

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint petition for determination )  
of need for proposed electrical power ) Docket No. 900709-EQ  
plant and related facilities, Indiantown )  
Project, by FLORIDA POWER & LIGHT COMPANY ) Filed: Dec. 21, 1990  
and INDIANTOWN COGENERATION, L.P. )  
)

INDIANTOWN COGENERATION, L.P.'s  
POST-HEARING STATEMENT OF POSITIONS

Indiantown Cogeneration, L.P. (ICL) hereby submits its Post-Hearing Statement of Positions on the issues identified in the prehearing order in this docket.

Sufficiency of the Data

ISSUE 1: Has ICL provided sufficient information on the site, technology and status of project development of the Indiantown Project to enable the Commission to evaluate its proposal?

ICL Position: Yes. This issue does not appear to be in dispute.

The plant site is located in southwestern Martin County, about three miles northwest of Indiantown, and adjacent to Caulkins Citrus processing plant, the steam customer for the facility. ICL has options to purchase the two parcels of land comprising the site, which totals approximately 325 acres. The site is adjacent to the CSX Railroad. The existing Martin-Indiantown 230kV transmission line, to which the project will be interconnected, crosses the site. (Tr. 50-51) The plant will use proven pulverized coal technology, which uses a stable, domestically-sourced fuel. (Tr. 53-67) The Site Certification Application for the plant, which is based on preliminary engineering design data, is scheduled for submission to DER in December, 1990. (Tr. 64, 66)

The project's sponsors are subsidiaries of Pacific Gas & Electric Company and Bechtel Group, Inc., who together

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have significant experience in all aspects of the electric generation business, including the construction and operation of power plants. (Tr. 21-23) The sponsors have agreed to a structure which will include a minimum of 10% equity, and the project is being structured to make it readily financeable on a project finance basis. (Tr. 122-127; Ex. 20, §21.7)

The project is at an advanced stage of development. ICL has a power sales agreement signed after 18 months of negotiation; an agreement in principle with its steam customer; a letter of intent from the CSX railroad for fuel transport; a letter of intent from Indiantown Gas for gas supply for start-up operations and supplemental firing; and expressions of interest from a number of potential coal suppliers. (Ex. 13, 14, 15, 20; Tr. 62-63, 74)

ISSUE 2: Are the reliability criteria used by FPL to determine its need for 270-330 MW of capacity in 1996 to be satisfied by the proposed Indiantown Project reasonably adequate for planning purposes?

ICL Position: Yes. This issue does not appear to be in dispute.

FPL used two reliability criteria to determine its need for capacity: a summer peak reserve margin of 15% and a maximum loss of load probability of 0.1 days per year. These criteria are commonly used in the utility industry, and the Commission has previously found FPL's use of them to be reasonable. (Tr. 238-239; Ex. 2, pp. 57; Ex. 3, p. 15 and App. E; Order No. 20379, p. 4)

ISSUE 3: Is the load forecast used by FPL to determine its need for 270-330 MW of capacity in 1996 to be satisfied by the proposed Indiantown Project reasonably adequate for planning purposes?

ICL Position: Yes. This issue does not appear to be in dispute.

The load forecast results are summarized in Exhibit 27 (Document 1) and presented in detail in Exhibit 3 (pp. 29-37 and Appendices B and C). The Commission has previously found the use of this forecast by FPL to be reasonably adequate for planning purposes (see Order No. 23079, p. 4), and the use of an updated forecast would

not significantly impact the results of FPL's analysis. (Tr. 243-244, 246-247, 250)

FPL'S Need for Additional Capacity

ISSUE 4: Does FPL, as an individual utility interconnected with the statewide grid, exhibit a need for additional capacity in 1996?

ICL Position: Yes. This issue does not appear to be in dispute.

FPL exhibits a need for approximately 900 MW of additional capacity in 1996 to be able to achieve its reliability criteria. (Tr. 248; see Ex. 27, Document 6)

ISSUE 5: Does FPL, as an individual utility interconnected with the statewide grid, have a need by 1996 for the additional 270-330 MW of capacity represented by the Indiantown Project?

ICL Position: Yes. FPL has a need for the ICL capacity in 1996 and beyond. As indicated above, FPL needs 900 MW of additional capacity by 1996, beyond projected demand side reductions and previously certified generating unit additions, in order to maintain adequate system reliability. The Indiantown Project will contribute 270-330 MW toward meeting this capacity need. (Tr. 250-251)

ISSUE 6: Are there any adverse consequences to FPL and its customers if the proposed Indiantown Project is not completed in the approximate time frame provided in the power purchase agreement with ICL?

ICL Position: Yes. Absent ICL's contribution of additional capacity to meet FPL's need, system reliability would degrade to unacceptable levels. FPL's loss of load probability (LOLP) would not be met, and the likelihood of service interruptions due to capacity shortfalls would increase. (Tr. 250-251)

ISSUE 7: Would the proposed Indiantown Project and the purchase of power pursuant to the ICL/FPL contract contribute to the reliability and integrity of FPL's electric system?

