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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
TALLAHASSEE, FLORIDA

IN RE:

Planning Hearings on Load Forecasts, Generation
Expansion Plans, and Cogeneration Prices for
Peninsular Florida's Electric Utilities.
(Deferred from the April 17, 1990 Commission
Conference)

DOCKET NO. 900004-EU

BEFORE:

Chairman Michael Wilson
Commissioner Gerald L. Gunter
Commissioner Thomas M. Beard
Commissioner Betty Easley

PROCEEDINGS:

Special Agenda Conference

ITEM NUMBERS:

1 and 2

DATE:

Friday, May 25, 1990

PLACE:

106 Fletcher Building
Tallahassee, Florida

REPORTED BY:

PATRICIA L. GOMIA, RPR, CSR
Notary Public in and for the
State of Florida at Large

* * *

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FLORIDA PUBLIC SERVICE COMMISSION

Special Commission Conference Agenda

Conference Time and Date: 8:30 a.m., May 25, 1990

Location: Room 106, Fletcher Building

Date Issued: May 9, 1990

- 1 DOCKET NO. 900004-EU - Planning Hearings on Load Forecasts, Generation Expansion Plans, and Cogeneration Prices for Peninsular Florida's Electric Utilities. (Deferred from the April 17, 1990 Commission Conference)

Docket Opened: 1/2/90

Critical Date: None

Commissioners Assigned: Full Commission
Prehrg Officer GT

Staff: LEG: Brownless
EAG: Ballinger

Issue: Recommendation that the Commission should not alter its decision concerning the appropriate statewide avoided unit and subsequent cogeneration prices as set forth in Order No. 22341. The evidence contained in the record still supports the selection of a 385 MW combined cycle unit with an in-service date of 1993 as the first statewide avoided unit.

Special Commission Conference
Dockets Nos. 891049-EU and
900004-EU
May 25, 1990

2**

DOCKET NO. 900004-EU - Planning Hearings on Load Forecasts, Generation Expansion Plans, and Cogeneration Prices for Peninsular Florida's Electric Utilities. (Deferred from the April 17, 1990 Commission Conference)

Docket Opened: 1/2/90

Critical Date: None

Commissioners Assigned: Full Commission
Prehrg Officer GT

Staff: LEG: Brownless
EAG: Ballinger

Issue: 1. With regard to the subscription limits established in Order No. 22341, how should standard offer and negotiated contracts for firm capacity and energy be prioritized to determine the current subscription level?
Primary Recommendation: Initial priority should be given to all contracts based on the execution date or the last signature date of the contract. Priority would not become final until Commission approval for cost recovery purposes. For standard offer contracts, the execution and approval date are one and the same. However, if a standard offer contract and a negotiated contract are executed on the same day, the negotiated contract, upon approval by the Commission, should take precedence over the standard offer contract.

Secondary Recommendation: Due to the fact that under existing Rule 25-17.083(8), F.A.C., payments made pursuant to standard offer contracts are recoverable without further action by the Commission, standard offer contracts should "trump" negotiated contracts when both are executed on the same date. As found by the Commission in the last planning hearing docket (Issue No. 25), both standard offer and negotiated contracts count toward the subscription limit. The current rules do not envision more than one standard offer at a time, i.e., a standard offer for each year a unit is identified in the designated utility's least-cost generation expansion plan.

(Continued to next page)

Special Commission Conference
Dockets Nos. 891049-EU and
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May 25, 1990

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DOCKET NO. 900004-EU - Planning Hearings on Load Forecasts, Generation Expansion Plans, and Cogeneration Prices for Peninsular Florida's Electric Utilities. (Deferred from the April 17, 1990 Commission Conference)

(Continued from previous page)

Issue: 2. How should the utilities who are subject to the Commission-designated subscription amounts notify the Commission on the status of capacity signed up against the designated statewide avoided unit?

Recommendation: Utilities who are subject to Commission-designated subscription amounts should be required to submit to the Director of the Division of Electric and Gas an informal notice of contract execution within five days of the contract execution date. This notice should include, at a minimum: the type of contract, the in-service year of the project, the amount (MW) committed, the contracting party or parties, and the amount (MW) remaining under the utility's current subscription level. Either the utility or the cogenerator can submit the notice of contract execution. If a notice of contract execution is not received within five days, priority will then be based upon the date the notice is ultimately received. Filing of the contract should occur within 30 days of the date of the notice.

Issue: 3. What happens when a utility reaches its own subscription limit for a particular unit?

Recommendation: When a utility reaches its allocated limit for the Commission-approved statewide avoided unit, the utility should close out its current standard offer and provide a new standard offer based on the next approved statewide avoided unit. For example, when FPL subscribes 230 MW of the 1993 combined cycle unit, they would then offer a standard offer contract based on the Commission-approved statewide avoided unit, a 1994 combined cycle unit. Likewise, when FPL subscribes 230.6 MW of the 1994 avoided unit, they would open a new standard offer contract based on the Commission-approved 1995 statewide avoided unit.

(Continued to next page)

Special Commission Conference
Dockets Nos. 891049-EU and
900004-EU
May 25, 1990

2**

DOCKET NO. 900004-EU - Planning Hearings on Load Forecasts, Generation Expansion Plans, and Cogeneration Prices for Peninsular Florida's Electric Utilities. (Deferred from the April 17, 1990 Commission Conference)

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Issue: 4. Does the subscription limit prohibit any utility from negotiating, and the Commission from subsequently approving, a contract for the purchase of firm capacity and energy from a qualifying facility?
Primary Recommendation: No. The subscription limits set forth in Order No. 22341 and the current criteria for approval of negotiated contracts should only apply to contracts negotiated against the current designated statewide avoided unit, i.e., a 1993 combined cycle unit. Any contract outside of these boundaries should be evaluated on a utility's individual needs and costs, i.e., it should be evaluated against the units identified in each utility's own generation expansion plan.

Secondary Recommendation: Yes. Although the recommendation of technical staff has merit, the rules as currently written simply do not envision cogeneration contracts that are not tied to the current statewide avoided unit.

Issue: 5. Should a negotiated contract whose project has an in-service date which does not match the in-service date of the statewide avoided unit be counted towards that utility's subscription limit?

Primary Recommendation: No. The subscription limits set forth in Order No. 22341 and the current criteria for approval of negotiated contracts should only apply to the statewide avoided unit. Any contract outside of these boundaries should be evaluated against each utility's own avoided cost.

Secondary Recommendation: No. Utilities should be prohibited from negotiating for units which are beyond the date of the statewide avoided unit. If, however, such units are contracted for, these contracts should be judged for cost recovery purposes against the avoided costs of the 1994 and 1995 avoided units approved by the Commission in Order No. 22341. After 1995, these contracts should be judged against the units identified in the FCG's 1989 Long Range Generation Expansion Plan.

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PARTICIPATING:

SUZANNE BROWNLESS, Esquire, FPSC Legal Division

TOM BALLINGER, FPSC Electric and Gas Division

JAMES DEAN, FPSC Electric and Gas Division

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I N D E X

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P R O C E E D I N G S

1
2 COMMISSIONER BEARD: Why are we here?

3 MS. BROWNLESS: I wanted to take this opportunity,
4 because I promised Mr. Hirsh (phonetic) that I would do
5 so, to correct a misstatement that I made on the record
6 in the FP&L Need Determination Case, and Mr. Hirsh was
7 kind enough to write me and point out my error. I
8 referred to his company, IMC Fertilizer, as one who
9 essentially was producing electricity and not a natural
10 cogenerator using his steam for other things. Wrong,
11 wrong, wrong. That was a misstatement on my part. I
12 was confused with the Florida Crushed Stone contract,
13 which has yet to produce and generate any electricity.

14 I am sorry, Mr. Hirsh.

15 COMMISSIONER GUNTER: Wrong, wrong, wrong again.
16 Florida Crushed Stone has generated a considerable
17 amount of electricity out of the Brooksville plant.

18 MS. BROWNLESS: The original contract, the way,
19 way original one. The first cogeneration contract that
20 was ever signed by the Commission, that's the one that
21 I'm talking about.

22 COMMISSIONER GUNTER: That is the one we had the
23 hearing in Brooksville for the plant that was
24 disassembled by, bought from American Electric Power
25 and taken down there and put together?

1 MS. BROWNLESS: Yes, sir.

2 COMMISSIONER GUNTER: It's not evidence, but I've
3 been told by both utilities and the guy that they have
4 generated substantial amounts of electricity on peak on
5 an as-available basis. Their firm, their capacity
6 payments don't begin until '92 under that contract.
7 But they have been providing as-available energy for
8 some while.

9 MS. BROWNLESS: Then I'll just be wrong.

10 CHAIRMAN WILSON: Let that be the last time this
11 morning. The Planning Hearing first?

12 MS. BROWNLESS: I'm sorry, what?

13 CHAIRMAN WILSON: The Planning Hearing first?

14 MS. BROWNLESS: Oh, yes, sir, as you wish.

15 CHAIRMAN WILSON: Let's get on with it. I think
16 at this point we are here on sort of the Commission's
17 --

18 MS. BROWNLESS: Motion for Reconsideration of the
19 Order.

20 CHAIRMAN WILSON: -- on the decision to
21 reconsideration -- to reconsider the prior order.

22 MS. BROWNLESS: Yes, sir.

23 CHAIRMAN WILSON: And I think that interest
24 originated primarily with Commissioners Gunter and
25 Beard. So if either of you would like to lead off the

1 discussion.

2 COMMISSIONER GUNTER: Commissioners, Mr. Chairman,
3 I apologize, Your Lordship, Your Majesty. He assigns
4 cases. I will just renew some of the arguments that,
5 that I had done previously, and I recognize the problem
6 that we are in. The problem is by some mixed signals
7 that exist in Chapter 366, and if we want to carry it
8 even over further into Chapter 377 by direction that
9 has been provided by the Legislature in 377, 377.709,
10 having to do with solid waste, municipal solid waste
11 activities. And we have signals in that statute, I
12 think very strong signals about, in one direction.

13 And our basic charter is to maximize service, I'm
14 going to sort of paraphrase, to maximize service to
15 customers at the least possible cost. And then you
16 look at that, and you say is that in the very near
17 term? Is that in an intermediate term? Or is that
18 over the life of the depreciable asset that would be
19 used in the selection?

20 There is encouragement, a lot of language about
21 encouragement of cogeneration. And then we have
22 further complicated, because in the statutes, and in
23 more than one location where the Commission is directed
24 to encourage the preservation or reduce the utilization
25 of scarce fossil fuels, particularly petroleum.

1 When we get into, and I realize we are talking
2 about a plant for an avoided, an avoided plant, so the
3 emphasis on the avoided fuel, on fossil fuel, is the
4 reason I put that kind into the tale, because that
5 would fit more in need determination and those kinds of
6 activities, but all of those to me provide a mosaic of
7 what direction we need to go.

8 And perhaps some of my increasing frustration with
9 the process that we go through under our Annual
10 Planning Hearing in this, and it's a piece of this
11 docket under 366.051. I understand the Commission
12 staff's position on the methodology that was utilized
13 in picking the avoided plants and some of the
14 directions in that avoided unit. But the statute also
15 says where the Commission staff, you know, we have gone
16 through that allocation process, and each company would
17 have a piece, then you get down to a lot of other
18 nuances in the avoided unit that was passed out.

19 But the statute also says, and I quote: "The
20 Commission may use a statewide avoided unit when
21 setting avoided capacity costs." That is an option
22 that the Commission chose not to do on the last time.
23 And it's one that we had done, it's one we had done on
24 the two previous avoided units, maybe, I believe there
25 were two previous. We had selected an avoided unit on

1 a statewide basis.

2 That concerns me a little more beyond that, and I
3 don't quite know how to get there, but I think I know
4 how to get there, is it says a statewide avoided unit.
5 It doesn't say a Peninsular Florida. It doesn't say a
6 Panhandle. It says a statewide avoided unit.

7 And I might suggest, and it's a little off, but it
8 is part of the reconsideration, it is part of this
9 docket, that as a continuation, and this would just be
10 a suggestion from the Bench, that as a continuation,
11 and we could either establish a new docket for it and
12 direction could be provided from the Bench today to say
13 that in the last deal I messed up where we had two
14 dockets. We had one for Gulf and treated Gulf
15 separately and we treated Peninsular Florida
16 separately. Two different dockets.

17 And I would like to see, personally, Mr. Chairman
18 and fellow Commissioners, I would like to see that
19 within 30 days Gulf Power provide to the Florida
20 Coordinating Group their projections, and the Florida
21 Coordinating Group come back to this Commission in no
22 more than 45 days after receipt of that from Gulf with
23 the compilation of what the statewide generation
24 expansion plan would look like, and immediately
25 thereafter we hold a brief hearing on that sole purpose

1 of why Gulf should not be included in the statewide
2 avoided unit.

3 CHAIRMAN WILSON: You mean in the next APH?

4 COMMISSIONER GUNTER: No.

5 CHAIRMAN WILSON: Go back and inject Gulf Power
6 Company in to the last APH?

7 COMMISSIONER GUNTER: No, no, I'm not putting
8 those APHs together. That is a long, long process.
9 The only thing I'm doing is the Florida Coordinating
10 Group has all the algorithms, all the, if that is the
11 correct term, they have all the computer programs, that
12 if Gulf Power provided them with their generation
13 expansion plan which they had in that separate docket
14 previously, but we did not include it for the purposes
15 of making, selecting an avoided unit, they can provide
16 their data to the Florida Coordinating Group within 30
17 days, give the Florida Coordinating Group 45 days to
18 collate, compile that data as if there was a statewide
19 generation expansion plan and come back to the
20 Commission for that sole purpose of looking and seeing
21 if Gulf should not be included in the statewide unit.

