

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for determination of need for
Okeechobee Clean Energy Center Unit 1, by
Florida Power & Light Company.

DOCKET NO. 150196-EI
ORDER NO. PSC-15-0547-PHO-EI
ISSUED: November 24, 2015

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on November 17, 2015, in Tallahassee, Florida, before Commissioner Ronald A. Brise, as Prehearing Officer.

APPEARANCES:

WILLIAM P. COX, ESQUIRE, Florida Power & Light Company, 700 Universe Blvd. Juno Beach, FL 33408; and
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On behalf of Florida Power & Light Company (FPL).

BRADLEY MARSHALL, ALISA COE, DAVID GUEST, ESQUIRES, Earthjustice, 111 S. Martin Luther King Jr. Blvd., Tallahassee, Florida 32301
On behalf of Environmental Confederation of Southwest Florida (ECOSWF).

JAMES S. WHITLOCK and GARY A. DAVIS, ESQUIRES, Davis & Whitlock, PC, 21 Battery Park Avenue, Suite 206, Asheville, NC 28801; and
GEORGE CAVROS, ESQUIRE, Southern Alliance for Clean Energy, 120 E. Oakland Park Blvd., Suite 105, Fort Lauderdale, FL 33334
On behalf of Southern Alliance For Clean Energy (SACE).

JON C. MOYLE, JR. and KAREN PUTNAL, ESQUIRES, The Moyle Law Firm, PA, 118 North Gadsden Street, Tallahassee, FL, 32312
On behalf of Florida Industrial Power Users Group (FIPUG).

PATRICIA A. CHRISTENSEN and J.R. KELLY, ESQUIRES, The Office of Public Counsel, 111 West Madison Street, Room 812, Tallahassee, FL, 32399
On behalf of the Citizens of the State of Florida (OPC).

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On behalf of the Florida Public Service Commission (Staff).

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Advisor to the Florida Public Service Commission.

PREHEARING ORDER

I. CASE BACKGROUND

On September 3, 2015, Florida Power & Light (FPL) filed a Petition and supporting testimony to Determine Need for the construction of a combined cycle generating unit in Okeechobee County, together with the associated facilities, including transmission lines and substation facilities, pursuant to Sections 366.04 and 403.519, Florida Statutes (F.S.), and Rules 25-22.080, 25-22.081, 25-22.082, and 28-106.201, Florida Administrative Code (F.A.C.). As laid out in its Petition, FPL proposes to construct a natural gas, combined cycle power plant, with an expected summer peak rating of about 1,622 megawatts (MW), at a greenfield site in northeast Okeechobee County owned by FPL. According to FPL's petition, the Okeechobee Clean Energy Center Unit 1 will enable FPL to meet a projected need for additional generation resources that begins in 2019, continues into 2020, and increases each year thereafter.

On September 11, 2015, the Commission issued a Notice of Commencement of Proceedings pursuant to Rule 25-22.080(3), F.A.C. This matter is scheduled for a formal administrative hearing beginning on December 1, 2015.

II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter of this proceeding by Sections 366.04 and 403.519, F.S. and Rules 25-22.080 and 25-22.081 F.A.C.

This hearing will be governed by the provisions of Chapter 120, F.S., Sections 366.04 and 403.519, F.S., and Chapters 25-22 and 28-106, F.A.C., as well as any other applicable provisions of law.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 366.093, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has

been made and the information was not entered into the record of this proceeding, it shall be returned to the person providing the information within the time period set forth in Section 366.093, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, F.S., at the hearing shall adhere to the following:

- (1) When confidential information is used in the hearing that has not been filed as prefiled testimony or prefiled exhibits, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- (2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties (and Staff) has been prefiled and will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to 5 minutes.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer. After all parties and Staff have had the opportunity to cross-examine the witness, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

The parties shall avoid duplicative or repetitious cross-examination. Further, friendly cross-examination will not be allowed. Cross-examination shall be limited to witnesses whose testimony is adverse to the party desiring to cross-examine. Any party conducting what appears to be a friendly cross-examination of a witness should be prepared to indicate why that witness's direct testimony is adverse to its interests.

VI. ORDER OF WITNESSES

Each witness whose name is preceded by a plus sign (+) will present direct and rebuttal testimony together.

