

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power	)	DOCKET NO. 900796-EI
and Light Company for Inclusion of the	)	ORDER NO. 23859
Scherer Unit No. 4 Purchase in Rate	)	ISSUED: 12-11-90
Base, including Acquisition Adjustment	)	
	)	

Pursuant to Notice, a Prehearing Conference was held on December 3, 1990, in the Duncan U. Fletcher Building, Room 122, in Tallahassee, Florida, before Chairman Michael McK. Wilson, Prehearing Officer.

A. APPEARANCES:

MATTHEW M. CHILDS, ESQUIRE, JOHN T. BUTLER, ESQUIRE, and GREGORY N. ANDERSON, ESQUIRE, Steel, Hector and Davis, 215 South Monroe Street, Suite 601, Tallahassee, Florida 32301-1804  
On behalf of Florida Power & Light Company

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On behalf of Office of Public Counsel

JOSEPH A. MCGLOTHLIN, ESQUIRE and VICKI GORDON KAUFMAN, ESQUIRE, Lawson, McWhirter, Grandoff and Reeves, 522 East Park Avenue, Suite 200, Tallahassee, Florida 32301  
On behalf of Nassau Power Corporation

FREDERICK J. MURRELL, ESQUIRE, Schroder & Murrell, The Barnett Center, Suite 375, 1001 Third Avenue West, Bradenton, Florida 34205  
On behalf of Coalition of Local Governments

FREDERICK M. BRYANT, ESQUIRE, Moore, Williams, Bryant, Peebles and Gautier, 101 East College Avenue, Post Office Box 1169, Tallahassee, Florida 32302  
On behalf of Florida Municipal Power Agency

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On behalf of the Commission Staff

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DOCUMENT NUMBER-DATE

10938 DEC 11 1990

FPSC-RECORDS/REPORTING

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PREHEARING ORDER

Background

This docket was initiated by Florida Power and Light Company (FPL) on September 28, 1990, when it filed a Petition of Florida Power & Light Company For Inclusion of the Scherer Unit No. 4 Purchase in Rate Base, Including an Acquisition Adjustment. In its pleading, FPL petitions the Florida Public Service Commission (the Commission) for the authority to include the purchase price of Scherer Unit No. 4 in rate base, including the portion which exceeds the depreciated original cost of that Unit. FPL does not seek any rate changes or charges to their customers but, due to the uncertainty of the regulatory treatment of the Acquisition Adjustment associated with the purchase of Scherer Unit No. 4, they are requesting approval for the authority to include the purchase price of Scherer Unit No. 4 in rate base prior to actually purchasing the Unit.

FPL proposes to purchase 76.36% (646 MW) of Unit No. 4 of the Robert Scherer Generating Plant (a coal-fired generating unit) located in Monroe County, Georgia. The total purchase price is estimated to be \$615,504,000.00 which exceeds the depreciated book cost for the portion of the unit to be obtained by FPL by an estimated \$111,362,307.00.

FPL asserts that absent the installation or acquisition of sufficient additional generating capacity, they will be unable to meet their 1996 forecast peak load and maintain adequate levels of reliability. Thus, they believe that the proposed acquisition of Scherer Unit No. 4 is a reasonable and prudent investment necessary to enable FPL to meet their future load requirements.

The following parties have filed notices of intervention or petitions for leave to intervene: the Office of Public Counsel (OPC), Nassau Power Corporation (Nassau), Coalition of Local Governments (CLG), and the Florida Municipal Power Agency (FMPA). All parties have been granted permission to intervene in this docket.

Use of Prefiled Testimony

All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and

exhibits, unless there is a sustainable objection. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his testimony at the time he or she takes the stand.