ICL Position: Yes. The ICL project and contract will provide a highly reliable source of power to FPL. The project is located close to FPL's load center and can be easily integrated into the electric grid in a way that will contribute to system integrity and reliability. (Tr. 251; Ex. 2, pp. 37, 55) As a coal-fired facility, the project makes use of a stable, domestically-sourced fuel supply which increases reliability. (Tr. 67; 172) The project's sponsors have significant experience in all aspects of the electric power generation business and have agreed to a financial structure with a minimum of 10% equity. (Tr. 21-23, 122-127) In addition to dispatchability, the agreement between FPL and ICL contains a number of operational provisions, pay-for-performance provisions, and security provisions that are designed to ensure its timely commercial operation and reliable, long-term operation. (Tr. 57-60, 74-76, 173-184; Ex. 11)

#### Adequate Electricity at Reasonable Cost

ISSUE 8: Would the proposed Indiantown Project and the proposed purchased power agreement between ICL and FPL reliably provide electricity to FPL at a reasonable cost to assist FPL in providing reliable service to its customers?

ICL Position: Yes. The Indiantown Project has an excellent location and enhances system reliability and integrity. (Tr. 251) The facility will be designed for reliable, high capacity factor operation. (Tr. 58) The unit design and maintenance plans will be reviewed by independent engineers to ensure that the facility is capable of maintaining a minimum 87% capacity billing factor. (Tr. 58-59) The combination of dispatchability by FPL and pay-for-performance provisions with substantial incentives for high capacity factor operation and on-peak performance will ensure that the facility will be available to meet FPL's needs. (Tr. 57-60, 74-76, 173-184; Ex. 11) This capacity and energy comes at a reasonable cost, at savings of approximately \$90 million compared to FPL's own avoided unit on a revenue requirements basis, and \$73 million on a value of deferral basis. (Tr. 252; Ex. 27, Document 8; Exs. 28, 29)

ISSUE 9: Is the fuel price forecast used by FPL to compare power supply alternatives reasonable for planning purposes?

ICL Position: Yes. This issue does not appear to be in dispute.

The fuel forecast results are summarized in Exhibit 27 (Document 2, revised) and presented in detail in Exhibit 3 (pp. 37-44 and Appendix D). The Commission has previously found the use of this forecast by FPL to be reasonably adequate for planning purposes (see Order No. 23079, p. 6).

ISSUE 10: Does ICL's fuel selection and fuel procurement plan provide adequate assurances regarding the availability of fuel for the Indiantown Project?

ICL Position: Yes. ICL plans to procure coal, a stable, domestically-sourced fuel, from one or more coal suppliers in the Southern Appalachian coal region of Kentucky, Virginia and West Virginia. ICL intends to issue a request for proposals for fuel supply during mid-1991. Based on a preliminary solicitation of statements of qualification, ICL has already received expressions of interest from a number of potential coal suppliers. (Tr. 62-63) ICL is contractually obligated to FPL to provide a minimum of 50% of the plant's coal requirement of approximately 1,000,000 tons/year under firm long-term contracts, and anticipates that a substantially higher percentage may be contracted for on a firm basis. (Tr. 62; Ex. 20, §§ 3.5.2, 3.5.8) ICL has a letter of intent from CSX Transportation, whose rail line is adjacent to the site, to provide fuel transportation. (Tr. 45; Ex. 15) In addition, ICL has a letter of intent from Indiantown Gas for gas supply for start-up and supplemental firing. (Tr. 46, Ex. 16)

ISSUE 11: Will the Indiantown Project contribute toward maintaining adequate fuel diversity for FPL's system?

ICL Position: Yes. This issue does not appear to be in dispute.

FPL's system today relies on coal-fired generation, excluding coal-by-wire purchases, for approximately 2% of its energy requirements. (Tr. 284) The addition of another 270-330 MW of coal-fired capacity will contribute toward maintaining adequate fuel diversity for FPL's system. (Tr. 256, 283-284)

Cost-Effective Alternatives

ISSUE 12: Has FPL reasonably considered alternative supply side sources of capacity?

ICL Position: Yes. FPL has considered numerous alternative supply side sources of capacity, including utility-constructed units, other QF-supplied capacity, and projects submitted in response to its capacity RFP. The Indiantown Project is a better alternative for contributing to meet FPL's 1996 capacity needs than any of these supply side alternatives. (Tr. 252-255, 264-270; Ex. 31)

ISSUE 13: Is the Indiantown Project and the purchased power agreement between ICL and FPL the most cost-effective means of meeting 270-330 MW of FPL's 1996 capacity need, taking into account risk factors that are part of the cost-effectiveness analysis?