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
Steven R. Sim	FPL	1, 2, 3, 4, 5, 6
Richard Feldman	FPL	1, 3
Jacquelyn K. Kingston	FPL	1, 2, 3
Heather C. Stubblefield	FPL	3, 4
John D. Wilson	SACE	1, 2, 3, 5, 6, Proposed Issues
Natalie Mims <i>* Revised Stricken Testimony, pursuant to Order No. PSC-15-0546-PCO-EI</i>	SACE	2, 4, 5, 6, Proposed Issues
Karl Rábago	ECOSWF	1-7, Proposed Issues 8-12

<u>Rebuttal</u>		
Richard Feldman	FPL	1, 3
Steven R. Sim <i>* Amended Testimony, pursuant to Order No. PSC-15-0546-PCO-EI</i>	FPL	1, 2, 3, 4, 5, 6

VII. BASIC POSITIONS

FPL: FPL has petitioned the Commission for an affirmative determination need for the construction of a combined cycle generating unit at a greenfield site in Okeechobee County, together with the associated facilities, including transmission line and substation facilities, needed to integrate, interconnect, and transmit energy from this site to FPL’s transmission network for delivery to customers. The unit and associated facilities are collectively referred to as the Okeechobee Clean Energy Center Unit 1 (“OCEC Unit 1”).

FPL proposes to build at a greenfield site in Okeechobee County a highly fuel-efficient, state-of-the-art combined cycle (“CC”) natural gas unit with about 1,622 MW (Summer) of generation for commercial operation beginning in June 2019. This generation will allow FPL to meet a projected need for additional generation resources that begins in 2019 (1,052 MW), continues in 2020 (1,409 MW (cumulative)), and increases each year thereafter. FPL’s projected need for generation in 2019 and beyond fully accounts for all reasonably achievable conservation measures and renewable energy reasonably achievable on FPL’s system.

OCEC Unit 1 is the best, most cost-effective option with which to meet FPL’s resource needs beginning in 2019 and will result in the lowest electric rates for FPL’s customers. OCEC Unit 1 will ensure reliable service for FPL’s customers and is expected to save FPL’s customers millions of dollars cumulative present value of revenue requirements (“CPVRR”) (net present value) in electricity costs over the next best alternative. Once this new CC unit goes into operation, it is projected to be the most fuel-efficient CC unit on FPL’s generation system, thus further enhancing the efficiency of an already highly efficient FPL generating system. It is also projected to be the most fuel-efficient CC unit in the State of Florida. Beyond the fuel savings and system reliability improvements, OCEC Unit 1 is estimated to generate significant economic benefits, including millions of dollars in tax revenues for local governments and school districts and 650 temporary and 30 permanent jobs.

For these reasons, and those set forth more fully in FPL's Petition and pre-filed testimony, FPL satisfies the statutory elements for granting an affirmative determination of need for OCEC Unit 1 pursuant to Section 403.519, Florida Statutes.

SACE:

The Commission should deny FPL's Petition for an Affirmative Determination of Need for the construction of the proposed OCEC Unit 1. In order to create the appearance of need for the proposed OCEC Unit 1, FPL relies on two planning criteria: (1) an outdated, unsubstantiated, and excessive 20% reserve margin criterion ("RM"); and (2) an unnecessary, unfounded, and skewed 10% generation-only reserve margin ("GRM") recently created by FPL. These criteria, if accepted by the Commission as the basis for need for construction of the proposed OCEC Unit 1, will result in overbuilding and excess capacity, at unreasonable costs for FPL customers, which exceed the need for electrical system reliability and integrity. Furthermore, FPL has failed to utilize renewable energy sources and technologies, solar PV resources in particular, and conservation measures, namely energy efficiency, which are reasonably available to it, and in fact are more cost-effective than the proposed OCEC Unit 1, and would mitigate the need for the proposed OCEC Unit 1. Finally, the proposed OCEC Unit 1 will only exacerbate FPL's and its customers', as well as the State of Florida's, already precarious overreliance on natural gas and will not maintain or enhance fuel diversity within the FPL system.

FPL's reliance on a 20% RM is both outdated and unsubstantiated, and a 20% RM is excessive. FPL's sole justification for using a 20% RM as a basis for the need for the OCEC Unit 1 is a 1999 Stipulation approved by the Commission,¹ which by its express terms is not binding on this proceeding.² Moreover, this Stipulation was based on evaluation by Commission staff of operation of the power systems in peninsular Florida in the 1980's and 1990's. These historical conditions simply no longer reflect reality, including, but not limited to, the improved reliability of FPL power plants. Further, FPL has conducted no recent studies or analyses that demonstrate that a 20% RM is still appropriate and/or necessary for FPL and its customers. The Commission should, in the absence of an updated and thorough analysis demonstrating that FPL's continued utilization of a 20% RM is appropriate, evaluate FPL's Petition using a 15% reserve margin as recommended by SACE expert witness John Wilson.

In regards to FPL's GRM, FPL unnecessarily created this new planning criterion in response to two events in 2010 – neither of which justifies the creation of such a criterion. Moreover, FPL created this skewed criterion, which is not generally accepted throughout the utility industry, in order to minimize the potential positive impacts of DSM resources, energy efficiency in particular, and conveniently guide the company's resource decisions towards "putting steel in the

¹ See Docket No. 981890-EU, Order No. 99-2507-S-EU (Issued Dec. 22, 1998).