22 CHAIRMAN WILSON: That still sounds like putting
23 Gulf in to the last APH.

24 COMMISSIONER EASLEY: What would you do with it
25 then?

1 COMMISSIONER GUNTER: Then, the way, and I've got
2 to have some help from legal, but we had two dockets in
3 the last APH. You treated Gulf under one docket
4 entirely separately, and you looked at really the
5 generation expansion plan of the Southern Company. You
6 didn't look at the generation expansion plan of the
7 State of Florida. And that is the difference. And
8 then you took the Peninsular Florida in a separate
9 docket, and there was no way to get these two together
10 because they were treated in separate dockets.

11 This decision that we are at is in a single docket
12 for Peninsular Florida only. And I am trying to find a
13 way around that legal hook that we must jump through in
14 order to consider Gulf.

15 COMMISSIONER EASLEY: Wouldn't we have to consider
16 them in a, the next APH.

17 COMMISSIONER GUNTER: The next will be about two
18 years from now.

19 COMMISSIONER BEARD: Let me see if I can explain,
20 I understand what Commissioner Gunter is saying. We
21 are stuck with two dockets, this APH, okay.

22 COMMISSIONER EASLEY: Okay.

23 COMMISSIONER BEARD: Now, the next APH, whatever
24 the rules are are whatever they are, and whatever we do
25 is whatever we do. But for this one, okay, we'll

1 finish out a docket today hopefully on Peninsular
2 Florida and its relationship to the generation
3 expansion plan of Florida.

4 What I think Commissioner Gunter is suggesting is
5 is bring back the Gulf docket and look at Gulf Power in
6 that docket for the purposes of avoided unit or what
7 have you as it relates to the expansion plan of
8 Florida, and not the expansion plan of the Southern
9 Company.

10 COMMISSIONER EASLEY: But then what do you do with
11 it? That's what I don't understand.

12 COMMISSIONER BEARD: You establish the parameters
13 of the avoided unit, et cetera, for Gulf Power based on
14 the expansion plan of Florida, as opposed to the
15 expansion plan of the Southern Company.

16 COMMISSIONER EASLEY: Then for the next whatever
17 period of time prior to the next APH you would have an
18 avoided plant for Gulf Power.

19 COMMISSIONER BEARD: You may have. We would have
20 to see what the figures are.

21 COMMISSIONER EASLEY: But this, if you found, if
22 you found an avoided plant --

23 COMMISSIONER BEARD: Yes.

24 COMMISSIONER EASLEY: You would have an avoided
25 plant for Gulf Power for the interim between now and

1 APH.

2 COMMISSIONER BEARD: For the purposes of this APH
3 you would have one.

4 COMMISSIONER GUNTER: I'm not prejudging. But the
5 reason I asked the question the way I did, if Gulf were
6 required, and it would be my recommendation that Gulf
7 be required to come in with their generation expansion
8 plan to provide to FCG. FCG runs through the
9 calculations with their computer process, their
10 program, they put those figures in. They come back to
11 this Commission and they say to this Commission either
12 the generation expansion plan for the statewide didn't
13 change, it did change, here is where we are.

14 And it would be my thought process then, and I'll
15 restate it again, that at the conclusion of that Gulf
16 would be subject to the avoided unit that has been
17 selected, or if there was a change necessary, we could
18 make the change. But if there was not a change
19 necessary, they would be subject to the avoided unit on
20 a statewide basis.

21 CHAIRMAN WILSON: Well, I have to go back to the
22 original question I asked, and I think you are telling
23 me no, but what you are saying says yes, is that what
24 you want to do is go back and take Gulf Power and
25 inject them in to the last APH as a part of the

1 statewide plan.

2 MS. BROWNLESS: With another hearing is what I
3 think is the one part that is missing there. In other
4 words that --

5 CHAIRMAN WILSON: And we could end up with -- it
6 could change the statewide avoided unit.

7 MS. BROWNLESS: Yes. In other words if I'm
8 hearing --

9 CHAIRMAN WILSON: It could change the fuel type,
10 it could change the size, it could change the timing,
11 it could change the location.

12 MS. BROWNLESS: Or it may not.

13 CHAIRMAN WILSON: Or it may not.

14 MS. BROWNLESS: I mean if I'm hearing what the
15 Commissioner is saying correctly, obviously the record
16 that is developed here does not have Gulf load demand
17 input in to the, in to the load forecast so that can't
18 be taken in to account in to the plan that FCG
19 developed.

20 COMMISSIONER EASLEY: Are you asking to do that
21 prior to reconsideration.

22 MS. BROWNLESS: No.

23 COMMISSIONER GUNTER: No ma'am, no, ma'am.

24 CHAIRMAN WILSON: What we need to do, and I
25 appreciate your concern here. We need to get back to

1 the reconsideration of this order, and if we want to do
2 this independently, then we can go ahead and do it.
3 But I would like to get to the issues that are
4 consistent with reconsideration.

5 COMMISSIONER EASLEY: Well, but I need to
6 understand one thing. If we reconsider and change the
7 statewide avoided unit, and then we go along with what
8 Commissioner Gunter is saying about getting Gulf to
9 come in and do their thing, and then look at it, would
10 we potentially have a third change?

11 MS. BROWNLESS: Yes.

12 COMMISSIONER GUNTER: Well, the potential is
13 there, but it's very remote. I have studied, I won't
14 say I have studied. I have spent some time looking at
15 APH. I have looked, for instance, some of the factors
16 that are in there are total load, total generation.
17 They look at cogenerators. They look at a number of
18 things coming down the road. And it doesn't take a
19 real genius when you start looking at that to look at
20 the impact that 2,000 megawatts would have on what, in
21 excess of 33,000?

22 MS. BROWNLESS: Yes.

23 COMMISSIONER GUNTER: The math, and that is not
24 prejudging, it's just the math trying to begin to see
25 where that might come out. And the reason I said that

1 in the last hand, Mr. Chairman, I don't want to confuse
2 this, but at the conclusion of our vote on
3 reconsideration, I want to raise that again and see if
4 I can get support for doing that going forward.

5 CHAIRMAN WILSON: Well, I've got, I have to tell
6 you right now, I've got to know a lot more about it
7 than I know right now to vote intelligently on that
8 issue. I'm not --

9 COMMISSIONER GUNTER: We would almost have to draw
10 a conclusion. It's one of the things whether we want
11 to see what would happen or whether when we don't,
12 because I don't know. You know, I can't prejudge what
13 evidence might come or what the results of that study
14 might be. But I don't want to preclude myself of the
15 opportunity of seeing the results of that study in
16 order to make that decision on. See that is the
17 problem.

18 CHAIRMAN WILSON: I'm not saying that you would be
19 precluded from that. But I would like to see at least
20 a proffer, staff prepare something that this is what
21 would happen, this is the way it would happen. If the
22 staff doesn't know, I damn sure don't know.

23 COMMISSIONER EASLEY: You could look at Gulf. But
24 what you do with it from there, if you made no
25 commitment on what you would do as a result of the

1 study, I think you could look at it, but it would
2 bother me considerably if we were sitting here about to
3 reconsider a statewide avoided unit and 45 days from
4 now we may reconsider it again, what in the world have
5 we done to all the contracts that are sitting out there
6 or the people who are wanting to sign contracts. I
7 mean, good grief, talk about uncertainty.

8 MR. DEAN: Also realistically, with all due
9 respect, it's not do-able in 45 days. If you remember
10 the generation expansion plan is a task force, and it
11 took about nine months, and you have to do hundreds of
12 computer runs to minimize the present value of
13 different unit additions. It's not just, it's not
14 quite as simple as a 45-day project. It's certainly
15 do-able technically, but not --

16 COMMISSIONER GUNTER: Well, at some point in time
17 we might find out from FCG exactly how long it would
18 take to add that component and run the other ones. I
19 don't have that information; that is my frustration. I
20 have talked to a lot of folks and staff. I have talked
21 to Ms. Brownless about a dozen times about this. My
22 purpose is trying to follow the law. The law doesn't
23 say Peninsular Florida. It doesn't say Panhandle. It
24 says statewide.

25 COMMISSIONER EASLEY: It also says may.

1 COMMISSIONER GUNTER: Well, then that gets in to
2 the selection. Do we go company by company. See, I'm
3 hanging my hat on that portion of the statutes and
4 following the precedent that the Commission has done,
5 at least in the last two, that may have been entirely
6 wrong, at least in the last two we have picked a
7 statewide unit, and we don't have the difficulties and
8 the problems I think that are inherent with going on a
9 piecemeal company-to-company basis.

10 CHAIRMAN WILSON: Let me suggest that we proceed
11 to look at the matters that we intended to reconsider
12 today, and if we want to do something on a going-
13 forward basis with this other --

14 COMMISSIONER GUNTER: Okay.

15 CHAIRMAN WILSON: -- that we have that come back
16 to us as --

17 MS. BROWNLESS: At a separate agenda.

18 CHAIRMAN WILSON: -- a firm proposal and we have
19 an opportunity to cogitate on it a little bit before we
20 vote, because I don't know that I'm prepared to do that
21 this morning.

22 COMMISSIONER EASLEY: Well, if we are going to
23 roll out ideas, at the proper time I'll roll out an
24 idea, too.

25 CHAIRMAN WILSON: Does it have to do with the

1 statewide, does it have to do with the avoided unit and
2 the APH or does it have to do with the rules?

3 COMMISSIONER EASLEY: The APH and the avoided
4 unit, but it's strictly one of those that would have
5 to be explored.

6 CHAIRMAN WILSON: Why don't we set another day for
7 doing those things.

8 COMMISSIONER EASLEY: It's all right with me.

9 CHAIRMAN WILSON: And let's get on with what we
10 have here this morning.

11 Let me start out this way. We are on the
12 reconsideration of our order in APH which designated
13 the individual units for, the individual unit for
14 Florida Power Corp.?

15 MS. BROWNLESS: That is not --

16 CHAIRMAN WILSON: Florida Power and Light, I'm
17 sorry.

18 MS. BROWNLESS: No, that is not what happened.

19 CHAIRMAN WILSON: All right.

20 MS. BROWNLESS: I would take a little bit of an
21 exception.

22 CHAIRMAN WILSON: Okay, you tell me where we are
23 and then we will figure out where we are going.

24 MS. BROWNLESS: Okay, here is what I think you
25 did. I think what the Commission did was follow our

1 current rule.

2 CHAIRMAN WILSON: Right.

3 MS. BROWNLESS: Not the proposed rule, but the one
4 we have now.

5 CHAIRMAN WILSON: I hope that we followed our
6 rules.

7 MS. BROWNLESS: We tried our best. And what we
8 did was the FCG prepared a work plan, the Commission
9 approved that work plan. The work plan said you will
10 model the Peninsular Florida utilities as one utility.
11 You will economically dispatch them as one. They
12 produced a generation, a least-cost generation
13 expansion plan which identified units from 1992 to
14 1996. Okay.

15 Then we had the individual utilities, the larger
16 individual utilities in this State, both investor-
17 owned, cooperatives and munys submit individual
18 utility generation expansion plans. They did that.
19 Okay.

20 Now, the rule calls for the selection of a
21 statewide avoided unit priced at the parameters
22 associated with the utility most likely to build that
23 unit. So we took the FCG study. We looked at that.
24 We took the individual studies. We looked at that.
25 We matched them up and we said the FCG plan calls for

1 unit additions in '92, '93, '94 and '95, a coal unit in
2 1996. We looked over to see what utility was most
3 likely to actually construct that, and FP&L came out
4 the winner. And then we designated FP&L as the
5 designated utility. We took their cost parameters for
6 the '93 combined cycle unit which showed up. It was
7 not the first unit in the plan. The first unit was a
8 '92.

9 The reason you didn't select the '92 was because
10 of the contract. There is a two-year contract lead
11 time period. If you had selected that nobody would
12 have had time to sign up. We selected the '93 unit,
13 and that is where we are today.

14 So it's not that we have gone to individual
15 utility pricing at this juncture. We have taken the
16 FCG Study and designated a utility that most closely
17 matches it, and it's FP&L. And you have selected a
18 '93, '94 and '95 300, a sequential series of 385
19 combined cycle units.

20 Now, if what you want to do --

21 COMMISSIONER BEARD: Did we not also select a '96
22 coal after that?

23 MS. BROWNLESS: No, sir. That is identified in
24 the FCG Study, but we stopped with the last unit. So
25 the order states that FP&L is the designated utility,

1 that their parameters are used, their parameters for
2 both capacity costs, as well as energy. The energy
3 component is figured at FP&L prices, okay. As opposed
4 to what has been done previously, which was at the
5 price of the purchasing utility. So that used to vary
6 depending on who you sold your power to. But now it's
7 FP&L's, okay.

8 CHAIRMAN WILSON: So if the cogenerator is selling
9 to Tampa Electric Company or Florida Power and Light,
10 they are paid what?