ICL Position: Yes. The Indiantown Project and the purchased power agreement between ICL and FPL is the most cost-effective means of meeting 270-330 MW of FPL's 1996 capacity need. The Indiantown Project provides savings of \$90 million compared to FPL's own avoided cost. (Tr. 252; Ex. 29)

The Indiantown Project also provides savings of \$67 compared to the full cost of the statewide avoided unit when both units are assumed to run at the 70% capacity factor required by a standard offer contract. (Tr. 254; Ex. 30) The Indiantown Project has been calculated to cost \$61 million more than the statewide avoided unit when a 20% risk factor is included in the avoided unit pricing. (Tr. 254) However, the calculated savings versus the statewide avoided unit do not include: (1) the value of location near FPL's load center, which is significant when compared to standard offer projects located in extreme North Florida; (2) the value of the Indiantown Project's expected on-peak performance; or (3) the value to FPL and its ratepayers of the dispatchability of the Indiantown Project. (Tr. 254-256) When the value of location is quantified, the Indiantown Project saves \$136 million compared to 300 MW of standard offer capacity located in northeast Florida. (Tr. 264-271; Ex. 25; Ex. 31)

The calculated savings versus the statewide avoided unit also do not include any quantification of the numerous features of the Indiantown Project and its power sales agreement that reduce the risks associated with the project and provide benefits to FPL and its ratepayers. (Tr. 254-256)

These project-related factors include, in addition to the favorable location near FPL's load center, sponsorship by an organization with substantial experience in all phases of the electric power business and a proven coal-fired technology which uses a stable, domestically-sourced fuel. (Tr. 22-23, 27-29, 67, 172) They also include the fact that the project is at a relatively advanced stage of development. For example, ICL has a power sales agreement signed after 18 months of negotiation; an agreement in principle with its steam customer; options to purchase the property on which the plant will be located; a letter of intent from the CSX railroad for fuel transportation; a letter of intent from Indiantown Gas for gas supply for start-up operations and supplemental firing; and expressions of interest from a number of potential coal suppliers. (Ex. 13, 14, 15, 20; Tr. 62-63, 74) ICL plans to file its Site Certification Application with DER during December, 1990. (Tr. 64, 66)

The agreement-related factors include -- in addition to dispatchability by FPL -- the following: the contract is on a pay-for-performance basis with substantial incentives for high capacity factor and on-peak performance; maintenance scheduling will be coordinated with FPL; ICL's construction and maintenance plans will be reviewed by independent engineers to ensure the capability for high capacity factor operation; ICL has agreed with FPL to meet contractual milestones and to provide \$9 million as security for \$750,000 per month in liquidated damages if ICL fails to begin commercial operation according to the terms and conditions of the agreement; and ICL has agreed to provide substantial financial assurances to FPL to support long-term operation of the project, including a \$5 million cash reserve fund to ensure continued QF status, a \$30 million cash reserve fund to support major overhauls of the plant, a second mortgage on the project in favor of FPL, a 10% minimum equity requirement, and other financial provisions and restrictions. (Tr. 57-60, 173-184)

## Conservation

ISSUE 14: Did FPL's power supply plan reasonably consider the ability of conservation or other demand side alternatives to mitigate the need by 1996 for the capacity represented by the Indiantown Project?

ICL Position: Yes. FPL's power supply plan includes a total of 750 MW of conservation and 1,003 MW of other demand side alternatives by 1997. The 1996 need for 900 MW is the capacity requirement which remains after this substantial amount of demand side reduction is taken into account. (Tr. 244-245; Ex. 3, p. 57-62; Ex. 27, Doc. 3)

## Associated Facilities

ISSUE 15: What off-site associated facilities are required in connection with the development of the Indiantown Project?

ICL Position: The Project will interconnect with the existing Martin-Indiantown 230kV transmission line which crosses the plant site. No off-site transmission facilities will be required. (Tr. 63-64) An approximate 20-mile water transmission line will be required in existing railroad right of way to transport agricultural waste water to the site from the Taylor Creek-Nubbin Slough. (Tr. 64, 72, 95-97)

## Peninsular Florida Issue

ISSUE 16: Is the capacity to be provided by the Indiantown Project reasonably consistent with the needs of Peninsular Florida, taking into consideration timing, impacts on the reliability and integrity of the Peninsular Florida grid, cost, fuel diversity, and other relevant factors?

ICL Position: Yes. This issue does not appear to be in dispute.

FPL's need for additional capacity in 1996 is part of a statewide need for capacity in that same year. By contributing to the reliability of FPL's system, the project will also contribute to the reliability of the interconnected Peninsular Florida system in a cost-effective manner and will contribute to maintaining fuel diversity. (Tr. 256; Ex. 2, pp. 71-72 and Appendix A).



Ultimate Issue

ISSUE 17: Based on the resolution of the above issues, should the joint petition of ICL and FPL for determination of need for the Indiantown Project be granted?

ICL Position: Yes. The Indiantown Project will provide a reliable, cost-effective source of power to FPL to contribute to meeting its 1996 capacity needs. (Tr. 195-196, 257-258)

RESPECTFULLY SUBMITTED this 21st day of December, 1990.

HOPPING BOYD GREEN & SAMS

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