

Florida Power
CORPORATION

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**ORIGINAL
FILE COPY**

JAMES A. MCGEE
SENIOR COUNSEL

January 23, 1996

Ms. Blanca S. Bayó, Director
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 950110-EI

Dear Ms. Bayó:

Enclosed for filing in the subject docket are the original and fifteen copies each of the Rebuttal Testimony of Robert D. Dolan, the Rebuttal Testimony of Brian A. Morrison, and the Rebuttal Testimony of Edward R. Gwynn..

Robert Morrison
DOCUMENT NUMBER-DATE
00845 JAN 24 86
FPSC-RECORDS/REPORTING

The testimony of Mr. Morrison contains information derived from documents claimed by Panda-Kathleen L.P. to be confidential. Accordingly, the above reference copies of his testimony have had the confidential information redacted. Also enclosed in a sealed envelope are two copies of Mr. Morrison's testimony with the confidential information highlighted and a 3.5 inch diskette containing the document in WordPerfect format. This material should be held as Confidential Information in accordance Rule 25-22.006, F.A.C. Counsel for Panda-Kaathleen, L.P. has advised the undersigned that a Notice of Intent to Request Confidential Classification will be filed with the Commission on January 24, 1994, contemporaneously with this filing.

Confid. Morrison
DOCUMENT NUMBER-DATE
00844 JAN 24 86
FPSC-RECORDS/REPORTING

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the testimonies of Mr. Dolan and Mr. Gwynn in WordPerfect format.

Gwynn
DOCUMENT NUMBER-DATE
00843 JAN 24 86
FPSC-RECORDS/REPORTING

- ACK
- AFA _____
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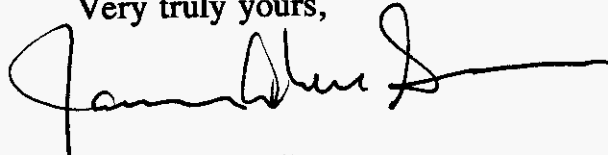
Dolan
DOCUMENT NUMBER-DATE
00842 JAN 24 86

3201 Thirty-fourth Street South • Post Office Box 14042 • St. Petersburg, Florida 33733-4042 • (813) 866-5184 • Fax: (813) 866-4931

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Thank you for your assistance in this matter.

Very truly yours,



James A. McGee

JAM/jb
Enclosures

cc: Parties of Record

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Standard Offer Contract for
the purchase of firm capacity and
energy from a qualifying facility
between Panda-Kathleen, L.P.
and Florida Power Corporation.

Docket No. 950110-EI

Submitted for filing:
January 24, 1996

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the Rebuttal Testimony of Robert D. Dolan, the Rebuttal Testimony of Brian A. Morrison and the Rebuttal Testimony of Edward R. Gwynn, filed on behalf of Florida Power Corporation, have been furnished to Ronald C. LaFace, Esq., and Lorence Jon Bielby, Esq., Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., 101 East College Ave., Tallahassee, Florida 32301 and Martha Carter Brown, Division of Legal Services, Florida Public Service Commission, 2450 Shumard Oak Blvd., Tallahassee, Florida 32399-0892, this 23rd day of January, 1996

OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION

By 

James A. McGee
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (813) 866-5786
Facsimile: (813) 866-4931

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ORIGINAL
FILE COPY**

In re: Standard offer Contract for
the purchase of firm capacity and
energy from a qualifying facility
between Panda-Kathleen, L.P.
and Florida Power Corporation.