² *Id.* at p. 9, ¶ 8.

ground.” The Commission should, as recommended by SACE expert witness John Wilson, reject FPL’s use of this GRM criterion in its resource planning, and specifically its application in this docket, where it only serves to create the appearance of need for the OCEC Unit 1.

In addition to the above, FPL continues to underutilize opportunities for solar PV as an alternative to resource generation, and did nothing more than pay lip service to solar PV as an alternative to the OCEC Unit 1. Moreover, as explained in the testimony of SACE expert witness Natalie Mims, FPL has had multiple opportunities to pursue much higher levels of energy efficiency at a much lower cost than building and operating new power plants, like the OCEC Unit 1, but has failed to take advantage of these opportunities. Finally, construction of the OCEC Unit 1 will only serve to exacerbate FPL’s, and its customers, already risky overreliance on natural gas, and will not promote fuel diversity, which FPL has cited as an ongoing concern in its resource planning for years.

ECOSWF: There is no need for the proposed Okeechobee Power plant pursuant to 403.519(3), Florida Statutes. The proposed plant will lead to increases in customers’ bills which are several times the increases that were contemplated with high energy efficiency goals in the FEECA proceedings. There is no need for these increases, as FPL’s generating system is already over-built. FPL’s own reliability projections show that system reliability will in no way be compromised by saving over 1 billion dollars of ratepayer money by not building another unneeded power plant. Instead of investing in Florida’s clean energy future, FPL wants to double-down on natural gas, a fuel which FPL already over-relies on. FPL advocates for special treatment in this proceeding, adding a generation-only reserve margin reliability criterion which no other utility gets, in order to justify additional over-building. FPL argues that this additional criterion because energy efficiency and demand response are not reliable, an argument which is demonstrably false.

FPL is likely to point to the January 11, 2010 high load event to show that high reserves are needed. The weather on January 11, 2010 was unprecedented. FPL sold Duke 500 MW during the height of the event, and was still able to meet all firm load. People lose power all the time from transmission wires or substations being down, often due to weather. During a hurricane, people can lose power for several days due to transmission failures. We do not overbuild our transmission lines to the extent that they can withstand a Category 5 hurricane, and neither should we overbuild our generating system to withstand any possible event. Extreme weather can cause power disruptions. Solely focusing on whether there is enough generating capacity for all extreme weather events is not a helpful exercise, because even if there is enough generating capacity in a Category 5 hurricane to meet all demand, having that capacity is not useful if the power lines are down. Nor should we be trying to build our electric system to withstand such a weather event. The cost simply outweighs the benefit. When driving down the highway, people do not pay to have a chase car full of parts and mechanics follow

them in case they break down. In the unlikely event their car breaks down, they simply go through the inconvenience of calling a tow truck, and having a mechanic fix the car. Similarly, in the event of an extreme weather event like the one that took place on January 11, 2010, some small risk of failure to meet all firm demand, a risk that is far smaller than that of a hurricane taking down transmission lines for more than a day, is acceptable if the cost is too much. The cost of the proposed plant is too much for FPL customers. FPL is overbuilding its generating capacity in order to guarantee its own profits, at the cost of a small fortune to its customers. The cost-benefit analysis of building generation to withstand freak weather events should be treated the same as the cost-benefit analysis of over-building transmission to withstand hurricanes. Demand response is the true safety valve for freak weather events. To the extent FPL has any additional need to cover peak load requirements, FPL should expand its investments in energy efficiency, clean energy, and demand response and load management programs.

FIPUG: The need determination should not be granted.

OPC: Florida Power and Light (FPL) has the burden of proof to justify its request for a determination of need to build the Okeechobee Clean Energy Center Unit 1 (OCEC 1). Further, FPL has the burden of proof regarding its proposed change and/or addition to the reserve margin and any other affirmative relief sought, regardless of whether the Intervenor provide evidence to the contrary. Citizens do not take issue with the use of a loss of load probability (LOLP) analysis to determine whether a particular unit is needed. However, FPL has not asserted in its request for determination of need that the OCEC1 is required to be built because the LOLP would be compromised.

Citizens submit that a 20% reserve margin which was previously set by stipulation in Order No. PSC- 99-2507-S-EU, issued December 22, 1999, is unnecessarily high, and should be addressed by the Commission in a generic proceeding. The stipulation, which was entered into by only investor-owned utilities, made clear that future Electric Power Plant Siting Act proceedings would be unaffected by the stipulation wherein the IOUs agreed to planning criterion of 20% for reserve margins and its approval by the Commission. *Id.* at pp. 9-10. However, Citizens submit that the Commission should apply the minimum 15% margin reserve set forth in Rule 25-6.035, Florida Administrative Code. Rule 25-6.035, Florida Administrative Code, states:

Each electric utility shall maintain sufficient generating capacity, supplemented by regularly available generating and non-generating resources, in order to meet all reasonable demands for service and provide a reasonable reserve for emergencies. Each electric utility shall also coordinate the sharing of energy reserves with other electric utilities in Peninsular Florida. To achieve an equitable sharing of energy reserves, Peninsular Florida utilities shall be

required to maintain, at a minimum, a 15% planned reserve margin. The planned and operating reserve margin standards established herein are intended to maintain an equitable sharing of energy reserves, not to set a prudent level of reserves for long-term planning or reliability purposes.