11 MS. BROWNLESS: FPL prices.

12 CHAIRMAN WILSON: FPL prices.

13 MR. DEAN: For their firm capacity.

14 MS. BROWNLESS: For their firm capacity.

15 CHAIRMAN WILSON: Firm capacity.

16 MS. BROWNLESS: Cog 2 capacity we are talking.

17 CHAIRMAN WILSON: And as-available is the
18 purchasing utility.

19 MS. BROWNLESS: Is the purchasing utility.

20 MR. DEAN: It could be the native utility. It
21 could be FP&L, if they are willing to wheel.

22 MS. BROWNLESS: If FP&L wants to purchase it, and
23 the cogenerator can still make money after he wheels it
24 to FP&L.

25 CHAIRMAN WILSON: All right. So we designated a

1 '93, '94 and '95 combined cycle, and as cogenerators
2 sign up --

3 MS. BROWNLESS: With caps that are associated with
4 years. In other words 385 megawatts for '93.

5 CHAIRMAN WILSON: And you have to use up that 385
6 megawatts for '93, and then you move to the '94 unit.

7 MS. BROWNLESS: Right, and then you go to '94.

8 CHAIRMAN WILSON: And then you move to the '95
9 unit.

10 MS. BROWNLESS: Right, exactly.

11 MR. DEAN: And the second piece of this is once we
12 got to 385 we wanted each of the investor-owned
13 utilities to have a standard offer contract, so we took
14 that based on load growth and attempted to allocate it
15 to TECO and Power Corp. and Power and Light, so
16 everyone has a standard offer contract based on those
17 three units that Suzanne identified. That is where we
18 got to the allocation bit.

19 MS. BROWNLESS: And the allocation as we have
20 explained before was an attempt to respond to the
21 utilities complaint that if their own individual
22 system, for example TECO is the one that is
23 illustrative in this docket, only needed 75 megawatts,
24 why should they be required to buy up to 385. And
25 that's why we came up with the allocation.

1 I personally am not wedded to the allocation, and
2 if you want to just dump that, that is okay-dokey by
3 me.

4 CHAIRMAN WILSON: Then what would happen would be
5 if an individual utility like TECO or Power Corp. were
6 to buy all 385 --

7 MS. BROWNLESS: Up to 385 megawatts.

8 CHAIRMAN WILSON: They would then --

9 MS. BROWNLESS: Go to the next unit.

10 CHAIRMAN WILSON: Try to resell -- try to sell
11 that.

12 MS. BROWNLESS: They would be, the theory of the
13 original rule, as I know Commissioner Gunter knows
14 because he was here when all of this was coming down
15 the first time, was that we encourage, and that's what
16 the rule says, we encourage the purchasing utility to
17 get the pot right by selling it to the designated
18 utility.

19 CHAIRMAN WILSON: And the price that they sell
20 that power at is whatever they want to.

21 MS. BROWNLESS: It's the same. No, it's supposed
22 to be the same price because --

23 CHAIRMAN WILSON: The rule. Under the rule.

24 MS. BROWNLESS: Yes, because the theory is if you
25 set, if FP&L was the designated utility and TECO is

1 buying it, then really they are acting as a broker for
2 FP&L.

3 CHAIRMAN WILSON: Did we defer the decision on
4 whether that is in fact the way things work in this
5 case? We had a case on that at one point about what
6 the purchasing utility had to resell it for, and I
7 thought that we put that into another --

8 MS. BROWNLESS: No, you didn't. You approved
9 that. Remember that was a contract term. That was in
10 AES's contract, and FP&L had that line in there that
11 said this contract shall be void if we are required to
12 resell, remember that? And we came to you and said
13 that there needed to be a ruling on that because we
14 were concerned that the cogeneration contract that FP&L
15 had entered into with AES -- that was associated with
16 the need determination, right?

17 CHAIRMAN WILSON: Uh-huh.

18 MS. BROWNLESS: So obviously they weren't going to
19 build the plant if they didn't have a contract.

20 CHAIRMAN WILSON: What did we decide there?

21 MS. BROWNLESS: Well, you punted. You said it
22 wasn't necessary to decide it in that docket.

23 CHAIRMAN WILSON: That's what I meant. Didn't we
24 defer that to a decision at some other time?

25 MS. BROWNLESS: Yes, you punted.

1 CHAIRMAN WILSON: Maybe not specifically to this
2 docket, but some other time.

3 MR. DEAN: We are going to clean it up in the new
4 rules. That's where we punted it to.

5 MS. BROWNLESS: The staff has tried to address
6 that in the new rules, but I don't think you made any
7 decision on it in that AES docket.

8 CHAIRMAN WILSON: Okay. What are the issues that
9 we need to or that you all want to talk about?

10 COMMISSIONER BEARD: After we get through the
11 history lesson, I think we all have flogged this mule
12 until there is nothing left to beat, okay.

13 MS. BROWNLESS: Okay.

14 COMMISSIONER BEARD: And we have explored it, and
15 we might as well get right on down to it. I'll be as
16 short as I can be. The school teacher in me I guess
17 says that what I ought to do is look at the behavior
18 that I want to achieve between the industry and the
19 cogenerators. And once I decide that then what do I
20 think will cause that behavior to occur.

21 Quite simply, if we are to do a planning process
22 and plan for the generation needs of this State, if I'm
23 going to count those people in as generators they have
24 got to be in a firm basis, not on an as-available
25 basis. It says to me I want to have a pricing strategy

1 that will to the greatest degree possible cause a
2 cogenerator to behave as an active full playing partner
3 taking firm capacity, and then treat them that way, not
4 as redheaded stepchildren. Okay.

5 So that's where I head to start with. Now, how do
6 I price it? Do I put all of my money into fuel, or do
7 I put all of my money in to capacity or do I do
8 something in between? If I put all of my money in to
9 fuel, there is no way in hell they are going to take
10 firm capacity because they have no need to. I don't
11 think I can get anybody in here yet to vote for an
12 avoided unit that is a 500 megawatt nuclear unit where
13 I could get all of my money into capacity and really
14 get the behavior that I wanted. Okay.

15 CHAIRMAN WILSON: You probably never will.

16 COMMISSIONER BEARD: I probably never will. So
17 what is the next best thing that I can do? The next
18 best thing that I can do to achieve the behavior that I
19 want is to designate a unit that acts, feels and tastes
20 and smells like base load where the majority of the
21 dollars are in capacity, not in fuel, that is a coal-
22 fired unit, okay. That achieves the behavior that
23 I want to see occur in this State.

24 The second piece of that, when you get in to the
25 allocation process, and I'm like you, I'm not only not

1 wed to it I'm divorced from it, is -- we've spent a lot
2 of time around here talking about the natural real
3 cogenerators and the, whatever the opposite of that is
4 I'm not sure.

5 MS. BROWNLESS: Natural.

6 COMMISSIONER BEARD: Okay, there is some different
7 names. Well, the point with allocation to me would be
8 if you are looking for the natural cogenerator, the
9 natural cogenerator to some degree has to go where
10 there is a host, okay, where there is the true blend of
11 putting power out and a need for waste heat, okay. And
12 to the extent that you play with this allocation
13 process you can tend to bastardize that potentially.
14 Maybe not, but it's there, and it's a sufficient risk
15 that I don't want to take it.

16 So what I'm saying is that as opposed to the
17 combined cycle unit, I'm not in love with '96 because
18 I'm not sure that had we not done some things
19 differently it might be an earlier date, but that's all
20 I've got in the record. And if Ms. Brownless has
21 taught me one thing it's stay in the record.

22 The best that I can do would be in lieu of the
23 combined cycle units to designate a base load coal-
24 fired unit, which I assume is the '96 unit. I don't
25 think I have a choice. I don't have like it, but I

1 don't have a choice, okay. I would not have an
2 allocation process for a lot of reasons, but I'm trying
3 to be brief because we have flogged this mule.

4 What else was there?

5 MS. BROWNLESS: Would you have a subscription to
6 the 500 megawatts?

7 COMMISSIONER BEARD: It was a 500 megawatt unit.

8 MS. BROWNLESS: One 500 megawatt.

9 COMMISSIONER BEARD: Right, yeah. There are some
10 interesting ideas incidentally that have surfaced in
11 the last couple of days in conversations with staff
12 that unfortunately we can't get at at this time. But
13 we will in a few minutes perhaps in the rulemaking.

14 CHAIRMAN WILSON: Can we, can we designate,
15 assuming for the moment, if we decided to go with the
16 statewide avoided unit and called it the '96 base load
17 coal-fired 500 megawatt plant, also designate a
18 combined cycle plant?

19 COMMISSIONER BEARD: Not in the APH I don't think.

20 MS. BROWNLESS: Not under the rules as they exist
21 now.

22 CHAIRMAN WILSON: Well, how did we designate three
23 sequential combined cycles?

24 MS. BROWNLESS: Because they are sequential. They
25 are sequential.

1 CHAIRMAN WILSON: The only way we could do that is
2 to do the three sequential combined cycles, as well as
3 the '96 coal unit?

4 COMMISSIONER BEARD: You have to establish an
5 order.

6 COMMISSIONER EASLEY: That doesn't accomplish
7 anything.

8 CHAIRMAN WILSON: Unless you've said that you
9 don't have to use up the early ones first. Unless you
10 don't have to use each year's subscription.

11 MS. BROWNLESS: Right. Unless you are not going
12 to make -- unless you are going to make sequential --

13 COMMISSIONER EASLEY: Unless somebody signs up
14 against the combined cycle plant.

15 CHAIRMAN WILSON: Well, I'm not sure that is true.
16 Don't we have people signing up against the combined
17 cycle today?

18 COMMISSIONER EASLEY: Because there isn't anything
19 else.

20 COMMISSIONER BEARD: Wiat, I've got to hear
21 something now. You just gave me a twist that I didn't
22 know was an option.

23 MS. BROWNLESS: Well, I don't think it is an
24 option.

25 CHAIRMAN WILSON: That's why I'm asking whether

1 that is in fact an option. Could you have a
2 cogenerator come in and say, well, I'm not interested
3 in those first three units, but I would like to sign up
4 against the '96 coal unit and sign a contract for that
5 skipping all of those intermediate ones.

6 MS. BROWNLESS: And I think this is where I and
7 the staff disagree. So I'm going to let them do their
8 thing, and I'll tell you my opinion. My opinion is the
9 rule that you have that currently exists is the
10 singular. It says statewide avoided unit. I interpret
11 it to mean, and all the previous orders that have been
12 issued have had it be you fill this one up and when
13 it's filled up you close it out, which is exactly what
14 we did last summer with regards to the 500 megawatt
15 1995 coal unit.

16 And then, so my legal interpretation is that you
17 do not have the option to have four simultaneously
18 offered standard offer contracts based on different
19 years and different units. So that is my legal
20 interpretation based upon the current rule that you
21 have in place today.

22 CHAIRMAN WILSON: We have a difference.

23 MR. DEAN: A slight difference.

24 CHAIRMAN WILSON: A slight difference.

25 MR. DEAN: She is correct that you can only have a

1 single unit for a standard offer contract. That can be
2 the '96 coal. Our rules are completely silent on a
3 utility bringing in a negotiated contract based on
4 their own unit. You could approve that for a '93
5 combined cycle, '94. It would not be a standard offer.
6 They've got those units out there and they could bring
7 in negotiated contracts.

8 COMMISSIONER EASLEY: But you would have to do
9 that on a contract-by-contract basis.

10 MR. DEAN: Contract basis.

11 CHAIRMAN WILSON: Well, the negotiated contract is
12 not only always an option, it is in fact under our
13 rules and the way the Commission has always treated it
14 the preferred option. What we encourage is negotiated
15 contracts. This standard offer is simply to make sure
16 that a cogenerator has in fact an option.

17 COMMISSIONER EASLEY: Well, it seems to me the
18 discussion that we had before when we talked about
19 this is that you would never get a utility negotiating
20 a contract against a coal unit when they've got
21 standard offer contracts with a combined cycle out
22 there. You would have cogenerators attempting to get
23 one. But since it takes two sides to make a contract,
24 until they filled up the limit on a combined cycle
25 first three plants, forget it.

1 CHAIRMAN WILSON: But it seems to me, and we may
2 have to cure this in the rules which we will talk about
3 in a few minutes, is that you have cogenerators whose
4 operating characteristics may match combined cycle and
5 that would be the preferred firm contract that they
6 would want to sign, and you may have other cogenerators
7 who would, the coal unit with higher capacity payments
8 would more closely match the kind of power that they
9 were wishing to provide.

10 MS. BROWNLESS: I see where you are going, and I
11 -- Commissioner Easley and I are on the same wave
12 length here. I am very much opposed to having two
13 tracks, one subscription limit that applies just to,
14 that applies just to standard offers with no
15 subscription limit at all for negotiated contracts.

16 And the reasons that I'm opposed to that are both
17 a legal one and a policy one. First of all the
18 Commission has already voted in a recorded vote that
19 standard offer contracts and negotiated contracts for
20 the purposes of filling up the subscription limit would
21 be treated exactly the same. And the reason that is
22 true is both defer units. You don't get any more unit
23 deferral from a negotiated contract than you do from a
24 standard offer contract.