Docket No. 950110-EI

Submitted for filing:
January 24, 1996

**REBUTTAL TESTIMONY OF
ROBERT D. DOLAN**

**ON BEHALF OF
FLORIDA POWER CORPORATION**

DOCUMENT NUMBER-DATE

00842 JAN 24 8

FPSC-RECORDS/REPORTING

**FLORIDA POWER CORPORATION
DOCKET No. 950110-EI**

**REBUTTAL TESTIMONY OF
ROBERT D. DOLAN**

- 1 **Q. Please state your name and business address.**
- 2 A. My name is Robert D. Dolan. My business address is Post Office Box
3 14042, St. Petersburg, Florida 33733.
- 4
- 5 **Q. Have you previously filed testimony in this proceeding?**
- 6 A. Yes. My prepared direct testimony was filed on January 5, 1996.
- 7
- 8 **Q. What is the purpose of your rebuttal testimony?**
- 9 A. The purpose of my testimony is to rebut the testimony of Panda
10 witnesses Dietz, Killian and Lindloff with respect to their contention (i)
11 that the delivery of capacity and energy from Panda's redesigned and
12 enlarged 115 MW facility is permissible under the standard offer
13 contract, (ii) that capacity payments under the standard offer contract
14 must continue for 10 years beyond the life of the unit to be avoided by
15 the contract, and (iii) that the Commission should grant Panda's request
16 to unilaterally modify the standard offer contract by extending the
17 construction commencement and in-service milestone dates for an
18 unspecified period.

THE SIZE OF PANDA'S FACILITY

1

2

3 **Q. Would you please summarize your response to Panda's contention that**
 4 **the delivery of capacity and energy from its redesigned and enlarged**
 5 **115 MW facility is permissible under the standard offer contract?**

6 **A. Yes. The argument of Panda's witnesses completely misses the point.**
 7 **They fail to even mention, much less address, the central issue**
 8 **concerning the permissible size of its facility; the fact that the**
 9 **Commission's rules expressly limit standard offer contracts to "small**
 10 **cogeneration facilities less than 75 MW." In speaking only of Panda's**
 11 **obligations under the contact rather than limitations under the rules,**
 12 **they also fail to recognize that these rules are expressly made a part of**
 13 **the contract and are attached as an appendix. Panda cannot avoid the**
 14 **need to comply with the 75 MW limitation contained in the**
 15 **Commission's rules and the contract by simply ignoring it.**

16

17 **Q. Panda claims that to satisfy the requirements of the standard offer**
 18 **contract it had to design a facility substantially larger than 74.9 MW.**
 19 **Do you agree?**

20 **A. No. In the first place, whether or not Panda *needs* to build a facility**
 21 **larger than 75 MW is irrelevant to the question of whether the**
 22 **Commission's rule limits standard offer contracts to facilities less than**
 23 **75 MW. If Panda believes it *needs* to build a facility larger than 75 MW,**
 24 **the Commission's rules provide for negotiated contracts to**
 25 **accommodate such facilities. Conversely, if Panda wants to utilize a**

1 standard offer contract and believes that it cannot deliver a committed
2 capacity of 74.9 MW from a facility that satisfies the rule's size
3 limitation, Panda should have selected a lower committed capacity. In
4 either event, the choice was Panda's and it should not now be allowed
5 to have it both ways.

6
7 Moreover, it is apparent that Panda itself believed it could build a facility
8 that would satisfy both its contractual capacity commitment and the
9 rule's size limitation. In its Notice of Self-Certification filed with the
10 Federal Energy Regulatory Commission on October 7, 1991 (Exhibit
11 RDD-1 to my direct testimony), Panda stated that "The Facility will have
12 an estimated net maximum capacity at design conditions of 74.9 MW."
13 Then, in April 1994, after Panda had enlarged its facility by 40 MW
14 supposedly because the additional capacity was needed to satisfy its
15 commitment to Florida Power, Panda submitted a proposal to the City
16 of Lakeland offering to sell 35 MW of capacity and energy from the
17 Kathleen facility for a period of 30 years. A copy of Panda's proposal
18 is attached as Exhibit No. ___ (RDD-13). It is readily apparent that
19 Panda enlarged its facility to enhance the economics of the project
20 rather than to meet its capacity commitment to Florida Power.