Planning to the minimum 15% reserve margin would not only meet the equitable sharing of energy reserves, but it would also avoid uneconomic, overbuilding of generation and the resulting increase in rates to ratepayers. The current in service date for OCEC 1 is June 1, 2019. However, FPL's margin reserve in 2019 is projected to be 15.7%. Thus, applying the minimum 15% margin reserve, the OCEC 1 unit would not be needed for the proposed in-service date of June 1, 2019.

10% Generation-Only Margin Reserve

FPL has introduced a change and/or addition to the margin reserve criteria. FPL is requesting a 10% generation-only reserve margin be considered as an additional condition in evaluating its need determination. While FPL states that it has used this new criteria in Commission dockets since 2014, the Commission has not approved the use of the 10% generation-only criteria. Currently, the reserve margin in Florida for FPL has been based on a stipulation that is more than 15 years old. When the reserve margin stipulation set a 20% reserve margin, the stipulation stated that “[n]either the adoption by the IOUs of the minimum twenty percent (20%) planning criterion nor the approval of this Stipulation by the Commission shall be deemed to create any presumption that capacity addition must be through any particular mix of generation and/or demand-side resources.” PSC-99-2507-S-EU at p. 9.

Moreover, Rule 25-6.035, Florida Administrative Code, already establishes the required “spinning load” that is needed for peninsular Florida. The Rule states as follows:

The following shall be utilized as the operating reserve standard for Peninsular Florida's utilities: operating reserves shall be maintained by the combined Peninsular Florida system at a value equal to or greater than the loss of generation that would result from the most severe single generating unit contingency. The operating reserves shall be allocated among the utilities in proportion to each control area's peak hour net energy for load for the preceding year, and the summer gross Florida Reliability Coordinating Council (FRCC) capability of its largest unit or ownership share of a joint unit, whichever is greater. Fifty percent shall be allocated on the basis of peak hour net energy for load and fifty percent on the basis of the summer gross FRCC capability of the largest unit. Operating reserves shall be fully available within

fifteen minutes. At least 25% of the operating reserves shall be in the form of spinning reserves which are automatically responsive to a frequency deviation from normal.

Under this Rule, the spinning reserves, i.e. generation reserves, are already addressed through a series of determinations made on a “total utilities” basis at the FRCC. FPL has not established through its proposed evidence that this new 10% generation-only reserve margin criteria is necessary. Furthermore, it appears to be redundant to the Rule on “spinning reserves” that is already in effect.

Thus, the addition of a 10% generation-only margin reserve criteria, irrespective of the percentage used, is unnecessary for several reasons. First, FPL has not demonstrated that the usual criteria for evaluating need (loss of line probability and reserve margin percentage) is insufficient in this docket. Second, the additional 10% generation-only criteria is unnecessary, is duplicative of the 25% “spinning load” requirement established in Commission rule, and will likely contribute to uneconomic, overbuilding of generation.

STAFF: Staff’s positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff’s final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VIII. ISSUES AND POSITIONS

ISSUE 1: **Is there a need for the proposed Okeechobee Clean Energy Center Unit 1, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519(3), Florida Statutes?**

POSITIONS

FPL: Yes. There is a need for OCEC Unit 1, taking into account the need for electric system reliability and integrity. A new supply-side generating unit is needed in 2019 to meet FPL’s system reliability criteria, and OCEC Unit 1 will meet all of FPL’s reliability criteria. After accounting for all projected Demand Side Management (“DSM”) from cost-effective programs approved by the Commission and all cost-effective renewable resources available to FPL, FPL has a need for future generating capacity starting at about 1,052 MW in 2019 and growing to 1,409 in 2020. OCEC Unit 1 will provide 1,622 MW (Summer) of highly efficient capacity to help satisfy this need. Also, OCEC Unit 1 will be a highly reliable source of energy, with a projected equivalent availability factor of approximately 96.7%. (Sim, Feldman, Kingston)

SACE: No. FPL's relies on an excessive 20% RM criterion that is outdated and unsubstantiated, as well as an unnecessary and unsupported 10% GRM criterion that is not a generally accepted planning criterion in the utility industry, in order to create the appearance of need for the OCEC Unit 1. Therefore, the proposed OCEC Unit 1 will result in a system with excess capacity that exceeds the need for electrical system reliability and integrity. (Wilson)

The generation-only reserve margin is an unnecessary, baseless and skewed criterion that is not generally accepted in the utility industry and is relied on by FPL to create the appearance of need for the OCEC Unit 1.