25 So it seems to me that you can't, you can't make

1 one count because then you are handing the cogenerator
2 an olive with this hand and you are beating him in the
3 face with this one. They all, the Commission has
4 previously ruled in the last APH that negotiated
5 contracts and standard offer contracts have to count
6 toward the subscription limit if you are going to have
7 a subscription limit. You know, if you are going to
8 tie it to a unit.

9 And the practical aspect of it is, if I'm a
10 cogenerator I negotiate against the standard offer
11 cost. That is the highest price I can get. That is
12 the bottom line on that, and I negotiate against that,
13 and I start at that price, and I negotiate down from
14 there to get terms and conditions that I can finance,
15 and that is the way the mechanics work, and you meet
16 down here somewhere.

17 So I don't think having a standard offer
18 subscription track over here and a negotiated contract
19 do anything you want track over here is very wise.

20 CHAIRMAN WILSON: Well, I don't know that any of
21 -- I don't know that that is what we are talking about.

22 MR. BALLINGER: I was going to say that we are
23 getting in the second part of the agenda.

24 COMMISSIONER BEARD: That's why I was trying to be
25 very careful and stay as schooled in APH and not muddy

1 the water. There are a lot of things that we can talk
2 about when we get to the rule. I left subscription
3 alone as an example. I have concern, not so much
4 concern with the subscription as theory, but the fact
5 that the subscription is based on the data that we
6 have, given what I perceive the needs of the State to
7 be. Okay. Somewhere they are not marrying in my mind
8 at least. It's probably just my ability to comprehend.

9 But for the purposes of APH I'm trying to keep it
10 simple and get to things in this APH that I think will
11 potentially cause the wrong behavior to occur. Okay.
12 It's just that simple.

13 I think base load, and yeah, there are
14 cogenerators that probably don't act like base load. I
15 don't know who they are, but --

16 CHAIRMAN WILSON: They are the ones who are
17 signing contracts right now.

18 COMMISSIONER BEARD: Well, they sign contracts
19 based on dollars, okay, and they sign the contract
20 against combined cycle because that's what they have a
21 contract to sign against. They can't sign against
22 anything else. They don't have an option simply
23 because of the rules that currently exist. If they
24 were signing contracts today, and we had designated a
25 '96 coal-fired unit, they would be signing coal-fired

1 contracts. That doesn't mean --

2 CHAIRMAN WILSON: That would be the only choice.

3 COMMISSIONER BEARD: That is the only choice
4 they've got. Okay. Now --

5 CHAIRMAN WILSON: If they don't choose to
6 negotiate a contract.

7 COMMISSIONER BEARD: If they choose to negotiate a
8 contract --

9 MS. BROWNLESS: Either way that's what they've
10 got.

11 COMMISSIONER BEARD: They negotiate against those
12 price figures.

13 MS. BROWNLESS: If you negotiate, that is the
14 point that I'm trying to make, you can negotiate
15 against those standard offer prices, that is what you
16 do.

17 COMMISSIONER BEARD: That is the best you are
18 going to get in the money is standard offer.

19 CHAIRMAN WILSON: I understand that. But right
20 now we have a designated combined cycle unit.

21 MS. BROWNLESS: Right.

22 CHAIRMAN WILSON: And as I have been informed
23 there are people out there negotiating with utilities
24 based on much higher capacity costs than you would get
25 under combined cycle, and they are in fact negotiating

1 on a coal profile pricing for a unit. So don't tell me
2 that the only thing that people are going to use is
3 what our standard offer contract designated unit is,
4 because that is not true.

5 MS. BROWNLESS: No, sir, I disagree with that
6 respectfully. What I think you are being told --

7 CHAIRMAN WILSON: Well, the staff member sitting
8 right beside you doesn't.

9 MS. BROWNLESS: Well, what I think you have been
10 told is that people are negotiating front-end loaded
11 contracts, which during the first five years, six
12 years, seven years of that contract emulate coal
13 prices. I believe my staff member would agree with
14 that. But the block of money over the term of that
15 contract, whether it's 20 years or 30 years or
16 whatever, the net present value of that money is
17 combined cycle contracts.

18 CHAIRMAN WILSON: Well, as I understand there
19 isn't that much difference between the net present
20 value to total full cycle costs, capacity and fuel
21 between a coal plant and a combined cycle. The only
22 thing we are talking about is how much is capacity, and
23 how much is fuel, and how much is fixed, and how much
24 is variable, and that is what we are talking about.

25 MS. BROWNLESS: That's exactly right.

1 CHAIRMAN WILSON: The net present value of all of
2 those, you are going to come down to about the same
3 dollars.

4 MS. BROWNLESS: That's absolutely true, but the --
5 what I think they have told you is correct in the sense
6 that for those the first years they are getting coal
7 capacity. They are negotiating a coal capacity, front-
8 end loaded, something that would be equivalent to a
9 coal capacity unit. But the capacity in the outer
10 years obviously has to decrease radically in order to
11 balance it out. Otherwise it's not going to balance.
12 You are still going to get over the life of that
13 contract 40 percent of the capacity payments they would
14 get as if it were a '96 coal.

15 COMMISSIONER BEARD: If you've got cogenerators
16 out here negotiating against a combined cycle unit
17 trying to make it look like a coal unit because that's
18 what they need for financing purposes, that's what the
19 FBI ought to call a clue. Okay. It's financing the
20 kind of things they need. Okay. To get the kind of
21 behavior that I would like to see, then logic says to
22 me what we ought to do is designate the coal-fired unit
23 that is 70 percent capacity, 30 percent fuel, rough
24 figures, ballpark example. We've sat here and said the
25 dollars difference is insignificant. So now we are

1 talking behavior.

2 COMMISSIONER EASLEY: Well, my mind has just made
3 a little distinction here that I haven't heard the
4 other side of. These contracts are being negotiated as
5 front load contracts. Anybody signed one?

6 MR. DEAN: Yes, ma'am. We brought you one two
7 weeks ago between Royster Corporation and Florida Power
8 and Light.

9 COMMISSIONER EASLEY: Okay. So you are getting
10 signed contracts that are negotiated which we have said
11 is our preferred methodology, that emulate a coal unit
12 without it being a coal unit, and the dollars are the
13 same over the life of the contract.

14 MS. BROWNLESS: That emulate a coal unit in the
15 first years, that's --

16 COMMISSIONER EASLEY: Okay. Well, that has been
17 the big hassle all along was that in the first years
18 when the cogenerators needed the assurance in order to
19 get financing, and I kept hearing you can't get it with
20 a combined cycle designated unit. But now I'm hearing
21 we've got contracts out there that give it to us.

22 MS. BROWNLESS: You can't get it in a standard
23 offer contract.

24 COMMISSIONER EASLEY: Standard offer contract.

25 MS. BROWNLESS: Because a standard offer contract

1 has a normal capacity payment.

2 COMMISSIONER EASLEY: But apparently they are
3 being negotiated.

4 COMMISSIONER BEARD: What the negotiations sound
5 like to me is you buy a Volkswagen, and you go get a
6 Cadillac fender, and Cadillac bumpers, and Cadillac
7 ornaments, and you spend all this money to make the
8 Volkswagen look like a Cadillac. Why didn't you just
9 buy a Cadillac?

10 COMMISSIONER EASLEY: Because it costs the
11 ratepayers more up front --

12 COMMISSIONER BEARD: No, it doesn't.

13 COMMISSIONER EASLEY: -- than it does under a
14 standard offer contract up front.

15 COMMISSIONER GUNTER: If they negotiate,
16 Commissioner, I have beg to disagree with you. And
17 understanding, and I've had discussion with staff.
18 Front loading, what they have done in the negotiation
19 of the contract, they have made it appear, they have
20 made it appear to track as if it was a coal unit.

21 COMMISSIONER EASLEY: But if that solves the
22 financing problem, who cares?

23 COMMISSIONER GUNTER: Well, let me tell you why I
24 care. Everybody that is a cogenerator our there is not
25 a Royster, does not have the capability to be

1 represented financially. I have been talked to by some
2 small people that can't afford a year of negotiation,
3 represented by very strong counsel and negotiators, and
4 that is a very expensive process.

5 COMMISSIONER EASLEY: All right. Let me ask you a
6 question. Are those small ones signing up for firm
7 capacity?

8 COMMISSIONER GUNTER: Those small ones right now
9 are sitting out there and are saying we are going to
10 wait and see what this Commission does before we
11 obligate, because some of these small ones, two of them
12 are very small communities.

13 COMMISSIONER EASLEY: I thought the small ones by
14 and large were as-available.

15 COMMISSIONER GUNTER: No the small ones, when they
16 sign a contract, if they want any capacity, if they
17 want any capacity payments, and it doesn't matter if
18 it's one megawatt, if they want capacity payments they
19 have to, one, the plant has to -- they can sign for
20 firm. As-available you are not going to get anybody,
21 any lender or anybody to lend money on the life of a
22 contract that has no capacity payments. You are
23 talking about those folks that just run sporadically.

24 COMMISSIONER EASLEY: Those are the true
25 cogenerators generally.

1 COMMISSIONER GUNTER: Well, I think probably the
2 best example that I personally have ever seen was, I
3 believe it was Conserv that was pulling, down in Bone
4 Valley, that was pulling, burning, I don't remember
5 what the end product was, but they were burning sulfur,
6 and they were running virtually full time. I don't
7 even know who owns the thing. I went down and looked
8 at it. It's a relatively small unit, 12, 15 megawatts,
9 pull the waste heat off in that chemical process, and
10 they run all the time, and that is a little small one.

11 But that phosphate company has the ability to go
12 in. They've got the pockets deep enough to go in and
13 negotiate the difference, and to make it look like, act
14 like and smell like a coal plant. The dollars to the
15 customer over the life of, or the time of that
16 contract, numbers of dollars to the customer are
17 virtually the same whether it's a coal unit or the
18 combined cycle unit.

19 CHAIRMAN WILSON: Assuming all conditions are
20 remain, because you are talking about, you shift risk.
21 I mean the total amount of risk is there. The question
22 is whether you are going to shift risk to the
23 stockholders of the cogenerator, or the bankers who
24 finance the cogenerator, or whether you are going to
25 shift risk over to ratepayers.

1 MS. BROWNLESS: Ratepayers.

2 CHAIRMAN WILSON: And you have fuel risk, and
3 you've got a number of other risks, and it doesn't
4 disappear because of the way you structure the
5 contract. It goes somewhere.

6 MS. BROWNLESS: Right.

7 CHAIRMAN WILSON: It's either going to go to the
8 utility and its ratepayers and/or the stockholders, or
9 it's going to go to the cogenerator.

10 MS. BROWNLESS: True. And of course, these
11 contracts, what makes a combined cycle unit contract
12 not as financeable as a coal contract is the fact that
13 fuel, all the fuel numbers, when we say over the term
14 of the contract the present worth is virtually the
15 same, that is given current fuel projections. And as I
16 have heard Commissioner Gunter say many times, one
17 thing about fuel projections is that they are always
18 wrong.

19 COMMISSIONER BEARD: Of course, we can, to the
20 extreme, and I'm not saying that is what combined cycle
21 does, but to the extreme that you can discourage
22 through our, whatever we do up here, cogenerators from
23 ever doing anything, then we can shift all the risk to
24 the ratepayers by building more central station plants.

25 MS. BROWNLESS: I agree with that.

1 COMMISSIONER BEARD: I thought so.

2 CHAIRMAN WILSON: Don't take my comments to mean
3 that a hundred percent of the risk ought to be shifted
4 to cogenerators and that none of the risk should be
5 borne by shareholders -- I mean by ratepayers of a
6 utility, but that we need to bear in mind that what we
7 are doing is allocating risk, and as we set the price
8 for cogeneration or determine avoided unit, we have to
9 understand that what we are trying to do is fairly
10 allocate that risk as well. And you don't want to put
11 a hundred percent of risk on ratepayers either. I
12 don't think we want to put a hundred percent risk on
13 cogenerators either. What we want to do is strike that
14 happy balance or medium in the middle.

15 COMMISSIONER EASLEY: I need a what happens next
16 type question. Hypothetically, let's say we go along
17 with Commissioner Beard's motion and we designate from
18 this point forward the '96 coal unit as the avoided
19 unit, my understanding is the current contracts remain
20 in place because they were done under the combined
21 cycle.

22 CHAIRMAN WILSON: That's right.

23 MS. BROWNLESS: Yes, ma'am, the ones that have
24 been signed.

25 COMMISSIONER EASLEY: Okay, how long is it until

1 the next APH? Where are we? What then? Just out of
2 curiosity.

3 COMMISSIONER BEARD: Let me see if I can answer
4 that. The theory is to the next APH. The problem is
5 how fast is subscription used up. If subscription is
6 used up in six months then --

7 MS. BROWNLESS: You've got another problem.

8 COMMISSIONER BEARD: We've got to hurry up.

9 CHAIRMAN WILSON: And your point is that we can't
10 have several avoided units floating out there under
11 current rules, that the sequential designation that we
12 have now is okay, because once you close one out, then
13 that is obviously no longer the unit, and you never
14 have more than one avoided unit.

15 MS. BROWNLESS: At a time.

16 CHAIRMAN WILSON: Couldn't you designate the coal,
17 the '96 coal unit --

18 COMMISSIONER EASLEY: With 500 megawatts.

19 CHAIRMAN WILSON: 500 megawatts.

20 COMMISSIONER EASLEY: And that would be it.

21 CHAIRMAN WILSON: As the first avoided unit, and
22 the second avoided unit, if that is subscribed to,
23 would be a '93 combined cycle. Does that make any
24 sense?