Use of Depositions and Interrogatories

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

Order of Witnesses

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

B. WITNESSES

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
<u>- Direct -</u>		
C. O. Woody (FPL)	Overview of case	1,4,16,17,18
R. R. Denis (FPL)	Results of "RFP" process	9,10,13,16
G. R. Cepero (FPL)	Description of Scherer plant and terms of purchase	10,11,13,16
S. S. Waters (FPL)	Relationship of Scherer to FPL's Expansion Plans	2,3,4,5,6,7,8, 9,16
H. A. Gower (FPL)	Accounting treatment for Scherer purchase	1,14,16,17

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<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Robert S. Wright (OPC)	Inability at this time to determine whether the purchase of Scherer Unit 4 is in the best interest of the rate payers.	1,2,3,6,7,8, 9,10,11,12,13,14, 16,17,18
Carlton W. Bartels (OPC)	Inability at this time to determine whether the purchase of Scherer Unit 4 is in the best interest of the rate payers.	1,2,6,7,8, 9,10,11,12,13,14, 16,17
Dr. Dennis Thomas (Nassau)	FPL's failure to include and consider Nassau's standard offer contract for 435 megawatts in its generation expansion plan. Also offer some general observations about FPL's comparison of generating alternatives.	1,2,3,4,6,8,10,11 12,15,16
H.G. "Pat" Wells (CLG)	Scherer purchase not in the best interests of rate payers; fuel issues.	1, 2, 3, 4, 5, 6, 7, 8, 11, 12, 13, 14, 19, 20
<u>- Rebuttal -</u>		
S. S. Waters (FPL)	Rebuttal regarding evaluation process for Scherer purchase and adequacy of data.	8
Rene Silva (FPL)	Rebuttal regarding fuel issue.	11,16
H. A. Gower (FPL)	Rebuttal regarding limitations on Scherer recovery	18

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C. EXHIBITS

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
(COW-1)	Woody	Doc. No. 1--Service Area Map Doc. No. 2--Energy by Fuel Type
(GRC-1)	Cepero	Doc. No. 1--Plant Scherer Description Doc. No. 2--Letter of Intent- Scherer Purchase Doc. No. 3--Letter of Intent- JEA UPS and Transmission Matters
(RRD-1)	Denis	Doc. No. 1--Capacity RFP Summary Doc. No. 2--Capacity RFP Proposal Evaluation Criteria Doc. No. 3--Detailed Evaluation of Top 13 Proposals
(SSW-1)	Waters	Doc. No. 1--FPL 1990 Load Forecast Doc. No. 2--Long Term Fossil Fuel Price Forecast Doc. No. 3--Cogeneration/Small Power Producer Forecast Doc. No. 4--Financial and Economic Assumptions Doc. No. 5--Generation Options: Planning Assumptions Doc. No. 6--Scherer Purchase- O&M Cost Assumptions Doc. No. 7--Capacity Plan Components



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<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
		Doc. No. 8--Loss of Load Probability
		Doc. No. 9--FPL Expansion Plans With and Without Scherer
		Doc. No. 10--Generation Option Economics
<u>(HAG-1)</u>	Gower	Doc. No. 1--Calculation of Scherer Acquisition Adjustment
<u>(HGW-1)</u>	Wells	Doc. No. 1--Testimony of H.G. Wells

PARTIES' STATEMENT OF BASIC POSITION

Florida Power & Light Company (FPL): The purchase of an undivided ownership interest in Scherer Unit No. 4 for \$953 per kilowatt of installed capacity, as proposed in FPL's petition, is a reasonable and prudent investment necessary to enable FPL to meet its forecast 1996 system load requirements. FPL should be authorized to include its Scherer Unit No. 4 payments base, including the acquisition adjustment, as those payments are made.

Office of Public Counsel (OPC): Section 366.06(1), Florida Statutes (1989), requires the Commission to investigate and determine FPL's actual costs and to employ the Commission's determination of prudent investment in the ratesetting process. The Letter of Intent does not provide an adequate basis for the Commission to determine the prudent level of investment in Scherer Unit No. 4 that will affect FPL's future rates. Moreover, the current Commission cannot bind future Commissions from concluding that the Scherer unit is not used and useful, nor from adjusting the allowed rate base for the plant. The most the Commission can do in this proceeding is declare that, if Scherer Unit No. 4 is needed to meet FPL's service requirements and is the lowest cost alternative, it will be allowed in rate base at the appropriate time to the extent the investment is proven to be prudent. Such a

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declaration would only voice the nature of the regulatory process, however, and would not be meaningful within the context of FPL's petition. Accordingly, the petition is premature at this time.