ECOSWF: No. FPL's system will meet appropriate reliability and integrity standards without the proposed unit.

The 15% reserve margin, coupled with the Loss of Load Probability criterion, ensures adequate reliability.

The Commission should reject FPL's request to add the generation-only reserve criterion.

FIPUG: No.

OPC: No. Using the 15% minimum reserve margin in Rule 25-6.035, Florida Administrative Code, OCEC 1 is not needed for the proposed in-service date of June 1, 2019. Further, FPL's proposed 10% generation-only margin reserve criteria is unnecessary for the Commission's determination of reliability and integrity. Further, FPL's proposed 10% generation-only margin reserve should not be adopted or approved by the Commission in making this need determination.

STAFF: No position at this time.

ISSUE 2: **Are there any renewable energy sources and technologies or conservation measures taken by or reasonably available to Florida Power & Light, which might mitigate the need for the proposed Okeechobee Clean Energy Center Unit 1?**

POSITIONS

FPL: No. In determining the need for the OCEC Unit 1, FPL took account of all FPL- and Commission-identified cost-effective renewable energy and conservation measures reasonably available to FPL that might mitigate the need for the proposed OCEC Unit 1. FPL projected that approximately half of the 223 MW nameplate rating from new PV facilities by the end of 2016 will contribute firm capacity at FPL's Summer peak, and this has been accounted for in FPL's

projection of its resource needs. In addition, FPL accounted for all achievable, cost-effective DSM approved by the FPSC. Even after accounting for these contributions, FPL and its customers still have a significant need for generating capacity in 2019. The OCEC Unit 1 is the best alternative available to meet that need. (Sim, Kingston)

SACE: Yes. FPL has failed to utilize renewable energy sources and technologies, in particular solar PV resources, as well as conservation measures, namely energy efficiency, reasonably available to it which would mitigate the need for the proposed OCEC Unit 1. Specifically, FPL did nothing more than pay lip service to solar PV as an alternative to the OCEC Unit 1, and has failed to capitalize on countless opportunities to pursue much higher levels of energy efficiency. (Wilson, Mims)

ECOSWF: Yes, renewable energy and conservation measures could obviate whatever need would be met by the proposed unit.

As a consequence, FPL should be expanding demand response in order to maintain reliability during freak weather events, not spending ratepayer money on an unneeded power plant.

By reducing payments, FPL has artificially reduced the number of customers who would volunteer to participate in demand response programs.

FIPUG: Yes.

OPC: Yes.

STAFF: No position at this time.

ISSUE 3: **Is there a need for the proposed Okeechobee Clean Energy Center Unit 1, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519(3), Florida Statutes?**

POSITIONS

FPL: Yes. There is a need for OCEC Unit 1, taking into account the need for adequate electricity at a reasonable cost. OCEC Unit 1 is the best resource available to FPL and its customers to meet the need for adequate electricity at a reasonable cost. The projected cost of OCEC Unit 1 is \$1,196.0 million. The unit is projected to result in the lowest system cost of all the various alternatives considered by and available to FPL, and the unit is also projected to result in the lowest electric rates for FPL's customers. OCEC Unit 1 is a highly fuel-efficient unit which will generate fuel savings even on a system as efficient as FPL's, and its projected installed cost per kW is projected to be the lowest in the industry for a modern CC

unit. Accordingly, OCEC Unit 1 will provide needed electricity at a reasonable cost. (Sim, Feldman, Kingston, Stubblefield)

SACE: No. FPL's 20% RM criterion is excessive, and its 10% GRM criterion is unnecessary. Therefore, there is no need for the proposed OCEC Unit 1 as it will result in a system with excess capacity that exceeds the need for electrical system reliability and thus the costs associated with the OCEC Unit 1 are unreasonable. (Wilson)

ECOSWF: No. The unnecessary unit will simply add an unnecessary cost to FPL customers.

FIPUG: No.

OPC: No, using a margin reserve greater than 15% with a 10% generation-only criteria will lead to uneconomic, overbuilding of generation and result in unreasonable rate increases for FPL's ratepayers.

STAFF: No position at this time.

ISSUE 4: **Is there a need for the proposed Okeechobee Clean Energy Center Unit 1, taking into account the need for fuel diversity, as this criterion is used in Section 403.519(3), Florida Statutes?**

POSITIONS

FPL: Yes. While OCEC Unit 1 will not improve FPL's fuel diversity, it will not significantly increase FPL's reliance on natural gas, given other capacity additions and retirements, plus the high level of fuel efficiency of this new unit. In terms of utilizing other energy sources for its generation portfolio, FPL is actively pursuing additional solar and nuclear energy. (Sim, Stubblefield)

SACE: No. FPL has, for a number of years, cited "maintaining/enhancing fuel diversity in the FPL system" as an ongoing concern in the Company's resource planning. However, construction and operation of the OCEC Unit 1 will only exacerbate FPL's and its customers' already precarious overreliance on natural gas. (Mims)

ECOSWF: No. The proposed unit will increase FPL's over-reliance on natural gas when FPL should be investing in clean energy to diversify its fuel portfolio.