25 MS. BROWNLESS: No, I don't think that would work.

1 CHAIRMAN WILSON: Well, I don't want us to build a
2 trap that we fall into.

3 MS. BROWNLESS: Yeah. Let me make this comment.
4 Clearly I think the record can support a 1996 500
5 megawatt coal unit. That is obviously clear.

6 COMMISSIONER BEARD: Time out a second. Let me
7 ask a question. Do we have an idea approximately how
8 many megawatts is signed and/or about negotiated or
9 about to be signed, or however you all term it, against
10 the '93 unit?

11 MR. DEAN: Against the '93 unit, I think the only
12 contract we have seen so far is the Royster contract.

13 COMMISSIONER BEARD: And that is how many?

14 MS. BROWNLESS: 25.

15 MR. DEAN: 25, with a maximum of 40. I think they
16 have an option.

17 COMMISSIONER BEARD: But we have some other
18 contracts floating right now against that?

19 COMMISSIONER GUNTER: Other negotiations.

20 MS. BROWNLESS: Yes, there are negotiations going
21 on.

22 MR. BALLINGER: There were for some outer years,
23 '94, '95. It's tough for the cogenerators to get
24 things on line by '93.

25 COMMISSIONER BEARD: They are negotiating on the

1 '93 contract, but for not coming on until '94, '95?

2 MR. BALLINGER: Well, they are dealing basically
3 with the utilities own avoided cost in those years.

4 COMMISSIONER BEARD: Whoa now. You can't build,
5 you can't bring cogeneration on after the avoided unit
6 would have come on line.

7 MR. DEAN: I think what they are anticipating is
8 this Commission is going to allow, you know,
9 sequential, these other units to be designated as
10 individual utility units and they can bring those in on
11 a negotiated contract basis.

12 COMMISSIONER BEARD: So we can only negotiate
13 against '93, but they are going to negotiate against
14 '94 and '95 just waiting until '93 fills up and then
15 sign it?

16 MS. BROWNLESS: No.

17 MR. DEAN: No. I think they are going to attempt
18 to bring in, and say, look, we need this capacity. We
19 want it on it, permit us recovery on it. It's not a
20 standard offer. We want the capacity. They bring it
21 in under their own individual contract.

22 MS. BROWNLESS: And they would say, in other words
23 making the argument that you just heard advanced by the
24 staff, which is the subscription limit only applies to
25 standard offer. It doesn't apply to negotiated

1 contract. The standard to be used against a negotiated
2 contract is not the statewide avoided unit, but it's
3 the own purchasing utility's unit, which could be
4 anything, and then that leaves the utilities free to go
5 out there and negotiate with the cogenerator on his own
6 time schedule, which seems to me to violate completely
7 this rule.

8 MR. BALLINGER: We are getting into subscription
9 again, and --

10 COMMISSIONER BEARD: You killed my idea for two
11 reasons. I thought there was a significant portion of
12 the '93 unit had been worked against. I was thinking
13 the possibility of, not what you are saying, but leave
14 '93, kick out '94 and '95 and then put '96, and the net
15 effect I would be getting fairly close to where I want
16 to be anyway. But what I just heard tells me no, so
17 I'm back to my original.

18 COMMISSIONER EASLEY: That brings me back to where
19 I was. What do we have if we reconsider and put in the
20 500 megawatt coal plant in '96, what do we have out
21 there for people to contract against, and at what point
22 do we know they have subscribed to it?

23 MS. BROWNLESS: Here is how, this is also going to
24 be discussed in greater detail in the rule. The
25 provisions, there are provisions in this new proposed

1 rule that say when you start negotiating with somebody
2 you have to --

3 COMMISSIONER EASLEY: I need to know --

4 MS. BROWNLESS: Or what do you have right now?

5 COMMISSIONER EASLEY: -- what I've got right now.

6 MS. BROWNLESS: Okay. You've got 500 megawatts.
7 You would close the standard offer for the '93 combined
8 cycle. You would open the standard offer for the 500
9 megawatts. When you got that full, we would petition
10 to close that standard offer, just like just as
11 happened last summer, and at that time you would make
12 the decision, just like you did last summer, about who
13 you want to let in and who you want to let out and how
14 have you want to prioritize.

15 COMMISSIONER EASLEY: What happens to the '94 and
16 '95 units that were there?

17 MS. BROWNLESS: They are bye-bye; they are gone.

18 COMMISSIONER EASLEY: Okay.

19 CHAIRMAN WILSON: Well, now a utility couldn't
20 continue to negotiate with someone --

21 MR. DEAN: Yes.

22 MS. BROWNLESS: That is their position. But I
23 don't believe that is legally sound.

24 COMMISSIONER EASLEY: If they are in the middle of
25 negotiations under an existing avoided unit under an

1 plant.

2 MS. BROWNLESS: No, ma'am, no.

3 CHAIRMAN WILSON: No. Every contract that has
4 been negotiated up to this point and signed against the
5 '93 is a valid contract. But we close that out, and
6 anybody that negotiates from this date forward with the
7 utility or takes a standard offer contract will be 500
8 megawatt '96 base load coal-fired plant.

9 COMMISSIONER EASLEY: So regardless of the fact
10 that we never reach the limit of the '93 avoided plant.

11 CHAIRMAN WILSON: Yes.

12 MS. BROWNLESS: Right, it's gone.

13 COMMISSIONER EASLEY: We have by this action said
14 forget it.

15 MR. DEAN: Right.

16 COMMISSIONER EASLEY: We don't care if we never
17 reach the voided capacity of that avoided unit.

18 MS. BROWNLESS: Right.

19 COMMISSIONER EASLEY: We are going to move on to a
20 '96 coal plant of 500 megawatts.

21 MS. BROWNLESS: And this action --

22 CHAIRMAN WILSON: And when that is filled up --

23 COMMISSIONER EASLEY: Where do we go?

24 CHAIRMAN WILSON: When that is filled up, you are
25 telling me that a utility could not still negotiate a

1 contract with a cogenerator for avoiding, an
2 intermediate plant that it had intended to build, but
3 might be avoided if it in fact signed a contract with a
4 cogenerator.

5 MS. BROWNLESS: That's what I think, and that's my
6 opinion, and that's where staff and I disagree.

7 CHAIRMAN WILSON: If that is the law, it doesn't
8 make any damn sense, and we need to change it.

9 MS. BROWNLESS: It's the way the rules are.

10 CHAIRMAN WILSON: Well, the rules then don't make
11 any sense.

12 MS. BROWNLESS: Then you are getting a chance to
13 do something about that.

14 COMMISSIONER BEARD: Mr. Chairman, you, in about,
15 depending on how long this takes, we can fix that.

16 CHAIRMAN WILSON: I would like for this to take
17 about 12 more minutes.

18 COMMISSIONER BEARD: I have a motion that I think,
19 my opinion will contribute to, as much as possible, to
20 --

21 CHAIRMAN WILSON: Chaos.

22 COMMISSIONER BEARD: -- the behavior. No, we
23 contribute to the chaos.

24 COMMISSIONER GUNTER: I'll second the motion.

25 COMMISSIONER EASLEY: What is it?

1 CHAIRMAN WILSON: Let's hear it.

2 COMMISSIONER BEARD: The motion is that we
3 designate the avoided unit for this APH as the 1996 500
4 megawatt coal-fired base load unit. It includes that
5 we would eliminate the allocation process. We would
6 not in this hearing eliminate the subscription process.
7 Okay. It would be as it were in days of old, okay. It
8 weren't broke, why are we fixing it? That part wasn't
9 anyway. There are some things that need fixing. Okay.

10 I think that covers, I don't think I have missed
11 anything.

12 CHAIRMAN WILSON: Is there anything else?

13 MS. BROWNLESS: And I need to tell one thing,
14 which is our current rule says there will be a utility
15 designated. No individual utility plan identifies a
16 coal unit.

17 COMMISSIONER EASLEY: Picky, picky, picky.

18 MS. BROWNLESS: Well --

19 COMMISSIONER BEARD: What was the '96 500 megawatt
20 coal-fired unit that was in the FCG Plan?

21 MS. BROWNLESS: It's in the FCG Plan. It's a
22 statewide unit. It's a true hypothetical statewide
23 unit just like the 1995 coal unit was.

24 COMMISSIONER GUNTER: Which we can do.

25 MS. BROWNLESS: You can do that.

1 COMMISSIONER GUNTER: We can do that.

2 MS. BROWNLESS: Absolutely.

3 COMMISSIONER GUNTER: We don't have to go to the
4 individual utility.

5 MS. BROWNLESS: No, you don't.

6 CHAIRMAN WILSON: And the reason you want an
7 individual utility is so you can use somebody's costs?

8 MS. BROWNLESS: No, it's because the rule says
9 that is what we'll do. However, let me make this
10 suggestion to you.

11 COMMISSIONER EASLEY: All you've got to do is
12 waive the rules.

13 MS. BROWNLESS: That is a problem. You can, you
14 can do what we did before, which is ignore that part.

15 CHAIRMAN WILSON: We could do Florida Public
16 Utilities, Fernandina Beach Division.

17 COMMISSIONER GUNTER: There is a provision for
18 them, Mr. Chairman, and there is a specific provision,
19 the Commission took action on the Florida Public
20 Utilities, we recognized as a nongenerating utility,
21 and somebody is going to have to help me, I'm just
22 drawing on memory now. But their avoided, because it
23 was a specific item there, we used two components, the
24 avoided fuel that was in purchasing, and then we used
25 the demand component and a reduction of the demand

1 component where it could be demonstrated, for instance,
2 in theirs that they had 50 megawatts, and they had a 20
3 megawatt cogenerator, and they in fact reduced their
4 demand component by 20 percent, that is what the
5 cogenerator got. It's a measurable process.

6 I think I'm correct on that.

7 MS. BROWNLESS: Yes, that's correct.

8 COMMISSIONER GUNTER: And there was a limitation
9 because of the size of their demand, of their customer
10 demand, it was a limitation to the number of megawatts
11 that could be put on their system, because it would be
12 possible to break their system down if the cogenerator
13 was too large in that area.

14 Am I not correct on that?

15 MR. DEAN: Yes, sir.

16 MS. BROWNLESS: That's exactly right.

17 COMMISSIONER GUNTER: There was a way -- we had to
18 address those separately because of them being a non-
19 generating utility.

20 COMMISSIONER BEARD: If we are going to be
21 consistent with prior APHs, I think we ought to ignore
22 it.

23 MS. BROWNLESS: You would be consistent with prior
24 APHs, and the costs that are used and were used in the
25 development of the '95 unit were EPRI TAG document

1 costs. They are generic costs, and I believe the fuel
2 cost was based on Putnam.

3 MR. DEAN: Yes, sir, we priced --

4 MS. BROWNLESS: It was based on Big Bend 4.

5 MR. BALLINGER: In determining the price of it,
6 right.

7 MS. BROWNLESS: In determining the price of the
8 coal. Anyway we did have a surrogate coal, actual coal
9 plant that we got the fuel costs from.

10 COMMISSIONER GUNTER: Right.

11 CHAIRMAN WILSON: And we used the latest, the most
12 recently constructed coal plant.

13 MS. BROWNLESS: Yes, and I think we used Big Bend
14 4.

15 MR. BALLINGER: Right, that's why we used Big Bend
16 4.

17 CHAIRMAN WILSON: And St. Johns is now the most
18 recent?

19 COMMISSIONER GUNTER: Yes.

20 MS. BROWNLESS: Yes, that is correct.

21 CHAIRMAN WILSON: So that's what we ought to use.

22 MS. BROWNLESS: So we could use St. Johns Power
23 Park coal prices.

24 CHAIRMAN WILSON: All right, is that your motion?

25 COMMISSIONER BEARD: Yes.

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CHAIRMAN WILSON: Is that your second?

COMMISSIONER GUNTER: And my second.

CHAIRMAN WILSON: Is there any objection,
Commissioner?

COMMISSIONER EASLEY: I don't even know.

CHAIRMAN WILSON: All right, then without
objection. Let's move on to the rule.

MS. BROWNLESS: Wait, now you've got to do
subscription and allocation.

CHAIRMAN WILSON: Subscription and allocation.

MR. DEAN: Right.

COMMISSIONER BEARD: Wait, whoa.

MR. BALLINGER: You got rid of allocation, but you
still have subscription of how we handle the contracts
coming in.

MS. BROWNLESS: Who comes first and is who is
prioritized.

CHAIRMAN WILSON: There is a staff recommendation
dated January 18th that should be in your file that
deals with subscription limits.

MS. BROWNLESS: Yes.

COMMISSIONER GUNTER: I'm sorry, I apologize, I
thought I had read everything, but I didn't read that.
I don't even know I got it. Dated what? What is the
date?

1 CHAIRMAN WILSON: Let's take a break until about
2 five minutes after ten so we can all find this.

3 (Recess)

4 CHAIRMAN WILSON: Should we do this before we do
5 the rules?

6 MR. DEAN: Yes. There is a little, a couple of
7 administrative details that need to be cleaned up about
8 filing tariffs.

