M E M O R A N D U M

January 8, 1996

TO:
____ DIVISION OF APPEALS
____ DIVISION OF AUDITING AND FINANCIAL ANALYSIS
____ DIVISION OF COMMUNICATIONS
_XX_ DIVISION OF ELECTRIC AND GAS
____ DIVISION OF RESEARCH
____ DIVISION OF WATER AND WASTEWATER
____ DIVISION OF LEGAL SERVICES

FROM: DIVISION OF RECORDS AND REPORTING (WILLIAMS)

RE: CONFIDENTIALITY OF CERTAIN INFORMATION

DOCUMENT NO: **00259-96 Test. of Brian Killian; 00260-96 Exhibit RK-3 and 00261-96 Exhibit RK-5 of Brian Killian testimony**

DESCRIPTION: **Testimony and Exhibits of Brian Killian**

SOURCE: **PANDA-KATHLEEN, L.P./PANDA ENERGY CORP.**

DOCKET NO.: **950110-EI**

The above material was received with a request for confidentiality (attached). Please prepare a recommendation for the attorney assigned to the case by completing the section below and forwarding a copy of this memorandum, together with a brief memorandum supporting your recommendation, to the attorney. Copies of your recommendation should also be provided to the Division of Records and Reporting and to the Division of Appeals.

Please read each of the following and check if applicable.

___ The document(s) is (are), in fact, what the utility asserts it (them) to be.

Declassified
8/15/97

950110-EI

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____RK-3

00-1867
210493

Docket No. 911142-EQ
Florida Power Corporation
A. J. Honey
Exhibit _____ (AJH 1)

EVALUATION OF

STANDARD OFFER PROPOSALS

by

FLORIDA POWER CORPORATION

COGENERATION DEPARTMENT

November, 1991

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Category	Weighting
1. Location -	10%
2. Feasibility -	40%
a. Host	
b. Permits	
c. QF Status	
d. Fuel Transportation	
3. Reliability -	30%
a. Availability	
b. Technology Type	
c. Fuel Diversity	
4. Developer Qualifications	10%
5. Size -	10%

Projects were rated in all categories and subcategories with a rating of very good (1), good (0) or poor (-1). This evaluation method provided a fair, simple and accurate foundation for our decision. The scores were then totaled to obtain the following results:

Panda Kathleen L.P. (Panda)	6
Destec Energy Inc. (Dow)	4
Sparrow (Charon Corp.)	3
Noah IV (Ark Energy/CSW)	1
Nordic Power of Haines City (Nordic)	1
Village Power Corporation South (Westinghouse)	1
Village Power Corporation East (Westinghouse)	0

A higher score is reflective of a more developed project. This evaluation showed that Panda is more likely to successfully avoid the construction of the 1997 combustion turbine unit as specified in the contract. Thereby protecting our customers and possibly avoiding expensive replacement power. As a result, FPC selected the Standard Offer Contract with Panda and rejected the others.

The highlights of the Panda Project are:

Panda Kathleen L.P.
Committed Capacity of 74.9 MW
In Service Date of 4/1/95 (21 months early)
30 year contract term
Located west of Lakeland
Erly Juice, a citrus processor
Natural gas, combined cycle facility

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BACKGROUND

The implementation of the rules for cogeneration and small power production of the "Mini-APH" hearings, Docket #910004-EU, determined the avoided un Standard Offer Contract. The avoided unit was defined to be a 1997, 150 MW turbine of which 80 MW was allocated to the Standard Offer Contracts.

Florida Power Corporation submitted its proposed Standard Offer with payme based on a combustion turbine facility or a coal fired facility.

In the "Mini-APH" hearings, the FPSC ordered that a Standard Offer Contract be to exclude both the "regulatory out" clause and the coal payment option. The effe of the Standard Offer was ordered to be September 20, 1991.

Subsequent to the hearing, the company revised the Standard Offer Contract in acc with the FPSC Order. Final word was received on September 12, 1991 concern acceptance of the changes to the Standard Offer Contract. Over 80 copies of the S Offer Contract were mailed to those who requested a copy and to those having ex interest in QF development in the recent past. A copy of the contract is included in IX.