Nassau Power Corporation (Nassau): On November 1, 1990 the Commission ruled that Nassau's standard offer contract to sell 435 megawatts of energy and capacity to FPL subscribes the first 435 megawatts of the 1996 500 megawatt statewide avoided unit. However, the Commission also indicated that it intends to require a cogenerator to prove that its project meets an individual utility's need in determination of need proceedings. Nassau continues to believe that the portion of the Commission's November 1 decision indicating its intent to limit standard offer contracts to the individual purchasing utility's need is inconsistent with the Commission's obligation pursuant to its rules and orders to provide a statewide market for standard offer contracts. However, to the extent that the "need" may be so defined; that approval of the proposed Scherer No. 4 purchase might fill a portion of FPL's 1996 capacity need; and to the extent that FPL's individual capacity need possibly may not accommodate Nassau's project and the proposed Scherer No. 4 purchase, Nassau submits that its project's capacity must be taken into account in FPL's comparison of load and capacity.

FPL has inappropriately failed to include Nassau's standard offer contract for 435 megawatts in its generation expansion plan while including the Indiantown contract and the proposed Scherer No. 4 purchase.

Additionally, based on limited information available at this point, FPL's economic comparison of alternatives to the Scherer No. 4 purchase fails to demonstrate or support any material economic advantage of the Scherer No. 4 purchase over a discounted standard offer. Mr. Waters appears to rely on assumptions concerning system fuel costs for his conclusion that the Scherer No. 4 purchase would be more economical than a discounted standard offer. The assumptions appear to be speculative, and in the context of total system costs, the identified difference is neither material nor reliable.

Coalition of Local Governments (CLG): It is the basic position of CLG that the need to acquire Robert Scherer Unit Number 4 has not been demonstrated. The alternatives of load shaving, peaking units and Florida based generation should be more thoroughly investigated

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before committing to a project the size and expense of the Scherer acquisition. The cost of fuel for the plant remains an important and unanswered question at this time.

Florida Municipal Power Agency (FMPA): FMPA has no reason to believe that Florida Power & Light Company's ("FPL") stated need for additional generation capacity in 1996 and ensuing years is not correct. As a wholesale customer of FPL, FMPA is dependant upon FPL having an adequate source of generation and transmission facilities in order for FPL to meet its contractual obligations to FMPA. Without an adequate source of wholesale power, FMPA and the municipalities that FMPA supplies will experience serious economic consequences as well as public health and safety problems. At this time FMPA is unable to determine whether or not the Scherer purchase is the most cost effective and reliable alternative available to FPL.

Staff: While that it may be appropriate to ultimately make a tentative finding of prudence, the Commission should reserve its final determination until FPL has entered into a final contract, complete with maintenance and fuel agreements, and FPL seeks to reflect the effect of the purchase in their rates.

D. STATEMENT OF ISSUES AND POSITIONS

1. ISSUE: Should the difference between FPL's purchase price and Georgia Power's net original cost of Scherer Unit 4 be given rate base treatment as an acquisition adjustment on a pro rata basis consistent with the phased purchase of the unit?

Positions:

FPL: Yes, it should. (Woody, Gower)

OPC: Traditionally, acquisition adjustments have been evaluated in terms of whether utility customers should pay more (or less) for service simply because assets already devoted to their service have changed ownership. These considerations are not relevant to this proceeding. The Commission should, therefore, evaluate FPL's petition in terms of the reasonableness of the total cost of obtaining power from Scherer Unit No. 4 and not



make a finding whether the requested acquisition adjustment is justified by extraordinary circumstances. (Wright, Bartels)

NASSAU: No.

CLG: FPL's petition should be denied at this time in its entirety because the acquisition of Robert Scherer Number 4 is not the best cost alternative for meeting the generation requirements of FPL, and because the studies performed by the company to determine the best cost alternative are flawed.

