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PLEASE REPLY TO:  
TALLAHASSEE

March 13, 1991

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Mr. Steve Tribble, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399

Re: Petition of Florida Power and Light Company for  
Inclusion of the Scherer Unit No. 4 Purchase in  
Rate Base, Including an Acquisition Adjustment,  
Docket No. 900796-BI

Dear Mr. Tribble:

Enclosed for filing and distribution are the original and 15  
copies of Nassau Power Corporation's Motion for Reconsideration of  
Order No. 24165.

Also enclosed is an extra copy of Nassau Power Corporation's  
Motion for Reconsideration of Order No. 24165. Please stamp with  
the date of filing and return it to me.

Thank you for your assistance.

Sincerely,

*Joe McWhirter for*

Vicki Gordon Kaufman

ACK \_\_\_\_\_  
AFA 1  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMU \_\_\_\_\_  
CTR \_\_\_\_\_  
EAG 1  
LEG 1 *W/enclosure*  
LIN 6  
OPC \_\_\_\_\_  
RCH \_\_\_\_\_  
SEC 1  
WAS \_\_\_\_\_  
OTH \_\_\_\_\_

VGK/jwm  
Enclosure

DOCUMENT NUMBER-DATE

02504 MAR 13 1991

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power ) Docket No. 900796-EI  
and Light Company for Inclusion ) Filed: March 13, 1991  
of the Scherer Unit No. 4 )  
Purchase in Rate Base, Including )  
an Acquisition Adjustment )  
\_\_\_\_\_ )

**NASSAU POWER CORPORATION'S MOTION FOR  
RECONSIDERATION OF ORDER NO. 24165**

Pursuant to rule 25-22.060, Florida Administrative Code, Nassau Power Corporation ("Nassau"), through its undersigned counsel, files this motion for reconsideration of Order No. 24165, in which the Commission approved Florida Power and Light Company's ("FPL") request to include the purchase price of Scherer Unit No. 4 in rate base. As grounds therefor, Nassau submits that the Commission overlooked or misapprehended pertinent evidence in the following respects:

1. Cost-effectiveness. In Order No. 24165, the Commission utilized a cumulative present value revenue requirements ("CPVRR") test, as proffered by FPL, to support its finding that the Scherer purchase is the most cost-effective option.<sup>1</sup> FPL's application of this methodology indicated a minuscule (0.5%) difference in total costs between the Scherer 4 purchase and the discounted standard offer. (Tr. 566). In accepting the calculations uncritically, the

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<sup>1</sup> Even accepting this approach, the Scherer purchase option is not the most cost-effective approach. Order No. 24165 at 7.

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Commission overlooked significant flaws in the FPL analysis. These include:

(a) FPL assumed that its fuel costs would be lower than those projected by Southern, the current owner of the unit, by \$7/ton. The underlying recommendation reflected in the Commission's vote reasoned that FPL was not claiming that it could outperform Southern Company by some \$7/ton, but that Southern's estimates and FPL's estimates represented different points in time and different conditions. If conditions and prices change downward for FPL, they will change downward for Southern as well. There is no support for the differential in fuel costs utilized by FPL in its comparisons.

This is especially the case in light of the Commission's acceptance of Public Counsel's Proposed Findings of Fact, Nos. 75-76 (Order No. 24165 at 27), which clearly find as fact that FPL will not have the sole responsibility for Scherer 4 fuel purchases, but rather will participate with all Scherer owners in fuel purchase decisions; FPL will not have a majority of votes in determining fuel procurement strategies. CLG Proposed Finding of Fact No. 21, accepted by the Commission, Order No. 24165 at 37.

(b) FPL used the assumption of increased economy sales, to offset the "location penalty" which it applied to the Scherer purchase. This has the beneficent effect of making the "penalized" Scherer purchase scenario, which includes the cost of a new transmission line, less expensive than the Scherer purchase without the line. This credit explains much of the differential between the Scherer option and the discounted standard offer calculated by

Gilbert bond

FPL. However, the credit is unwarranted. The evidence of record and the Commission's approval of Public Counsel's Proposed Findings of Fact 55-61, Order No. 900796-EI, pp. 48-61, clearly establish that construction of a third 500 kv line and upgrade of the interface would have occurred with or without the Scherer purchase. The Scherer purchase scenario should not receive an \$86 million "offset" for transmission improvements which would have occurred in any event.<sup>2</sup>

(c) FPL's analysis artificially increased the cost of the UPS alternative by assuming that FPL's energy price will be that of energy from Scherer 4. This assumption contravenes the clear evidence of record. It ignores the feature of the UPS proposal which allows less expensive energy available in economic dispatch to be substituted for Scherer 4 energy costs. The Commission specifically found that much of the time Scherer 4 power was not the most economical source of energy available to deliver to FPL under UPS commitments. Public Counsel Proposed Finding of Fact No. 21, accepted by the Commission, Order No. 24165 at 15. The economic hierarchy of the Southern units and the 17% capacity factor of Scherer 4 translates into a lowering of the cost of the UPS option.

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<sup>2</sup> The Commission found that no additional transmission facilities are required to accommodate the Scherer transaction, and that a third 500 kv line will be built with or without that transaction. It did not address the question of priority to existing capacity. Nassau continues to assert that its standard offer contract, which predates even the Scherer nonbinding letter of intent upon which this case was based, entitles Nassau to transmission capacity adequate for its project.

(d) Very late in the hearing FPL attempted to tack additional costs onto the UPS option by "factoring in" additional costs for emission credits. The Commission found that under the UPS alternative FPL would have been responsible for SO<sub>2</sub> emission allowance costs. However, this finding is not supported by the record. FPL witness Waters testified that Southern would incur no cost to receive the emission credits. Further, the Commission adopted Public Counsel's Proposed Findings of Fact Nos. 96-98:

96. Georgia Power's UPS response to the RFP did not include any costs associated with emission allowances. FPL has not been quoted any price Georgia Power might assign to the allowances, nor has FPL been told by Georgia Power that it would have to pay for allowances under the UPS proposal. [Waters, Tr. 999, 1005]

97. FPL has never been informed that Georgia Power's UPS response to the RFP would have to be increased in cost to account for emission allowances. [Waters, Tr. 999-1000]

98. Georgia Power, as owner of Scherer Unit No. 4, will receive emission allowances for the unit at not cost to Georgia Power. [Waters, Tr. 1004]

Order No. 24165 at 30-31. These findings belie the additional cost of emission credits attributed to the UPS option in Order No. 24165.

WHEREFORE, Nassau requests that the Commission reconsider Order No. 24165, find that FPL has not demonstrated the Scherer 4 purchase to be the most cost-effective option available to FPL to meet its generation needs, conclude there is no demonstrated justification for abandoning traditional after-the-fact review of

purchase transactions by regulated utilities, and refuse FPL's request for authority to include Scherer 4 in its rate base.

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of Nassau Power Corporation's Motion for Reconsideration of Order No. 24165 has been furnished by hand delivery\* or by U.S. Mail to the following parties of record this 13th day of March, 1991:

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