9 CHAIRMAN WILSON: I know about that. But should
10 we do this thing about subscription and allocation
11 before we do the rules?

12 MS. BROWNLESS: Yes, you need to because of the
13 fact that you voted to have a 500 megawatt subscription
14 so --

15 COMMISSIONER EASLEY: Under the current rules.

16 MS. BROWNLESS: Under the current rules. So we
17 need to figure out how people are prioritized in
18 relation to that subscription.

19 Before we start though I would like to say, to
20 clear up the, to tie up the administrative details
21 about the new standard offer tariffs, we would suggest
22 that the utilities be required to file new standard
23 offer contracts and Cog 2 tariffs within 10 days of the
24 date of this vote, and that those be administratively
25 approved by staff if they are in conformance with the

1 vote. That they only have to be brought back to the
2 Commission for Commission approval at an agenda, if
3 there is some problem with them.

4 COMMISSIONER EASLEY: I would so move.

5 MR. DEAN: We would also suggest that the price
6 parameters be those identified in staff's
7 recommendation on Page 64 with the corrected K factor
8 of 1.572.

9 COMMISSIONER GUNTER: What now?

10 MR. DEAN: What we need to do is we gave you all
11 the price parameters for this coal unit in our staff
12 recommendation, and we are just asking you to approve
13 those as the pricing parameters.

14 COMMISSIONER GUNTER: Well, let me look at them.
15 I've got to find --

16 MS. BROWNLESS: It's the original staff rec now.

17 MR. DEAN: Page 64 of staff.

18 COMMISSIONER GUNTER: Wait, I've got to find that.

19 MR. DEAN: The big thick one, the APH
20 recommendation.

21 COMMISSIONER GUNTER: I don't even have it.

22 COMMISSIONER BEARD: I had it. I don't know what
23 we did with it.

24 CHAIRMAN WILSON: We'll come back to it after you
25 get a chance to look at it.

1 COMMISSIONER GUNTER: If bill is listening, he can
2 get me a copy of it and get it on down here.

3 MS. BROWNLESS: We are getting copies made.

4 COMMISSIONER GUNTER: Okay.

5 MS. BROWNLESS: Perhaps we can get a vote on the
6 10 days.

7 CHAIRMAN WILSON: 10 days would be fine.

8 MS. BROWNLESS: For administrative approval.

9 CHAIRMAN WILSON: No problem with that.

10 MS. BROWNLESS: And then we'll come back to the
11 parameters.

12 CHAIRMAN WILSON: All right. We are on the
13 recommendation on --

14 MS. BROWNLESS: Allocation and subscription.

15 CHAIRMAN WILSON: Allocation and subscription.

16 MS. BROWNLESS: Obviously the issues having to do
17 with allocation are moot because we have done away with
18 that for this next unit. That leaves the subscription
19 issue, and those kind of boil down to are you going to
20 count negotiated contracts against --

21 Well, let's start over. The Commission has
22 already ordered that negotiated, already found in a
23 previous order that negotiated contracts and standard
24 offer contracts are counted toward the subscription
25 limit. Now, the staff is suggesting that only standard

1 offer contracts be counted against what has now been
2 approved as the 500 megawatt 1996 subscription limit.

3 COMMISSIONER GUNTER: I thought their
4 recommendation was, correct me if I'm wrong, I thought
5 the staff's recommendation in this, and I don't have
6 that recommendation with it, the only differentiation
7 between the standard offer and negotiated was who got
8 slipped in.

9 MS. BROWNLESS: No, that's mine.

10 COMMISSIONER GUNTER: Into the pie. Was that
11 yours?

12 MS. BROWNLESS: That was my side.

13 MR. BALLINGER: There are two parts.

14 CHAIRMAN WILSON: There is both. Yours says that
15 if you had them signed on the same day, the negotiated
16 contract would take precedent over the standard offer.

17 MR. BALLINGER: Correct.

18 MS. BROWNLESS: Yes, and mine is --

19 MR. BALLINGER: And the second part of that is --
20 Ms. Brownless is a little incorrect on what we are
21 saying that subscription is only to standard offers.
22 My recommendation is that subscription only applies to
23 the year that you have a standard offer contract,
24 designated a '96 coal unit. Both negotiated and
25 standard offer contracts that have a '96 in-service

1 date, capacity payments starting in '96 for the
2 projects, would count toward the subscription limit.

3 If somebody negotiates a contract for a '93 in-
4 service date, something like that, no subscription
5 limit. To me subscription limit was an outgrowth of
6 our rules. It was in addition to our rules. It wasn't
7 ever contemplated in our rules.

8 We need to set the way these are going to be
9 implemented. To me they should only apply to the
10 standard offer contracts because they were first
11 applied to keep from having too much cogeneration
12 signed, and the only way that you may have too much
13 cogeneration signed is if you've got the standard offer
14 that is a free sign on the line you get it.

15 So that's why I feel it should only apply to the
16 year when you have a standard offer contract. Both
17 negotiated and standard offer should apply, but only in
18 that year.

19 CHAIRMAN WILSON: All right. So if a utility,
20 even though the subscription limit may be close to
21 being filled or be filled for 19-, in this case we are
22 talking about 1996.

23 MS. BROWNLESS: Uh-huh.

24 CHAIRMAN WILSON: That if a utility signs a
25 contract with a '93, '94, '95 in-service date, we would

1 judge whatever the utility has signed based on a
2 prudent standard, whether they needed the power, or
3 whether they elected to defer, whether it was cost
4 effective, whether it was prudent, and all of that.

5 MR. BALLINGER: That's right.

6 MS. BROWNLESS: Essentially I think staff is
7 suggesting that the standard, the standard for a 1996
8 unit would be is are the payments less than or equal
9 to the standard offer contract. In other words a '96
10 coal unit. As long as the payments were equal to or
11 less than that we would approve that negotiated
12 contract. But for contracts in years other than 1996
13 you would apply the purchasing utility's own avoided
14 cost for that particular year, and that would be the
15 price that determined whether or not it was prudent.

16 And I would suggest to you that your current rules
17 don't allow you to do that. 17.083 has three criteria,
18 and the criteria that you judge by is the standard
19 offer statewide avoided unit.

20 So I don't see how you can, I don't see how you
21 can implement Mr. Ballinger's plan.

22 MR. BALLINGER: I would still judge pricing --

23 CHAIRMAN WILSON: Can we implement in it two hours
24 after we finish changing the rules?

25 MS. BROWNLESS: Well, it depends on how you change

1 them. The proposed rules would have individual utility
2 pricing, no statewide pricing. So if you go with the
3 proposed rules as they are proposed --

4 CHAIRMAN WILSON: No, what I'm saying is, if the
5 rules were changed to be consistent with that, doesn't
6 that take care of that?

7 COMMISSIONER EASLEY: Can we do that with the
8 avoided unit which has now been designated under the
9 current rule?

10 MS. BROWNLESS: No. That is my opinion, is no.

11 COMMISSIONER BEARD: But, let me finish, whoa,
12 whoa, whoa.

13 CHAIRMAN WILSON: There is disagreement here.

14 MS. BROWNLESS: Yeah.

15 COMMISSIONER BEARD: We designate, time out a
16 second. We designated a few moments ago a '96 coal-
17 fired unit, okay, and we designated that under the
18 rules that were applicable at that hearing.

19 MS. BROWNLESS: Yes.

20 COMMISSIONER BEARD: Now, if in an hour from now
21 we have changed those rules, okay, people from that
22 point forward, when the order comes out and all of that
23 stuff, okay, the people from that point forward will be
24 negotiating and/or signing standard offer contracts
25 based on the new rules against the '96 coal-fired unit.

1 MS. BROWNLESS: Right.

2 COMMISSIONER BEARD: So if you change the rules in
3 an hour or so from now, okay, then yes, his plan could
4 be implemented if his plan conforms to what the rules
5 might become.

6 CHAIRMAN WILSON: Which is why my initial question
7 was do we need to do this before we do the rules or
8 after we do the rules?

9 COMMISSIONER EASLEY: Well, maybe I didn't
10 understand the original question about the '93 and '94
11 unit that they are going to negotiate with in the
12 interim. Maybe I just don't understand that.

13 COMMISSIONER BEARD: These parameters are on a
14 going-forward basis. Okay. And realistically they
15 ought to comport to what the new rules are. You vote
16 one thing to change the rules, you are inconsistent.
17 Now, you can get the cart or the horse first,
18 whichever, but it would make sense to get your rules in
19 place, and probably your parameters will fall out of
20 that.

21 MS. BROWNLESS: Okay. So you all want to do the
22 rules now and we will come back to this and figure out
23 what we are going go to do about subscription.

24 CHAIRMAN WILSON: I think that would be best.
25 (Whereupon, the Commission then discussed Item No. 3,

1 Docket No. 891049-EU, Cogeneration Rules, before
2 continuing with Item No. 2, Subscription Limits)

3 CHAIRMAN WILSON: Can we quickly go through this
4 January 18th piece about subscription limits?

5 MS. BROWNLESS: Yes. Before we start that, can
6 we get the vote on the, that the tariffs for the '96
7 coal unit would be due 10 days from the date of the
8 vote?

9 CHAIRMAN WILSON: We already talked about that.

10 MS. BROWNLESS: What about the parameters on Page
11 64, that those would be the ones that would be used?

12 CHAIRMAN WILSON: Well, we are going to do this
13 first, and we are going to do that second.

14 COMMISSIONER GUNTER: Then we will look at the
15 parameters.

16 COMMISSIONER BEARD: If I'm not mistaken on this
17 one, really Issue 1 is the only one that is left in
18 reality, if we look at the guidance we gave you on the
19 rule.

20 MS. BROWNLESS: If we can go through it issue by
21 issue, then I can make sure I get straight how you want
22 me to do it.

23 CHAIRMAN WILSON: I understand.

24 MS. BROWNLESS: Okay. The first issue talks about
25 --

1 COMMISSIONER BEARD: Trump.

2 MS. BROWNLESS: -- whether you are going to let a
3 standard offer, as the rules currently exist now, trump
4 a negotiated contract, not as you've proposed the
5 rules, but as they currently exist now. So the
6 arguments are if you want to encourage negotiated
7 contracts, let that trump. If you want to encourage,
8 not encourage, well, if you want to encourage standard
9 offer contracts, let that trump.

10 The staff disagrees with the legal department. My
11 opinion is that right now as your standard offer is
12 now, utilities may may not protest those standard
13 offers if the conditions precedent are met. If there's
14 a valid interconnection agreement and adequate
15 security, it is a permanent offer that the utilities
16 don't have to sign, don't have to do anything to, all
17 the cogenerator has to do is sign on the line and
18 tender it as long as he has a valid interconnection
19 agreement. And for example, if he is not taking early
20 capacity payments, as long as he has put up security
21 that his project is really going to come on on line
22 nothing else needs to be done.

23 And therefore I think that by operation of law
24 would trump if the contracts were executed on the same
25 date.

1 CHAIRMAN WILSON: So is the only difference
2 between the two of you is whether the negotiated or the
3 standard offer contract takes priority?

4 MR. BALLINGER: That and whether or not you can
5 negotiate outside of the year of the standard offer
6 contract.

7 MS. BROWNLESS: That is a different issue.

8 CHAIRMAN WILSON: That is another issue.

9 MR. BALLINGER: No, this issue, that's right.

10 CHAIRMAN WILSON: Okay. This issue, the only
11 difference between you is who trumps who.

12 MS. BROWNLESS: Who trumps.

13 MR. BALLINGER: Yes. I can give you my rationale
14 as to why. The subscription limit came about after our
15 rules were written. Our rules never envisioned it.
16 It's a new accessory to our rules. I don't think we
17 should be totally bound to strict interpretation of the
18 rules when implementing subscription.

19 I am trying to do something that is in the intent
20 of the rules to encourage negotiated contracts and at
21 the same time don't hinder precedent or the purpose of
22 a standard offer. I think the Commission's intent has
23 been expressed on and on that we would rather have
24 negotiated contracts. I think in that instance since
25 subscription is a new animal we need to put both of

1 them on a fair shake and which one would you prefer.

2 MS. BROWNLESS: But we both agree that the
3 execution date of the contract is the date that should
4 prioritize.

5 MR. BALLINGER: So you are talking about a very
6 small what if.

7 MS. BROWNLESS: And that is the date the last
8 person has to sign signs.

9 COMMISSIONER EASLEY: The only, you know, when
10 it's flip a coin, I tend to want to come down on the
11 legal side.

12 COMMISSIONER BEARD: I'm going to move the
13 secondary recommendation for the rule as it currently
14 exists, which hopefully in the near term future will,
15 because of that, same thing, in an abundance of
16 caution.

17 COMMISSIONER EASLEY: It really doesn't have
18 anything to do with the preference of the contracts. I
19 am now down to a legal argument.

20 CHAIRMAN WILSON: This is assuming that you don't
21 have two contracts that come in that actually are not
22 only date stamped but time stamped as well, when they
23 are signed?

24 MS. BROWNLESS: Yeah. Because we would consider
25 that to be prior execution.

1 CHAIRMAN WILSON: Okay. Fine.

2 Issue 2.

3 COMMISSIONER BEARD: Issue 2 is basically moot.

4 CHAIRMAN WILSON: We can do that consistent with
5 what we did in the rule, which is notify within 24
6 hours and provide the contract within 10 days.