FMPA: No position at this time.

STAFF: No position at this time.

- 2. ISSUE: Does FPL, as an individual utility interconnected with the statewide grid, exhibit a need for the additional capacity provided by Scherer Unit 4?

Positions:

FPL: Yes, it does. (Waters)

OPC: No position at this time. (Wright, Bartels)

NASSAU: Nassau has performed no independent analysis, but believes the 1996 need may be sufficient to accommodate both Nassau's project and the Scherer purchase.

CLG: No. FPL has not yet initiated sufficient incentives or demand side management toward shaping its load curves, both from a demand and energy perspective.

FMPA: FMPA agrees that FPL has stated a need for additional capacity, but FMPA has no position at this time as to whether or not that additional capacity can best be provided by the purchase of Scherer Unit 4.

STAFF: No position at this time.

- 3. ISSUE: Is the capacity to be provided by the purchase of Scherer Unit 4 reasonably consistent with the needs of Peninsular Florida, taking into consideration timing, impacts on the

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reliability and integrity of the Peninsular Florida grid, cost, fuel diversity and other relevant factors?

Positions:

FPL: Yes, it is. (Waters)

OPC: No position at this time.

NASSAU: In determining whether the capacity to be provided by the proposed Scherer Unit No. 4 purchase is consistent with the needs of peninsular Florida, FPL must first take into account the ability of Nassau Power Corporation to provide 435 megawatts of power to FPL. This has not been done. (Thomas)

CLG: No. FPL has not yet initiated sufficient incentives or demand side management toward shaping its load curves, both from a demand and energy perspective. Additionally, the proposed purchase is not the best cost alternative for meeting the generation requirements of FPL, which has not apparently carefully considered additional peaking generation, and because the studies performed by the company to determine the best cost alternative are flawed.

FMPA: FMPA is concerned that the purchase of Scherer Unit 4 may have adverse effects on the reliability, integrity and utilization of the Peninsular Florida transmission grid.

STAFF: No position at this time.

4. ISSUE: How will the proposed purchase of Scherer Unit 4 affect the reliability and integrity of FPL's electric system?

Positions:

FPL: FPL's proposed purchase of an undivided share of Scherer Unit No. 4 will allow FPL to continue to meet its system reliability criteria and assure the integrity of FPL's electric system. Moreover, the purchase will help reduce FPL's dependence on oil at an earlier date, provide capacity in 1991 to allow for the upgrade of the Turkey Point Nuclear Station emergency power system and increase FPL's capacity gradually, thus increasing FPL's flexibility for responding to changes in load conditions or construction requirements. (Woody, Waters)

OPC: No position at this time.

NASSAU: Nassau's position is that its project would contribute to the reliability and integrity of FPL's electric system. (Thomas)

CLG: When a company purchases large quantities of power from a neighboring system, the purchase decreases the amount of power that might otherwise be available during times of emergency in the future.

FMPA: No position at this time.

STAFF: No position at this time.

- 5. ISSUE: How will the proposed purchase of Scherer Unit 4 affect the adequacy of the fuel diversity for FPL's system?

Positions:

FPL: FPL's proposed purchase of an undivided interest in Scherer Unit No. 4 will help improve the fuel diversity of FPL's system in comparison to the present supply mix. (Waters)

OPC: No position at this time.

NASSAU: No position.

CLG: The proposed purchase of Scherer Unit 4 will provide no better fuel diversity for FPL than coal by wire. Therefore, there would be no improvement realized by this proposed acquisition.

FMPA: No position.

STAFF: No position at this time.

- 6. ISSUE: Has FPL reasonably considered alternative supply side sources of capacity?

Positions:

FPL: Yes, it has. (Waters)

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OPC: No. (Wright, Bartels)

NASSAU: No. FPL has failed to consider the alternative of Nassau's 435 megawatt project. (Thomas)

CLG: No. The proposed purchase is not the best cost alternative for meeting the generation requirements of FPL, which has not apparently carefully considered additional peaking generation. In addition, the studies performed by the company to determine the best cost alternative are flawed.