FIPUG: No.

OPC: No, the OCEC 1 is a natural gas unit which will needlessly increase FPL's reliance on natural gas.

STAFF: No position at this time.

ISSUE 5: Will the proposed Okeechobee Clean Energy Center Unit 1 provide the most cost-effective alternative, as this criterion is used in Section 403.519(3), Florida Statutes?

POSITIONS

FPL: Yes. The OCEC Unit 1 is the most cost-effective alternative that has been identified to meet the reliability needs of FPL's customers. It is the most economic self-build option available to FPL and its customers. OCEC Unit 1 is expected to save FPL's customers up to \$281 million cumulative present value of revenue requirements ("CPVRR") (net present value) in electricity costs over the next best alternative. A market assessment was done in accordance with the Commission's Bid Rule (Rule 25-22.082, F.A.C.), and the results of that solicitation presented no market alternative available to FPL. (Sim)

SACE: No. FPL has had countless opportunities to pursue much higher levels of energy efficiency at a much lower cost than building new power plants, like the proposed OCEC Unit 1, but has failed to take advantage of these opportunities. FPL also continues to underutilize renewable energy sources and technologies, in particular solar PV resources, which are more cost-effective than the proposed OCEC Unit 1. (Wilson, Mims)

ECOSWF: No. Energy efficiency, clean energy, demand response and load management, and not over-building are more cost-effective alternatives.

FIPUG: No.

OPC: No.

STAFF: No position at this time.

ISSUE 6: Based on the resolution of the foregoing issues, should the Commission grant Florida Power & Light's petition to determine the need for the proposed Okeechobee Clean Energy Center Unit 1?

POSITIONS

FPL: Yes. Building OCEC Unit 1 with an in-service date of June 1, 2019 is the best, most cost-effective choice for FPL's customers for maintaining reliable electric service beginning in that year. This unit was determined to be the most cost-effective FPL self-build option through extensive analyses. Furthermore, FPL's RFP that was issued to identify market alternatives to OCEC Unit 1 resulted in no viable alternatives. Thus, taking into account all reasonably available renewable

energy and conservation measures, the OCEC Unit 1 is the best, most economic choice among the available alternatives to meet FPL's customers' resource needs in 2019 and is projected to be the most fuel-efficient CC unit for any utility in the State of Florida, further enhancing the fuel efficiency of an FPL's already highly efficient generation system. Therefore, the Commission should grant an affirmative determination of need for OCEC Unit 1 with a target in-service date of June 1, 2019, based on a finding that this project is the best, most cost-effective choice to meet the needs of FPL's customers in 2019. (Sim)

SACE: No. (Wilson, Mims)

ECOSWF: No. The Commission should deny the petition.

FIPUG: No.

OPC: No. Using the 15% minimum reserve margin in Rule 25-6.035, Florida Administrative Code, OCEC 1 is not needed for the proposed in-service date of June 1, 2019.

STAFF: No position at this time.

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

POSITIONS

FPL: Yes. Upon issuance of an order granting FPL's petition to determine the need for OCEC Unit 1, this docket should be closed.

SACE: No position.

ECOSWF: Yes.

FIPUG: Yes.

OPC: Yes.

STAFF: No position at this time.

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
<u>Direct</u>			
Steven R. Sim	FPL	SRS-1	FPL's 2015 Capacity Request for Proposals (RFP)
Steven R. Sim	FPL	SRS-2	Projection of FPL's Resource Needs: 2015 through 2020
Steven R. Sim	FPL	SRS-3	Evaluation of FPL Self-Build Options: A Representative List of CC and CT Generating Options at Two Sites Evaluated in the First Stage of the Analyses
Steven R. Sim	FPL	SRS-4	Evaluation of FPL Self-Build Options: Results of Analyses of CC and CT Generating Options at Two Sites Evaluated in the First Stage of the Analyses
Steven R. Sim	FPL	SRS-5	Evaluation of FPL Self-Build Options: List of Generating Option Technologies Evaluated in the Second Stage of the Analyses and the Results of These Analyses
Richard Feldman	FPL	RF-1	Florida Population
Richard Feldman	FPL	RF-2	Total Average Customers
Richard Feldman	FPL	RF-3	Real Disposable Income per Household
Richard Feldman	FPL	RF-4	Real Price of Gasoline Lagged
Richard Feldman	FPL	RF-5	Summer Peak Load (MW)
Richard Feldman	FPL	RF-6	Risk-Adjusted Summer Peak Forecast (MW)
Richard Feldman	FPL	RF-7	Winter Peak Load (MW)