The Standard Offer Contract only applies to qualifying facilities less than 75 MW o solid waste facilities less than 80 MW (FPSC Rule 25-17.0832(3)(a)). None of the pro involved solid waste facilities (FPSC Rule 25-17.091), thereby, making the limit 75 FPC determined that this size limit was intended to be applied to their committed ca or the net generation. One developer, Sparrow, submitted a proposal for 75 MW whic promptly modified to 74.999 MW to comply with the FPSC rules.

Per FPSC Rule 25-17.0832(2) "*Negotiated contracts shall not be evaluated against an avc unit in a standard offer contract,...*" There were two contracts submitted by CRSS w contained changes requiring negotiations. These two contracts were therefore excluded f this evaluation of standard offer contracts.

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OPEN SEASON

Previously the commission had used informal rules when standard offer contracts applied to a statewide avoided unit. This was necessary due to the subscription limit being applicable to multiple utilities. These utilities had no guidelines to coordinate their subscriptions against the avoided unit and these rules avoided oversubscription. The commission had attempted to formalize rules for prioritizing standard offer contracts. Action was differed when the rules were changed from a statewide avoided unit to individual utility units. This allows individual utilities to determine their own method of prioritizing standard offer contracts

Florida Power Corporation has observed the confusion and problems related to awarding Standard Offer Contracts on a "first come, first served" basis. In order to avoid such confusion and ill-considered or incomplete contracts, Florida Power established the "open season" concept.

Another reason for using an "open season" was the limited time between final approval and the effective date of the contract. The final version of the contract was approved on September 12, 1991 and was previously ordered effective September 20, 1991. This would require the potential QF's to determine the acceptability of the final version of the contract and deliver an executed contract in less than a week. The two week open season allowed for additional discussion with those developers considering signing a Standard Offer Contract. This additional time also avoided only testing who can deliver a document first.

Discussions were held with the FPSC staff to determine if any objections existed and to insure no rules or conventions were violated in establishing the two week "open season". It was agreed that while informal rules have existed on establishing the priority of contracts, the current rules are silent on this issue.

The value of the "open season" became apparent when one of the earlier submitter's was able to correct part of their submission that would have invalidated the contract. Some developers avoided submittal errors by calling FPC while others decided not to submit contracts after inquiring about the final form of the contract.

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RANKING CRITERIA

The rankings of the standard offer responses received between September 20, 1991 and October 4, 1991 are based on five categories. A copy of the letter to FPC's file is provided in the appendix. These categories were established to be:

1. Location
2. Feasibility
3. Reliability
4. Developers Qualifications
5. Size

Reliability and feasibility are important and complex criteria. Therefore, these categories were further broken down into subcategories.

The following describes each of the categories and subcategories.

1. Location

   In some cases, projects located at particular points in the company's service territory might provide benefits, such as voltage support, that otherwise would not be present. In other cases, projects located in certain areas could be somewhat more costly to accommodate. An example would be if they increased power flows over already heavily loaded transmission lines.

2. Feasibility

   Feasibility was broken into the following four subcategories:

   a. Host

      The identification and securing of a host provides an indication of the state of development of a project. A more developed project is more feasible because there are fewer uncertainties. A less secured host could be an indication of a premature project.

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4. Developers Qualifications

Due to the complexity of a QF project, the qualifications of a developer could become a concern. Experience in this type of development increases the rate of success.

5. Size

The size of the facility is important because on average, the availability of a number of small facilities is better than the availability of one large facility.

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RANKING METHODOLOGY

All categories and subcategories were given a score of 1, 0, or -1, with 1 meaning very good, 0 meaning good and -1 meaning poor. All categories and subcategories were equally weighted. The proposal with the highest total score was considered the most likely to successfully avoid the 1997 combustion turbine unit.

The following is the method was used for determining the scores for each of the categories and subcategories.

Location

1 Very good location. The interconnection has positive consequences and/or improves capacity in an existing load center substation. It has specific characteristics which may avoid future transmission limitations, delay expansions, or provide other economic or reliability benefits.

0 Good location. The project can be easily interconnected to a transmission substation. It has no negative consequences to system reliability. These QFs do not significantly harm or benefit the transmission grid or these factors mitigate each other.

-1 The project involves significant or complex interconnection or could adversely affect the system reliability adding burden on limited FPC resources. The project may involve constructing extensive lines and/or negatively impacting the transmission grid.

Host

1 A letter of intent with an existing steam host has been provided.

0 The host has been identified, but no letter of intent was provided.

-1 The host was not identified or is unknown.