7 MS. BROWNLESS: Yeah, we, what we did when we
8 were talking to the parties, we worked out a very
9 detailed method by which they would give us notice
10 within so many days, and file the contracts within so
11 many days. Everybody has agreed to that. Every
12 utility in the State has agreed to that. Every
13 cogenerator that came to these meetings has agreed to
14 it.

15 CHAIRMAN WILSON: The five days?

16 MS. BROWNLESS: Whatever we have got down here is
17 what everybody agreed to.

18 MR. BALLINGER: Yes.

19 CHAIRMAN WILSON: Okay, that is fine with me.
20 We'll leave it the way everybody has agreed to it. And
21 if we want to change it in the rule, we will change in
22 it the rule.

23 MR. BALLINGER: The rule will be prospective.

24 MS. BROWNLESS: This is what we will do until
25 there is a rule change.

1 CHAIRMAN WILSON: All right. Issue 3.

2 COMMISSIONER BEARD: Moot. There is no
3 allocation.

4 COMMISSIONER GUNTER: It's moot.

5 CHAIRMAN WILSON: Is that moot?

6 MS. BROWNLESS: Hold on a minute.

7 MR. BALLINGER: I don't think so.

8 COMMISSIONER EASLEY: Not in light of --

9 MR. BALLINGER: In picking the '96, because now
10 what do you do if it reaches the '96, there is no other
11 sequential units?

12 MS. BROWNLESS: Yeah, this was going to be, this
13 was a problem when you had allocations within a
14 standard offer where the standard offer wasn't closed
15 out, what did people do. Now, we have done away with
16 the allocations, if I've got your vote right.

17 But the problem you need to address because you
18 have only one unit is when you close that unit what do
19 you want to do?

20 MR. BALLINGER: Right.

21 CHAIRMAN WILSON: Now, is this where we talk about
22 -- no, never mind that is Issue 4.

23 COMMISSIONER GUNTER: We have one potential
24 generator that could close this out today.

25 MS. BROWNLESS: Yes, sir.

1 COMMISSIONER GUNTER: We have one that could close
2 it out. See that was my concern back whenever. And I
3 explored with staff, colleagues, about the possibility
4 of making an identification of a type of plant with no
5 rating value on it.

6 CHAIRMAN WILSON: With no what?

7 COMMISSIONER GUNTER: With no rating value. You
8 know, how big they build power plants, and just say
9 it's going to be a coal-fired plant and to come on in
10 1996 period. I didn't put no megawatts on it.

11 MS. BROWNLESS: Yeah. And I guess what I --
12 technically speaking the parameters, the cost
13 parameters will change depending on the size of the
14 plant. But you could come up with some, like a coal
15 plant, you know, they might average 400 megawatts or
16 500 megawatts, you could come up with some average cost
17 parameter if you want to do it that way.

18 COMMISSIONER EASLEY: Just because I'm basically
19 dumb and getting hungry and therefore dumber, are the
20 decisions we are making under the existing rule until
21 the new rule goes in to effect?

22 MS. BROWNLESS: Yeah, yes, ma'am.

23 CHAIRMAN WILSON: Yes.

24 COMMISSIONER EASLEY: Okay. That should change --

25 CHAIRMAN WILSON: Maybe three months.

1 COMMISSIONER EASLEY: Okay, but that should
2 change, I would think, some of the arguments, wouldn't
3 it? Maybe?

4 COMMISSIONER GUNTER: Because we are, I think
5 under the old rule or the new rule, we are still with
6 the avoided unit. And until the way the scenario plays
7 out, until the next APH you could be hung with perhaps
8 going into the results of the last APH -- here is where
9 I differ with you, I don't think that we have to go, I
10 don't think we have to have another APH. I think that
11 we could take the last APH, if you ran out and go in
12 and pick another unit.

13 CHAIRMAN WILSON: Is there another base load unit
14 in the APH.

15 MS. BROWNLESS: No.

16 COMMISSIONER GUNTER: See that's a problem.

17 CHAIRMAN WILSON: We went out to the end and got
18 the 1996 coal.

19 MR. BALLINGER: That's correct.

20 CHAIRMAN WILSON: I feel fairly certain we don't
21 have a 1998 coal plant in there.

22 MS. BROWNLESS: No. See the avoided unit -- there
23 is a generation expansion study that goes for 20 years,
24 but there is only an avoided unit study that goes up
25 through 1996. After 1996 there is nothing else that

1 you can pick. If there was we could come up with
2 something.

3 COMMISSIONER GUNTER: Yeah, but as a result of the
4 evidence in that record, I am nitting with you now.
5 But as a result of that APH all of the utilities filed
6 their plans.

7 MS. BROWNLESS: But they are not in the record.

8 COMMISSIONER GUNTER: Let me just run a scenario
9 with you. But they they were in exhibits -- they were
10 not in the exhibits?

11 MS. BROWNLESS: No, the individual --

12 COMMISSIONER GUNTER: How about the 20-year plan
13 portion that was distributed. That was not in as
14 exhibits?

15 MR. BALLINGER: But that includes future
16 cogeneration on an avoided unit study without
17 cogeneration to determine what cogeneration would
18 avoid.

19 COMMISSIONER GUNTER: Were those 20-year forecasts
20 included as exhibits in the record?

21 MR. DEAN: Yes, sir.

22 MR. BALLINGER: yes.

23 MS. BROWNLESS: They are.

24 COMMISSIONER GUNTER: All right, they are. Now,
25 hear me out. Let me finish.

1 MS. BROWNLESS: Okay.

2 COMMISSIONER GUNTER: Within the bounds of having
3 reviewed them, you could go, even though their study
4 only went to '96, they, all of the generation expansion
5 supposedly for the next 20 years was identified in
6 exhibits that were provided to this Commission, isn't
7 that correct, as evidence in that record?

8 MS. BROWNLESS: No.

9 COMMISSIONER GUNTER: If they are exhibits, it's
10 evidence in the record.

11 MS. BROWNLESS: But I agree that the 20-year plan,
12 long-range plan is in the record, but that is not the
13 same as an avoided unit study. If you had a 20-year
14 avoided unit study --

15 COMMISSIONER GUNTER: Show me where there is a
16 requirement that we pick it as a result of the avoided
17 unit study. If the Commission on its own hook can't
18 look at evidence in that proceeding and draw it's own
19 conclusion as to what the avoided unit would be, not as
20 a result of the study. Show me in the rule or whatever
21 where that exists.

22 MS. BROWNLESS: Well, you know --

23 COMMISSIONER GUNTER: What I'm doing is I'm trying
24 to follow what you all have said is we are bound by
25 what is in the record.

1 MS. BROWNLESS: Yes, sir, that's right.

2 COMMISSIONER GUNTER: And everything that is in
3 that record should be available to us.

4 MR. DEAN: Sir, part of the answer to your
5 question is that there is no statewide avoided units
6 past 1996. There is individual utilities listed in
7 that 20-year plan. But you all have just voted --

8 COMMISSIONER GUNTER: What I'm saying is there is
9 a way out of that dilemma available to us if we want to
10 be a little innovative and go back and review that
11 complete record.

12 MS. BROWNLESS: I guess what you can do is this --

13 CHAIRMAN WILSON: Why can't you do this, why can't
14 you use the 1996 coal unit, and when you use that up
15 you would then have a 1994 combined cycle unit and then
16 you would have a 1995 combined cycle unit.

17 COMMISSIONER GUNTER: Yeah, but the problem with
18 that, Mr. Chairman, is that then we will be beyond the
19 four years, because unless it's December --

20 CHAIRMAN WILSON: Unless it can be built sooner
21 than the four years, but see we are not talking about
22 that rule. We are not even there yet.

23 MS. BROWNLESS: No, now, you've got two years.
24 Currently you have two years.

25 CHAIRMAN WILSON: Now, it's two years.

1 MS. BROWNLESS: So let's assume, what is this,
2 this is 1990, right?

3 CHAIRMAN WILSON: What?

4 COMMISSIONER BEARD: I'm late.

5 MS. BROWNLESS: I'm getting hungry, too. If it
6 takes more than -- okay, the next identified unit would
7 be '93. If you filled the subscription limit up
8 before January 1 of next year, you can pick a '93.

9 COMMISSIONER BEARD: We've got the '96 unit, when
10 we cross that --

11 CHAIRMAN WILSON: Stick to '93.

12 COMMISSIONER BEARD: -- we look at '93, '94 and
13 '95 and see which one we can make it with until we can
14 get that 20-month study that takes --

15 COMMISSIONER GUNTER: That's what I'm talking
16 about, using what is in the record.

17 COMMISSIONER BEARD: It's there. Let's go.

18 CHAIRMAN WILSON: That's what we are going to do.

19 MS. BROWNLESS: What are we going to do?

20 CHAIRMAN WILSON: Any objection?

21 MS. BROWNLESS: We are going to start with '96.

22 COMMISSIONER BEARD: That's where we are.

23 MS. BROWNLESS: Now, what are we going to do next?
24 What do we do when that gets filled up? We are going
25 to look at the existing record and pick a unit.

1 CHAIRMAN WILSON: Pick a unit.

2 COMMISSIONER GUNTER: That's right, pick a unit.

3 MR. BALLINGER: We'll come back if it fills up?

4 CHAIRMAN WILSON: '93, '94 or '95, and we'll just
5 keep going.

6 COMMISSIONER EASLEY: That is of course the legal
7 answer.

8 COMMISSIONER GUNTER: We will go back and stay
9 within the bounds of the record. We are supposed to
10 have an APH next year, aren't you, in '91?

11 MS. BROWNLESS: No, sir. We will not have one in
12 '91, because a work plan was not filed in January of
13 this year. The reason the work plan was not filed in
14 January --

15 COMMISSIONER GUNTER: You are talking '92, you are
16 talking three year centers?

17 MS. BROWNLESS: Yes. We are talking '92 now
18 because we haven't approved a work plan, and it takes
19 them roughly a year after a work plan is approved to
20 produce a product. We didn't make them file the work
21 plan because we didn't know what we wanted them to do.

22 CHAIRMAN WILSON: Issue 4.

23 MR. DEAN: We can move it faster than three years.

24 CHAIRMAN WILSON: Primary recommendation?

25 COMMISSIONER GUNTER: Primary recommendation.

1 CHAIRMAN WILSON: Issue 5.

2 COMMISSIONER BEARD: No.

3 CHAIRMAN WILSON: Primary recommendation. All
4 right.

5 COMMISSIONER GUNTER: Are we going to get to this?

6 CHAIRMAN WILSON: Yes.

7 MS. BROWNLESS: And now we are to the parameters?

8 COMMISSIONER EASLEY: I've got to express some
9 reservation about taking '96 and going back to '94 and
10 '95. I just have to say I don't --

11 COMMISSIONER GUNTER: I think that was just
12 discussion, just indicating that there are
13 possibilities if we get into a jam.

14 COMMISSIONER EASLEY: Well, I understand. But I
15 have problems with that as being one of the solutions
16 to the jam. I just thought --

17 CHAIRMAN WILSON: I do, too. Is there some
18 problem with the logic?

19 COMMISSIONER EASLEY: Well, based on the
20 discussion that we have been having here today, there
21 should not be.

22 CHAIRMAN WILSON: That is sort of what my problem
23 was.

24 COMMISSIONER EASLEY: Okay.

25 MS. BROWNLESS: I need to be very clear what you

1 want the order to say about that. Do you want the
2 order to select those units as the next avoided unit?

3 COMMISSIONER BEARD: No.

4 COMMISSIONER GUNTER: No.

5 MS. BROWNLESS: Or do you want the order to say we
6 will close the tariff when we reach 500 megawatts and
7 take whatever action is appropriate then?

8 COMMISSIONER GUNTER: That's right.

9 COMMISSIONER EASLEY: Thank you.

10 CHAIRMAN WILSON: Okay.

11 COMMISSIONER GUNTER: Now, we are going to the --

12 MS. BROWNLESS: The parameters.

13 COMMISSIONER GUNTER: To the parameters.

14 CHAIRMAN WILSON: Are there any questions?

15 COMMISSIONER GUNTER: Yes. What is included in
16 the construction price in Line D and what is not
17 included?

18 MR. DEAN: You know, I got rid of the answer to
19 that on the combined cycle, and I had three pages on
20 combined cycle, and you have asked me that four times.
21 On the coal unit it is an EPRI generic TAG document.
22 It includes cost of capital, cooling towers, equipment,
23 pollution control. It is not site specific. It's not
24 even Florida specific.

25 COMMISSIONER GUNTER: Well, let me ask you a

1 question. Wouldn't it have made a hell of a lot more
2 sense rather than going to a docket that -- I mean to a
3 document, wouldn't it have made a whole lot more sense
4 to have gone to the actual St. Johns Power Park or one
5 here and escalated it, which is what you've had to do
6 anyway?

7 MS. BROWNLESS: The reason it wasn't done that way
8 is because it's important to use the EPRI TAG numbers
9 for every unit model so that you have --

10 COMMISSIONER GUNTER: Yeah, but shouldn't you have
11 a --

12 CHAIRMAN WILSON: Wait, wait, wait, hold on a
13 second. Go ahead, Suzanne.

14 MS. BROWNLESS: So that you have consistent data
15 to put in to the avoided unit study. That is why
16 everyone uses EPRI TAG numbers, which are not site
17 specific, don't include things like 27 mile natural gas
18 laterals and stuff like that. This is not individual
19 utility pricing geared to a particular plant. This is
20 statewide.