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Richard Feldman	FPL	RF-8	Calendar Net Energy for Load (GWh)
Jacquelyn K. Kingston	FPL	JKK-1	Typical 3x1 Combined Cycle Unit Schematic
Jacquelyn K. Kingston	FPL	JKK-2	FPL Combined Cycle Power Plants
Jacquelyn K. Kingston	FPL	JKK-3	History of FPL Combined Cycle Capital Construction Costs
Jacquelyn K. Kingston	FPL	JKK-4	OCEC Unit 1 Site Regional Map
Jacquelyn K. Kingston	FPL	JKK-5	OCEC Unit 1 Site Property Delineation
Jacquelyn K. Kingston	FPL	JKK-6	Aerial Photo of Okeechobee FPL Property (January 2015)
Jacquelyn K. Kingston	FPL	JKK-7	OCEC Unit 1 Proposed Site Plan Rendering
Jacquelyn K. Kingston	FPL	JKK-8	OCEC Unit 1 Plant Specifications
Jacquelyn K. Kingston	FPL	JKK-9	OCEC Unit 1 Water Balance
Jacquelyn K. Kingston	FPL	JKK-10	Florida Reliability Coordinating Council Letter
Jacquelyn K. Kingston	FPL	JKK-11	OCEC Unit 1 Expected Construction Schedule
Jacquelyn K. Kingston	FPL	JKK-12	OCEC Unit 1 Plant Construction Cost Components
Heather C. Stubblefield	FPL	HCS-1	FPL's November 3, 2014 and October 7, 2013 Fuel Price Forecasts
John D. Wilson	SACE	JDW-1	Resume of John D. Wilson

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
John D. Wilson	SACE	JDW-2	Generation Reserve Margin Study, Duke Energy Carolinas, Astrape Consulting, 2012
John D. Wilson	SACE	JDW-3	Bob Barrett, "The Need for a 3 rd Reliability Criterion for FPL: a Generation-Only Reserve Margin (GRM) Criterion," February 28, 2014. Sim Deposition, Ex. 3
John D. Wilson	SACE	JDW-4	FPL, "Calculation of 'Generation – Only Reserve Margins," undated. Sim Deposition, Exhibit 2, (p.49).
Natalie Mims	SACE	NAM-1	Resume of Natalie Mims
Natalie Mims * Stricken, pursuant to Order No. PSC-15-0546-PCO-EI	SACE	NAM-2	Letter re: Measures Not Included in FPL's EE Potential Study
Karl Rábago	ECOSWF	KRR-1	Resume of Karl Rábago
Karl Rábago	ECOSWF	KRR-2	Table of Previous Testimony by Karl Rábago
Karl Rábago	ECOSWF	KRR-3-A	FPL 2001-2010 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-B	FPL 2002-2011 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-C	FPL 2003-2012 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-D	FPL 2004-2013 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-E	FPL 2005-2014 Ten Year Site Plan

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Karl Rábago	ECOSWF	KRR-3-F	FPL 2006-2015 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-G	FPL 2007-2016 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-H	FPL 2008-2017 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-I	FPL 2009-2018 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-J	FPL 2010-2019 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-K	FPL 2011-2020 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-L	FPL 2012-2021 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-M	FPL 2013-2022 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-N	FPL 2014-2023 Ten Year Site Plan
Karl Rábago	ECOSWF	KRR-3-O	FPL 2015-2024 Ten Year Site plan
Karl Rábago	ECOSWF	KRR-4	Order No. PSC-13-0505-PAA-EI, In re: Petition for Prudence Determination Regarding New Pipeline System by Florida Power & Light Company.

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Karl Rábago	ECOSWF	KRR-5-A	FPL LOLP Table with and without 10% Generation Only Reserve Margin from Docket No. 130199-EI
Karl Rábago	ECOSWF	KRR-5-B	Affidavit of Steven R. Sim
Karl Rábago	ECOSWF	KRR-5-C	Interrogatory Answer from Docket No. 130199-EI
Karl Rábago	ECOSWF	KRR-6	Chance of Meteor Strike
Karl Rábago	ECOSWF	KRR-7	The Economic Ramifications of Resource Adequacy, January 2013, Eastern Interconnection States' Planning Council
Karl Rábago	ECOSWF	KRR-8	Order No. PSC-99-2507-S-EU, In re: Generic Investigation into the Aggregate Electric Utility Reserve Margins Planned for Peninsular Florida
Karl Rábago	ECOSWF	KRR-9	Rating the States on Nat Gas Overreliance
<u>Rebuttal</u>			
Steven R. Sim <i>* Partially withdrawn, pursuant to Order No. PSC-15-0546-PCO-EI</i>	FPL	SRS-6	Incorrect and/or Misleading Statements Made in the Testimonies of Witnesses Rábago, Wilson, and Mims
Steven R. Sim	FPL	SRS-7	Commission Proceedings Approving or Applying 20% Reserve Margin
Steven R. Sim	FPL	SRS-8	Duke Energy Progress, North Carolina Integrated Resource Plan (Annual Report), September 1, 2015