21
22 In addition, the standard offer contract provides several features that
23 enable a QF to satisfy its capacity commitment without the need to
24 substantially oversize the facility, contrary to Panda's contention that

1 the facility must be sized to deliver the committed capacity under the
2 worst conditions.

3
4 **Q. What are the contractual provisions that would enable Panda to satisfy**
5 **its committed capacity without the need to substantially oversize its**
6 **facility?**

7 **A. Article VII of the standard offer contract contains three provisions that**
8 **would allow Panda to mitigate any difficulties it might experience in**
9 **meeting its committed capacity. The first is Section 7.2, which allows**
10 **Panda to decrease its committed capacity by 10%, or down to**
11 **approximately 67.4 MW, within the first year after the facility's in-**
12 **service date. In fact, if Panda had originally selected a committed**
13 **capacity of about 68.1 MW, it would have had the flexibility to adjust**
14 **its committed capacity anywhere from 74.9 MW to 61.3 MW.**

15
16 Section 7.4 provides a significant measure of flexibility to Panda in
17 satisfying its committed capacity obligations, thus obviating the need to
18 oversize a facility in the manner proposed by Panda. This section allows
19 Panda a full 60 days to demonstrate the ability to meet its committed
20 capacity after notification by Florida Power. This gives Panda the
21 opportunity to perform maintenance needed to restore or enhance the
22 unit's efficiency and to avoid extreme weather conditions. For example,
23 Mr. Dietz claims the facility's size needs to be increased by 15% to
24 19% to allow for the possibility that Panda will have demonstrate its
25 committed capacity at a time when the temperature is 102° F, which

1 he says is the hottest day ever recorded in Lakeland. Since Section 7.4
2 gives Panda 60 days demonstrate its committed capacity, it seems
3 unlikely that a temperature of 102° will be sustained for two months.
4

5 Section 7.5 allows Panda to reduce its committed capacity during a
6 force majeure event for up to 24 months and to permanently reduce its
7 committed capacity within three months after a force majeure event.
8 The flexibility provided by this section, in combination with that
9 provided by Sections 7.2 and 7.4, eliminates the need for the kind of
10 ultra-conservative design assumptions used by Panda in attempting to
11 justify its oversized facility.
12

13 **Q. Are there other examples of unnecessary or overly conservative design**
14 **assumptions used by Panda to justify the size of its facility?**

15 **A. Yes. Except for a potential unrecoverable performance degradation of**
16 **about 2% or 3% over the life of the facility, all of the factors identified**
17 **by Mr. Dietz in calculating his overall degradation of 27% to 31% are**
18 **unnecessary. The installation of inlet air cooling equipment would**
19 **enable Panda's facility to operate at design ambient conditions during**
20 **extreme temperatures, thus eliminating entirely the need for Mr. Dietz's**
21 **15% to 19% ambient temperature adjustment. All but one of Florida**
22 **Power's other combined cycle QFs utilize this performance enhancing**
23 **equipment. The flexibility provided by the 60-day notice period in**
24 **Section 7.4 of the contract effectively eliminates the need for Mr.**
25 **Dietz's "maintenance-recoverable" and "operationally-recoverable"**

1 degradation adjustments. His adjustment for parasitic load (*i.e.*, the
2 load required to operate the plant's auxiliary equipment) is unnecessary
3 because this load is already subtracted in determining the facility's *net*
4 generating capacity. Likewise, Mr. Dietz's adjustment for transmission
5 losses can be eliminated by purchasing these losses from the wheeling
6 utility, the City of Lakeland or interconnecting directly with Florida
7 Power.