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Technology Type

1 The technology proposed involves a well proven configuration of equipment for the given application.

0 This project involves the adaptation of proven technology.

-1 This project involves the use of unproven technologies.

Fuel Diversity

1 The proposed fuel type is significantly different from other FPC fuel types making FPC less dependent on any single source of fuel.

0 The proposed fuel is similar to FPC's current fuel types that are not in high demand and under foreign control.

-1 The proposed fuel is in high demand and under foreign control (i.e. oil).

Developers Qualifications

1 FPC is satisfied with the developer's experience.

0 FPC has limited concerns with the developer's experience.

-1 Concerns exist with the developer's experience and ability to meet their obligations.

Size

1 Small, less than 25 MW.

0 Moderately sized facility 25-50 MW.

-1 Larger sized facility 50-75 MW.

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SUBMITTALS

A request for information was sent to each of the company's we received Standard Offer Contracts from, except one. CRSS had two contracts which contained changes requiring negotiations. FPSC Rule 25-17.0832 (2) excludes negotiations against standard offer subscription limits. We requested replies from the seven respondents by October 25, 1991. A copy of the letter is provided in Section X.

The responses had many striking similarities. Sparrow proposed a simple cycle, natural gas unit and Nordic proposed a steam turbine fueled by orimulsion, a fuel oil substitute from Venezuela. The other five respondents proposed natural gas combined cycle units. All of the Standard Offers were in locations that would not restrict transmission import capacity into the state.

Of the seven valid Standard Offers, the committed capacities ranged from 65 to just under 75 MW. The subscription limit was 80 MW restricting the selection to only one of the seven contracts. The following pages summarizes each of the submittals.

The characteristics described below provide an outline for the following project summaries.

Size - The capacity committed to in the contract
Location - The coordinates identified in the contract
Interconnection - The expected point of interconnection with FPC's system
Steam Host - The proposed steam host required to obtain QF status
In-Service Date - The Commercial In-Service Date specified in the contract
Payment Option - Specifies which of the four capacity payment options was selected in the contract. The four payment options include normal, levelized, early, early levelized.
Contract Term - The duration of the contract
Type of System - The type of technology that was proposed
Fuel Type - The proposed fuel type and expected method of delivery
Developer Qualification - The qualifications of the organization providing the proposal

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NOAH IV

SIZE:	70 MW
LOCATION:	Section 20,26-29, Township 22 South, Range 26 East
INTERCONNECTION:	Clermont East Substation
STEAM HOST:	Non Existing, Unidentified CO_2 Facility
IN-SERVICE DATE:	1-1-97
PAYMENT OPTION:	Normal
CONTRACT TERM:	30 Years
TYPE OF SYSTEM:	Combined Cycle
FUEL TYPE AND TRANSPORTATION:	Natural Gas. FGT Phase III Indicated But Not Secured
DEVELOPER QUALIFICATIONS:	Ark Energy and CSW Have Had Experience In Cogeneration

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PANDA ENERGY

SIZE:	74.9
LOCATION:	Section 20, Township 28 South, Range 23 East
INTERCONNECTION:	Lakeland West or Proposed Lakeland South Substation.
STEAM HOST:	Erly Juice, a Citrus Processor, Letter Of Intent Provided.
IN-SERVICE DATE:	4-1-95, 21 Months Early
PAYMENT OPTION:	Early
CONTRACT TERM:	30 Year
TYPE OF SYSTEM:	Combined Cycle
FUEL TYPE AND TRANSPORTATION:	Natural Gas, FGT Phase III Transportation Secured
DEVELOPER QUALIFICATIONS:	Panda Has Had Experience As The Prime Developer Of QF Projects

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VILLAGE POWER EAST

SIZE:	65 MW
LOCATION:	Section 1, Township 24 South, Range 31 East
INTERCONNECTION:	Rio Pinar-Wewahootee 69 KV Line
STEAM HOST:	No Steam Identified
IN-SERVICE DATE:	1-1-97
PAYMENT OPTION:	Levelized
CONTRACT TERM:	20 Years
TYPE OF SYSTEM:	Combined Cycle
FUEL TYPE AND TRANSPORTATION:	Natural Gas, FGT Phase III Indicated But Not Secured
DEVELOPER QUALIFICATIONS:	Westinghouse Is Believed To Have The Needed Experience

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LOCATION

Destec SCORE: 1 (Very Good)

Destec would require a short 115 KV radial feed and will provide a se for Rockland Substation. Rockland Substation is in proximity with Fo major transmission substation, which makes this site an excellent interconnection. Any interruptions caused by the QF will be isolated industrial customer.