FMPA: No position.

STAFF: No position at this time.

7. ISSUE: Does FPL's power supply plan reasonably consider the ability of conservation or other demand side alternatives to mitigate the need for the capacity represented by the purchase of Scherer Unit 4?

Positions:

FPL: Yes, it does. (Waters)

OPC: No. (Wright, Bartels)

NASSAU: No position.

CLG: No. FPL has not yet initiated sufficient incentives or demand side management toward shaping its load curves, both from a demand and energy perspective.

FMPA: No position at this time.

STAFF: No position at this time.

8. ISSUE: Is the purchase of Scherer Unit 4 the most cost-effective means of meeting FPL's capacity needs, taking into account risk factors that are part of the cost-effectiveness analysis?

Positions:



FPL: Yes, it is. (Waters)

OPC: No. (Wright, Bartels)

NASSAU: No. Nassau's initial analysis (subject to modification pursuant to information obtained in discovery) indicates that the proposed Scherer No. 4 purchase may not be the most cost-effective means of meeting FPL's capacity needs. When FPL's comparison is limited to unit-to-unit related costs for calculating savings, the discounted standard offer appears to be the more economic choice. The assumptions underlying Mr. Waters' Document 10 purport to demonstrate Scherer No. 4 savings based on an additional frame of reference which includes projected system fuel costs over 30 years. Such an analysis is extremely sensitive to errors and uncertainty in assumptions. Even when the total costs (including system fuel costs) are considered, the "advantage" of the Scherer No. 4 purchase is only 0.5%. Because system fuel costs are vulnerable to the extreme uncertainty of long-term fuel forecasts, even the savings alleged by FPL are questionable. (Thomas)

CLG: No. FPL has not yet initiated sufficient incentives or demand side management toward shaping its load curves, both from a demand and energy perspective. Additionally, the proposed purchase is not the best cost alternative for meeting the generation requirements of FPL, which has not apparently carefully considered additional peaking generation. The proposed acquisition does not improve the transmission risks currently attendant to the current purchase of "coal by wire".

FMPA: No position at this time.

STAFF: No position at this time.

- 9. ISSUE: Will FPL be able to deliver electricity from Scherer Unit No. 4 to its load centers in the same time frames in which it is proposing to add investment to rate base?

Positions:

FPL: Yes, it will. (Denis, Waters)

OPC: No. (Wright, Bartels)

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NASSAU: No position.

CLG: No position.

FMPA: No position at this time.

STAFF: No position at this time.

10. ISSUE: If any transmission facilities and/or upgrades are required to accommodate the purchases of energy and capacity already under contract to FPL and the proposed Scherer purchase, what is the cost of such transmission facilities and/or upgrades and who will bear such cost?

Positions:

FPL: The existing transmission facilities are adequate to transmit power generated by FPL's share of Scherer Unit No. 4 into Florida. However, the Southern Companies have agreed in their letter of intent with FPL to use best reasonable efforts to improve and upgrade the transmission facilities comprising the intertie with Florida. (Denis, Cepero)

OPC: The determination of these costs must be made to adequately determine the cost effectiveness of FPL's proposal. This information has not been provided to date by FPL. (Wright, Bartels)

NASSAU: At this point, Nassau has no estimate of what additional transmission facilities and/or upgrades FPL may be required to provide to accommodate the proposed Scherer Unit No. 4 purchase. Nassau suggests that FPL should be required to perform such an analysis in this docket. Further, the Nassau project which is the subject of the contract executed on June 13, 1990 is entitled to sufficient transmission capacity. (Thomas)

CLG: No position at this time.

FMPA: No position at this time.

STAFF: No position at this time.

11. ISSUE: Are the fuel supply and transportation costs presented in FPL's economic analysis for Scherer Unit 4 reasonable and prudent?