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Steven R. Sim	FPL	SRS-9	Relevant Testimony from FPL Witness Rene Silva in the Petition to Determine Need for Riviera Plant and Cape Canaveral Plant (Docket Nos. 080245-EI and 080246-EI)
Steven R. Sim	FPL	SRS-10	A Look at January 11, 2010 if FPL Had Planned to a 15% Total Reserve Margin Criterion
Steven R. Sim	FPL	SRS-11	The Need for a 3rd Reliability Criterion for FPL: A Generation-Only Reserve Margin (GRM) Criterion
Steven R. Sim <i>* Withdrawn, pursuant to Order No. PSC-15-0546-PCO-EI</i>	FPL	SRS-12	Comparison of the Major Drivers of Benefits in DSM Cost-Effectiveness: 2014 DSM Goals Docket Inputs and Forecasts versus 2015 Inputs and Forecasts
Richard Feldman	FPL	RF-9	Winter Peak Weather Impact

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

There are no proposed stipulations at this time.

XI. PENDING MOTIONS

There are no pending motions at this time.

XII. PENDING CONFIDENTIALITY MATTERS

There is one pending motion for confidentiality, which will be disposed of by separate order.

XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 100 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 100 words, it must be reduced to no more than 100 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 40 pages and shall be filed at the same time.

XIV. RULINGS

Opening statements, if any, shall not exceed 7 minutes per party.

SACE, ECOSWF and FPL proposed additional issues for inclusion in this proceeding upon which the parties could not agree and each filed comments in support of and/or in opposition to the inclusion of the proposed additional issues. Upon consideration of the comments and further discussion by the parties at the Prehearing Conference, many of the proposed additional issues could be addressed in other issues previously identified and others were deemed inappropriate for inclusion in this proceeding. Accordingly, the following proposed issues were removed from Section VII of this Order for the reasons listed below:

ECOSWF PROPOSED ISSUE 8:

What reserve margin criterion should be used to determine FPL's need?

ECOSWF PROPOSED ISSUE 9:

Should the Commission apply reserve margin criterion to FPL that are not applied to other utilities?

ECOSWF PROPOSED ISSUE 12:

Should FPL follow the 15% reserve margin recommended by the North American Electric Reliability Corporation?

Ruling: To the extent that ECOSWF's Proposed Issues 8, 9 and 12 are relevant, the issues are subsumed within previously identified Issue 1, and ECOSWF's positions on its Proposed Issues 8, 9 and 12 have been included in its position on Issue 1.

ECOSWF PROPOSED ISSUE 10:

Is demand response significantly cheaper than new power plants?

ECOSWF PROPOSED ISSUE 11:

Has the reduction in payments by FPL to customers for participation in demand response programs artificially reduced demand for demand response?

Ruling: To the extent that ECOSWF's Proposed Issues 10 and 11 are relevant, the issues are subsumed within previously identified Issue 2, and ECOSWF's positions on its Proposed Issues 10 and 11 have been included in its position on Issue 2.

SACE PROPOSED ISSUE 1:

Does the Stipulation entered into in Docket No. 981890-EU, and approved by the Commission in Order No. PSC-99-2507-S-EU, require the Commission to review FPL's Petition in this docket based on a 20% reserve margin?

SACE PROPOSED ISSUE 2:

If the Commission does not address the appropriateness of FPL's 20% reserve margin criterion in this docket, should the Commission establish a generic docket to address what the appropriate reserve margin criteria are for FPL and other IOUs?

Ruling: See, Order No. PSC-15-0540-PCO-EI, issued on November 20, 2015, in this matter.

SACE PROPOSED ISSUE 3:

Is the generation-only reserve margin created and used by FPL an appropriate reliability criterion for determining the need for the proposed OCEC Unit 1?

FPL PROPOSED ISSUE 1A:

Ruling: See, Order No. PSC-15-0540-PCO-EI, issued on November 20, 2015, in this matter.

By Order No. PSC-15-0546-PCO-EI, issued on November 24, 2015, in this matter, FPL's Motion to Strike or Exclude Portions of the Direct Testimony of Natalie A. Mims filed on behalf of the Southern Alliance for Clean Energy was granted in part.

FIPUG's motion requesting the opportunity to *voir dire* FPL witnesses, if such witnesses are identified as experts by FPL, is denied.

It is therefore,

ORDERED by Commissioner Ronald A. Brisé, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Ronald A. Brisé, as Prehearing Officer, this 24th day of November, 2015.



RONALD A. BRISÉ
Commissioner and Prehearing Officer
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.