21 CHAIRMAN WILSON: Which is what you end up with a
22 hypothetical statewide --

23 MS. BROWNLESS: You end up with a statewide unit,
24 and in order for the avoided cost study to be
25 comparable you have got to keep -- we used -- everybody

1 -- it's got to be considered the same way, and that's
2 what the FCG did when it used the EPRI TAG numbers for
3 everything.

4 COMMISSIONER EASLEY: Otherwise you are back to
5 utility --

6 COMMISSIONER GUNTER: Is there a sanity test, for
7 instance, to take the last two or three that were built
8 and have an escalator and carry them forward to find
9 out whether you are over or under? Is there a sanity
10 test?

11 COMMISSIONER EASLEY: Well, you can use a sanity
12 test, but I'm back to if you are going to say use St.
13 Johns, you are back to utility specific and you have
14 just done what you said you weren't going to do.

15 COMMISSIONER GUNTER: Commissioner, my
16 recommendation has not been to go to St. Johns. I just
17 asked a very basic question on what the sanity is
18 towards the figure, because the last two plants that
19 were constructed in the State were above this. And my
20 initial question was what is included, because it's
21 necessary for us to sort of be in the ballpark to
22 understand what the differences might be.

23 For instance, when you construct a plant you've
24 got control rooms and all of that kind of stuff. You
25 have the coal handling facilities. You've got those

1 kinds of things. If those are excluded, I can
2 understand that a little better. See that is my point.

3 CHAIRMAN WILSON: What was the, do you recall what
4 the cost of construction, the ballpark of St. Johns,
5 wasn't it about 1100?

6 MR. DEAN: This is actually pretty close.

7 CHAIRMAN WILSON: 1100?

8 MR. DEAN: The in-service cost is, in '88 dollars
9 is 1096 on this page I think. So it's around 1100 in
10 '88 dollars. It's escalated by inflation to get it to
11 the 1600.

12 COMMISSIONER GUNTER: I understand that, Jim. I
13 understand. That is the reason I start off with the
14 question what is included in that price.

15 MR. DEAN: That includes all the things that you
16 just identified, control rooms --

17 COMMISSIONER GUNTER: '88 includes everything that
18 can be identified. All right. Coal handling
19 facilities?

20 CHAIRMAN WILSON: But you are saying it would not
21 include something that would be site specific, like if
22 you have to run in --

23 MS. BROWNLESS: Yeah, and what I'm also saying is
24 that the EPRI numbers were used because they excluded
25 the same thing for each type of plant. EPRI excluded

1 control rooms for everybody, excluded laterals for
2 everybody, included X for everybody. So that the
3 numbers are truly comparable, if you start adding on --

4 CHAIRMAN WILSON: That is to determine on a
5 comparative basis --

6 MS. BROWNLESS: What is the least cost.

7 CHAIRMAN WILSON: What is the least cost --

8 MS. BROWNLESS: Right.

9 CHAIRMAN WILSON: -- plant that ought to be in an
10 optimal expansion generation plan.

11 MS. BROWNLESS: Yeah.

12 CHAIRMAN WILSON: But I think what Commissioner
13 Gunter is asking is when you get to the point then of
14 setting --

15 MS. BROWNLESS: Costs, the price.

16 CHAIRMAN WILSON: -- the price of cogeneration
17 would you not look at what it would actually cost to
18 build a plant in Florida like that. Because if you
19 have excluded some costs for comparison purposes which
20 would be appropriate for comparison purposes --

21 MR. BALLINGER: No, I hate to disagree, but I
22 think --

23 CHAIRMAN WILSON: Well, if you know, please do.

24 MR. BALLINGER: To do that you would have to do
25 that on the front end to all your plants to say what

1 would be site specific costs of a combined cycle, and
2 you would have to start from there.

3 COMMISSIONER BEARD: If that is the case then the
4 study was wrong in the first place because you exclude
5 things that are the same because they zero out each
6 other. If the control room, for example, in a coal-
7 fired plant costs twice as much as a control room for a
8 combined cycle, then it ought to be in there because
9 there is a difference and you skew the results.

10 MR. BALLINGER: I don't want to say they excluded
11 things. They looked at generic plant, the basic
12 facilities you would need, what they would cost for
13 that plant. So there probably is control rooms in
14 there for both --

15 COMMISSIONER BEARD: I'm sure there is.

16 MR. BALLINGER: And it's probably more for a coal
17 room than there is for a combined cycle. All it is,
18 it's a generic. It's not site specific. So all the
19 competing plants are on the same level when you start
20 comparing them to determine which one you are going to
21 put in.

22 COMMISSIONER EASLEY: My idea on site specific
23 versus coal comparing to a combined cycle would be
24 things like is it built on the coast? Is it built on a
25 mountain? Is it in a remote --

1 CHAIRMAN WILSON: Do you need 2500 acres or do you
2 need a hundred acres.

3 COMMISSIONER EASLEY: Right.

4 MR. BALLINGER: There is that taken in to account
5 in each price of the thing, the amount of land
6 required. They have a generic price of what per acre
7 of land would cost. There is that considered. There
8 is working capital included in each one. There is
9 certain percentages for each one based on the type of
10 project.

11 COMMISSIONER EASLEY: -- talk about barging coal
12 as opposed to railroad, or whatever, that is site
13 specific, right?

14 MS. BROWNLESS: Yes, ma'am. And let me make the
15 suggestion maybe, and maybe this is what Commissioner
16 Gunter, maybe I finally understand what you are talking
17 about. My understanding is going down quick. You
18 might be able to take this approach, in other words, we
19 have used the EPRI numbers to select the unit. Now,
20 we've got the unit, we are going to put on a five
21 percent adjustment factor to reflect what we considered
22 to be true cost. Is that what you are suggesting?
23 Some factor --

24 COMMISSIONER GUNTER: If you all remember, if you
25 all remember, awhile ago, and I can go back to the

1 issue, because I made a little note in it, but it's
2 already put up in the file, when I asked you were you
3 trying to get to the true cost, because one of the
4 things, and I understand how you get up, like dancing
5 with the fat lady, it depends on how fat she is. And
6 when you are working on this project, you kind of get a
7 tendency to where we want to get every item. We want
8 to get very precise. But you are not very precise, you
9 sort of lose your argument when you are only precise on
10 those areas that you want to be precise on. Your logic
11 fails, because here you are, and I really want to be
12 honest with you, here you are, this is the first of two
13 documents that your preciseness fails you.

14 And I am willing to sit here and take whatever
15 time to show you how bad your preciseness really fails
16 you on avoided cost. Now, on some generic thing that
17 is done, and I'm not talking about how good that is or
18 how bad it is, but there is a lot of items that you
19 haven't included.

20 MR. BALLINGER: I'm not disagreeing with you. I
21 think to be fair you have to do it on the front end to
22 all.

23 CHAIRMAN WILSON: I agree with you, because if you
24 are going to do this now, we should have done --

25 MR. BALLINGER: We should have done it.

1 CHAIRMAN WILSON: We should have done it on the
2 beginning and not used the EPRI TAG figures. We should
3 have gone and found plant and gotten books and say
4 bottom line what did this thing cost you.

5 MS. BROWNLESS: Right.

6 CHAIRMAN WILSON: And did the same thing with
7 every kind of plant.

8 COMMISSIONER GUNTER: Mr. Chairman, I'm not
9 objecting to that, because that is the process we
10 followed in the first two.

11 CHAIRMAN WILSON: We can't do that now though.

12 COMMISSIONER GUNTER: No, we did not. Now, listen
13 to me just for a second. We followed, we used the EPRI
14 TAG, but all of a sudden staff has changed and wants to
15 be very, very precise. We recognized there was slop in
16 the first two. We took the TAG. I didn't have any
17 problem with it. We went straight forward. But all of
18 a sudden when you begin to pick and choose the
19 preciseness, all of a sudden there are a number of
20 items if you want to do that and get in that level of
21 preciseness, you have to abandon the TAG and you have
22 to get what it is for the State.

23 CHAIRMAN WILSON: Is this the TAG?

24 MS. BROWNLESS: Yes.

25 COMMISSIONER GUNTER: That is the TAG.

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CHAIRMAN WILSON: This is it?

MS. BROWNLESS: That's it.

CHAIRMAN WILSON: What is difference between this and what we did before?

MS. BROWNLESS: Nothing. That is exactly what we did before.

COMMISSIONER GUNTER: And the process went, and it was the reason I asked the question awhile ago, if you really are trying for preciseness and you want to work it to the plus or the negative of the cogenerator or the utility, and remember I asked you are you all trying for absolute preciseness, and you sat over there and said yeah. We had another one sitting over there saying yeah. Really, that is not true. You are not really trying for preciseness. You are trying to pick some items and move forward on those individual items and ignore the generalities and those areas that have not even been considered. That is the problem I have.

CHAIRMAN WILSON: Well, if you look back at what staff originally recommended it was company specific avoided units, and it would have been just about as damn precise as you want to get. And what we have gone with is a statewide hypothetical unit, so I think it's entirely appropriate to use hypothetical numbers.

COMMISSIONER GUNTER: Let me ask you a question.

1 Is there any fuel inventory included in the TAG figure?

2 MR. BALLINGER: I think so, because they were
3 included for the combined cycle figures.

4 COMMISSIONER GUNTER: Would you all come down and
5 show me. Would you all pull that TAG document and come
6 show me?

7 MR. BALLINGER: I'm speaking, I think there is for
8 the coal.

9 COMMISSIONER GUNTER: I'm not going to hold this
10 up, but I just need to understand. See I've got no
11 objection to going forward with this. But when we
12 start moving in that precise areas, we are going to do
13 it all the way across.

14 COMMISSIONER EASLEY: Well, Mr. Chairman, we undid
15 our own preciseness. This isn't staff doing this one.
16 It's us. And let's be realistic about what we can
17 expect out of this. You either like the figures or you
18 don't like the figures, and we are back to my statewide
19 avoided cost all of a sudden.

20 COMMISSIONER GUNTER: Oh, hell, I like the
21 figures, but I want to make sure we stay on
22 generalities all the way through.

23 COMMISSIONER EASLEY: Well, if you like
24 generalities, you will like my statewide avoided.

25 COMMISSIONER GUNTER: Good.

1 CHAIRMAN WILSON: Is that a motion? Is there any
2 disagreement? All right.

3 COMMISSIONER GUNTER: We all like your statewide
4 unit.

5 MS. BROWNLESS: No, sir, thank you very much.

6 COMMISSIONER EASLEY: It's not a statewide unit,
7 it's a statewide avoided cost.

8 CHAIRMAN WILSON: Hold on a second.

9 MS. BROWNLESS: Oh, Gulf, what about Gulf?

10 CHAIRMAN WILSON: What?

11 MS. BROWNLESS: Okay, I forgot about Gulf.
12 Remember whether, what are we going to do about Gulf?
13 Are we going to have a separate docket or are we going
14 --

15 CHAIRMAN WILSON: I would like to know what the
16 implications of doing something like that would be,
17 both just a general idea of what it would do, how long
18 it would take, who would do it, how it would be done,
19 what it would mean when we got it back.

20 MS. BROWNLESS: Okay.

21 COMMISSIONER GUNTER: Can we direct staff to
22 accomplish that and get it back to us in a reasonably
23 reasonably short time period?

24 CHAIRMAN WILSON: Yes.

25 MS. BROWNLESS: I will be glad to direct staff.

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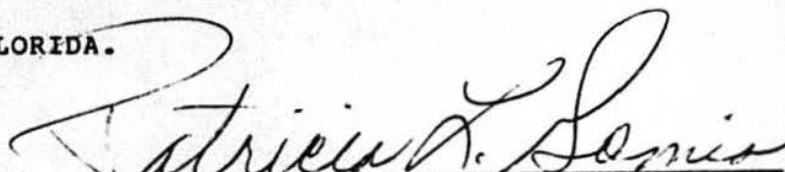
CHAIRMAN WILSON: Okay. Is there anything else.

MS. BROWNLESS: No, sir, thank you.

(Whereupon, discussion on the above items concluded.)

CERTIFICATE OF REPORTER1
2 STATE OF FLORIDA)

3 COUNTY OF LEON)

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5 Reporter, Certified Shorthand Reporter, and Notary Public in
6 and for the State of Florida at Large:7 DO HEREBY CERTIFY that the foregoing agenda
8 conference proceedings were taken before me at the time and
9 place therein designated; that my shorthand notes were
10 thereafter reduced to typewriting under my supervision; and
11 the foregoing pages numbered 1 through 90 are a true and
12 correct record of the aforesaid proceedings.13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 relative or employee of such attorney or counsel, nor
16 financially interested in the foregoing action.17 WITNESS MY HAND AND SEAL this, the 30th day of
18 MAY, A. D., 1990 IN THE CITY OF TALLAHASSEE, COUNTY OF
19 LEON, STATE OF FLORIDA.20
21 22 PATRICIA L. GOMIA, RPR, CSR
23 216 West College Avenue
24 U.S. Post Office, Room 122
25 Tallahassee, Florida 32301

My Commission expires: June 17, 1990

GOMIA AND ASSOCIATES