Positions:

FPL: Yes, they are. (Cepero, Silva)

OPC: No. (Wright, Bartels)

NASSAU: No. The fuel supply forecast used by FPL is based upon unreasonable assumptions about the future long-term relationship between the price of gas and the price of coal. In addition, FPL has failed to present any analysis in regard to the uncertainty of the fuel forecast over the 25 year forecast period and the effect of that uncertainty on the economic analysis of the proposed Scherer Unit No. 4 purchase. (Thomas)

CLG: No. The assumptions developed by FPL in presenting its economic analysis do not appear to be well founded. The costs are not consistent with the recent experience of coal and transportation procurement officials in Florida. The studies performed by the company to determine the relative fuel costs in its analyses are flawed.

FMPA: No position.

STAFF: No position at this time.

12. ISSUE: Does the schedule being followed by the Commission in this case afford all interested parties adequate opportunity to protect their interests?

Positions:

FPL: Yes, it does.

OPC: No. (Wright, Bartels)

NASSAU: No. The expedited schedule being followed in this case does not afford all parties an adequate opportunity to protect their interests. This is especially true in light of the fact that under the current schedule FPL will not receive a ruling

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on its petition by the end of 1990. The next critical date for FPL is June 30, 1991. Therefore, there is no need to rush to an expedited hearing in December, 1990. The interests of all parties and the Commission would be better served by allowing a reasonable time frame for the discovery and for the preparation of detailed testimony. Rescheduling the hearing and the other dates until spring of 1991 will accomplish this and will still allow FPL to receive a decision by June 30, 1991. (Thomas)

CLG: No. The schedule has not afforded a reasonable period of time to review the material provided by FPL in response to the data inquiries of the parties in this extremely important potential procurement. We have not yet received the information from our initial round of discovery, and will be unable to fully assimilate that and other data made available by the time testimony will be offered in this docket. Florida Power & Light Company has had an advantageous opportunity to review carefully how it would analyze this opportunity to purchase Scherer 4, and has had a far superior opportunity to evaluate the data that is available. On the other hand, parties such as CLG have had an unreasonably short time to evaluate the data from discovery of other parties, and have had no opportunity to follow up on its initial discovery requests with supplemental requests for information that has come to light during recent depositions and review of discovery documents made available to other parties in this docket.

FMPA: No.

STAFF: No position.

13. ISSUE: What effect, if any, does the Scherer Unit 4 purchase have on the Southern/Florida interface?

Positions:

FPL: FPL's proposed purchase of an undivided interest in Scherer Unit No. 4 will facilitate the upgrade of the Southern/Florida interface. (Denis, Cepero)

OPC: No position at this time. (Wright, Bartels)

NASSAU: No position.



CLG: The proposed acquisition does not improve the interface in any manner.

FMPA: FMPA is concerned that the purchase of Scherer Unit 4 would delay the addition of needed capacity in south Florida to support the Florida transmission grid.

STAFF: No position at this time.

14. ISSUE: Under what circumstances should the portion of the purchase price of assets in excess of book value (the "acquisition adjustment") be given "rate base treatment," such that amortization may be included in operating expenses and the unamortized acquisition adjustment may be included in rate base?

Positions:

FPL: Rate base treatment is appropriate when the asset is useful to the acquiring utility in providing service to its customers, and the acquisition of the asset results in benefits to those customers in comparison to the available alternatives. (Gower)

OPC: See position on issue no. 1.

NASSAU: No position.

CLG: FPL has not demonstrated that the purchase of Scherer 4 will provide power into Florida less expensively than the alternatives. Under the circumstances, it is not demonstrated that any amount above book value is appropriate for rate base treatment.

FMPA: No position.

STAFF: No position at this time.

LEGAL ISSUES:

15. ISSUE: Should the Commission address in this docket transmission access disputes that may arise from the Scherer Unit 4 purchase?

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Positions:

FPL: As a general matter, proper issues of transmission access brought before the Commission should be addressed by it. However, FPL is in no position at this time to assess what issues FMPA would raise or whether they would be proper.

OPC: No position at this time.

NASSAU: The Commission should address the effect of the proposed Scherer No. 4 purchase on Nassau's contract to sell 435 megawatts to FPL. Nassau's contract was entered into prior to the arrangements for the proposed Scherer No. 4 purchase for which no contract exists. The Commission should analyze the impact of the proposed Scherer No. 4 purchase on available transmission capacity. (Thomas)

CLG: No position at this time.

