benefits and the costs to persons other than FPC.

DESTEC: No.

FICA: No.

FRG: No position.

PANDA: No.

ISSUE 32: Under Section 403.519, Florida Statutes, does the term "most cost-effective alternative available" mean the same thing as "least cost option or combination of options available"?

STAFF: No position at this time.

FPC: No. Section 403.519 requires the Commission to consider whether the proposed unit is the most cost effective alternative available. If the legislature had intended to require use the term "least cost", it would have done so.

CHESAPEAKE: No position.

DESTEC: No position.

FICA: Yes, subject to the testimony presented at hearing.

FRG: Yes.

PANDA: No position at this time.

ISSUE 33: Does Florida law require the company to examine and use all reasonably available conservation measures that might mitigate the need for the proposed plant? If not, what standard is appropriate to determine that the company has fulfilled its

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 48

obligations under section 403.519, Florida Statutes.

POSITIONS:

STAFF: No position at this time

FPC: No. Section 403.519 requires the Commission to consider the conservation measures taken by or reasonably available to the applicant which might mitigate the need for the proposed plant.

CHESAPEAKE: No position.

DESTEC: No position.

FICA: Yes.

FRG: No, not all measures - only those that contribute to providing service at lower total cost than the proposed plant, recognizing such factors as load shape, transmission and distribution costs, and environmental costs.

PANDA: No position.

H. MOTIONS

No motions are pending at this time.

I. OTHER MATTERS


There are no other matters pending at this time.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that these proceedings shall be governed by this order unless modified by the Commission.

ORDER NO. 25359
DOCKET NO. 910759-EI
PAGE 49

By ORDER of Commissioner Betty Easley, as Prehearing Officer,
this 19th day of NOVEMBER, 1991.



BETTY EASLEY, Commissioner
and Prehearing Officer

(S E A L)

MCB:bmi
DRAFTPHO.mcb