Noah IV SCORE: 0 (Good)

Noah IV would require a short 69 KV line to interconnect to Clerm Substation, a moderate load center serving primarily retail customers.

Nordic SCORE: 0 (Good)

Nordic would require a short 69 KV line into Haines City Substation, a mc load center serving primarily retail customers.

Panda SCORE: 0 (Good)

We would require interconnection at Lakeland West or the proposed Lakeland S Substation, which is different than the proposal. This provides good access tc transmission grid but is away from load centers. Panda proposed an interconnect with the 230 KV Kathleen-Barcola line. This would unacceptably effect the reliab of this critical transmission line.

Sparrow SCORE: 1 (Very Good)

Sparrow would require a short 69 KV line to the Woodsmere Substation, a majc load center serving primarily retail customers.

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HOST

Destec SCORE: 0 (Good)

An International Fertilizer Company was identified, but not by name. No letter of intent was provided. Destec is still negotiating with the proposed host.

Noah IV SCORE: -1 (Poor)

Food grade CO_2 was generically mentioned as a host. There is a demand for food grade CO_2 in Florida but the proposed facility does not yet exist. Competition for the food grade CO_2 market raises concerns over the stability of the steam host.

Nordic SCORE: 1 (Very Good)

A letter of intent was provided by Haines City Growers. Haines City Growers is expected to be a stable steam host.

Panda SCORE: 1 (Very Good)

A letter of intent was provided by Erly Juice. Erly Juice is expected to be a stable steam host.

Sparrow SCORE: 0 (Good)

A letter of intent was provided by Thermice to build a food grade CO_2 facility. Competition for food grade CO_2 market raises concerns over the stability of the steam host.

Village Power (East) SCORE: -1 (Poor)

No steam host was secured or identified.

Village Power (South) SCORE: -1 (Poor)

No steam host was secured or identified.

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QF STATUS

Destec SCORE: 0 (Good)

A prospective host is believed to be available with the steam use required to maintain QF status.

Noah IV SCORE: 0 (Good)

The prospective host is believed to provide stable steam use, but is not existing.

Nordic SCORE: 1 (Very Good)

Haines City Citrus Growers requirements for process steam is expected to be adequate for QF status and is considered stable.

Panda SCORE: 1 (Very Good)

Erly Juice requirements for process steam use is more than adequate to meet QF status. This host is considered stable.

Sparrow SCORE: 0 (Good)

The prospective host is believed to provide stable steam use, but is not existing.

Village Power (East) SCORE: 0 (Good)

No steam host was provided but adequate availability is indicated.

Village Power (South) SCORE: 0 (Good)

No steam host was provided but adequate availability is indicated.

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Village Power (East) SCORE: 0 (Good)

Fuel transportation for FGT Phase III was indicated. While transportation is expected to be available, it has not yet been secured.

Village Power (South) SCORE: 0 (Good)

Fuel transportation for FGT Phase III was indicated. While transportation is expected to be available, it has not yet been secured.

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TECHNOLOGY TYPE

Destec SCORE: 1 (Very Good)

Well proven combined cycle technology was proposed.

Noah IV SCORE: 1 (Very Good)

Well proven combined cycle technology was proposed.

Nordic SCORE: 0 (Good)

The proposed facility utilizes well proven steam turbine technology in a less proven application.

Panda SCORE: 1 (Very Good)

Well proven combined cycle technology was proposed.

Sparrow SCORE: 1 (Very Good)

Well proven simple cycle technology was proposed.

Village Power (East) SCORE: 1 (Very Good)

Well proven combined cycle technology was proposed.

Village Power (South) SCORE: 1 (Very Good)

Well proven combined cycle technology was proposed.

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DEVELOPER QUALIFICATIONS

All Respondents SCORE: 1 (Very Good)

There were no specific concerns with any of the developers who submitted contracts. All submittals were from developers who had prior experience in generation. All developers were given a very good rating.

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DEVELOPER QUALIFICATIONS

All Respondents SCORE: 1 (Very Good)

There were no specific concerns with any of the developers who submitted contracts. All submittals were from developers who had prior experience in generation. All developers were given a very good rating.

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