FMPA: FMPA believes that the Commission should acknowledge that transmission access constraints will or may arise from the Scherer Unit 4 purchase, and the Commission should either afford all interested parties an opportunity to address those issues in this docket or in the alternative, to open an additional docket to address those issues.

STAFF: No position at this time.

ULTIMATE ISSUES:

16. ISSUE: Is the purchase of an undivided ownership interest in Scherer Unit No. 4 a reasonable and prudent investment necessary to enable FPL to meet its forecast 1996 system load requirements?

Positions:

FPL: Yes, it is. (Woody, Cepero, Denis, Waters, Gower, Silva)

OPC: No. (Wright, Bartels)

NASSAU: The resolution of this issue must take into account Nassau's project, which will provide 435 megawatts to FPL. (Thomas)

CLG: No. See individual positions above.

FMPA: No position at this time.

STAFF: While a tentative finding of prudence may ultimately be reached, the Commission should reserve its final determination until FPL has entered into a final contract, complete with maintenance and fuel agreements, and FPL seeks to reflect the effect of the purchase in rates.

- 17. ISSUE: Should FPL be authorized to include the purchase price of its undivided share of Scherer Unit No. 4, including the acquisition adjustment, in rate base?

Positions:

FPL: FPL should be authorized to include its Scherer Unit No. 4 purchases in rate base, including the acquisition adjustment, as those purchases are made. (Woody, Gower)

OPC: See Position on Issue No. 1.

NASSAU: No. See individual issues above.

CLG: No. See individual positions above.

FMPA: No position.

STAFF: While a tentative finding of prudence may ultimately be reached, the Commission should reserve its final determination until FPL has entered into a final contract, complete with maintenance and fuel agreements, and FPL seeks to reflect the effect of the purchase in rates.

- 18. ISSUE: In the event FPL's petition is approved, should the Commission impose guarantee requirements on the electrical output of the unit and delivery to FPL and limit the amount of total investment, operation and maintenance expenses and fuel costs that will be allowed for recovery through rates?

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Positions:

FPL: No, it should not. The Commission should review FPL's estimates of the costs associated with purchasing and operating its portion of Scherer Unit No. 4 to determine if they are reasonable and prudent. If the Commission determines that the estimates are reasonable and that, based on these estimates, the purchase is prudent, then the Commission should approve the purchase. Of course, the Commission also may review in the future actual costs of operating the plant, such as fuel costs, to ensure the reasonableness and prudence of those actual expenditures, taking into consideration all factors surrounding the expenditures at the time they are made. It would be inappropriate to limit such a review to a comparison of the actual expenditures to the estimates that have been made at this time, as Public Counsel of apparently suggests in this issue. (Woody, Gower)

OPC: Yes. (Wright)

NASSAU: No position.

CLG: Yes.

FMPA: No position.

STAFF: No position at this time.

E. STIPULATED ISSUES

None at this time.

F. MOTIONS

At this time FPL's Motion For Reconsideration of O r d e r Granting Intervention and Motion In Opposition To Florida Municipal Power Agency's Petition for Leave to Intervene is pending. FPL and FMPA have agreed to waive oral arguments, and thus, the prehearing officer will make a ruling immediately before the hearing on December 11, 1990.

G. OTHER MATTERS

None.

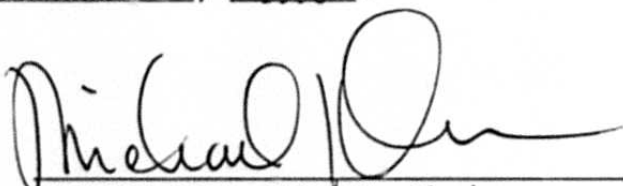


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Based on the foregoing, it is

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

By ORDER of Chairman Michael McK. Wilson, as Prehearing Officer, this 11th day of DECEMBER, 1990.



MICHAEL McK. WILSON, Chairman  
and Prehearing Officer

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