8
9 **Q. Have Florida Power's other combined cycle QFs found it necessary to**
10 **similarly oversize their facilities in order to satisfy their committed**
11 **capacity obligations?**

12 **A. No. None of our other similarly situated QFs (combined cycle facilities**
13 **with comparable committed capacity obligations) have designed their**
14 **facilities with a "margin of error" even close to 53% level used by**
15 **Panda. In fact, two of these facilities, Polk Power Partners (Mulberry)**
16 **and Orlando Cogen (which both utilize equipment nearly identical to**
17 **Panda's proposed configuration), each have a capacity commitment that**
18 **is almost the same as the facility's net generating capacity.**

19
20 **Q. Mr. Killian claims Florida Power knew from the beginning that Panda**
21 **would need to build a facility with a net capacity greater than 74.9 MW**
22 **because Panda initially informed Florida Power it would utilize three GE**
23 **LM 2500 turbine generator sets, which he says would be capable of**
24 **producing 87 MW to 95 MW. Do you agree?**

1 A. No. Although we estimated that the equipment originally proposed by
2 Panda would have a *gross* capacity of about 85 and 90 MW, the *net*
3 generating capacity that the facility would actually have been capable
4 of delivering to Florida Power would have been dependant on such
5 additional factors as the amount of facility's parasitic load and especially
6 the energy required by the facility's steam host. Because of this, we
7 did not know the precise net generating capacity that would be available
8 to Florida Power, but given the representations by Panda described on
9 pages 5 and 6 of my direct testimony that it was proposing a 75 MW
10 facility, we had no reason to believe it would have exceeded 75 MW to
11 any significant degree. As I described above, several of Florida Power's
12 other QFs have contractually committed to a capacity that is nearly
13 identical to their facility's net generating capacity.

14
15 **Q. Mr. Killian also claims that Panda discussed Florida Power's concerns**
16 **about Panda's proposed "equipment configuration" with members of the**
17 **Commission Staff and that "based upon express assurances" in a letter**
18 **from Staff, with which you were said to concur, Panda "felt it had**
19 **satisfied the issue of facility size." Do you, in fact, agree that the**
20 **Florida Power's concern about the size of Panda's proposed 115 MW**
21 **facility was satisfied?**

22 A. No, I did not. To begin with, let me say that neither I nor anyone else
23 at Florida Power were invited to, or had any knowledge of, Panda's
24 meeting with Staff, nor were we copied with any of the correspondence
25 between Panda and Staff regarding the meeting, nor was this kind of

1 informal communication what Florida Power had in mind when it urged
2 Panda to seek a ruling from the Commission. Moreover, rather than
3 discussing *Florida Power's* concerns with Staff, as Mr. Killian contends,
4 it appears Panda presented the size issue in terms of whether it
5 constituted a contract modification requiring Commission approval.
6 Florida Power has never contended that a change in the size of a
7 facility, in and of itself, requires Commission approval, only that the size
8 cannot exceed the 75 MW limitation in the Commission's rules. The
9 correspondence between Panda and Staff contains no mention of Florida
10 Power's true concern, *i.e.*, the compatibility of Panda's proposed
11 capacity enlargement with the 75 MW limitation in the Commission's
12 rules.

13
14 With respect to my discussion with Mr. Jenkins referenced in his letter
15 to Panda, the conversation lasted only a few minutes as I was preparing
16 to testify before the Commission. The brief discussion took place in the
17 hearing room. Mr. Jenkins asked me whether I objected to his writing
18 a letter regarding whether Panda's proposal was a contract change that
19 would require Commission approval. I told him I had no objection to
20 writing such a letter. However, I believed a formal Commission ruling
21 was required for the facility size Panda was proposing. Time did not
22 permit us to discuss the substance of his proposed letter and I never
23 received a draft copy from him. Because I never received a copy of a
24 letter, I assumed that no letter was ever written and thus did not pursue
25 the matter further. At no time did I tell Mr. Jenkins that I believed

1 Panda could construct a facility with a net output of 115 MW and
2 qualify for the use of a standard offer contract under the Commission's
3 rules.

4 5 THE DURATION OF CAPACITY PAYMENTS

6
7 **Q. Would you please summarize your response to Panda's contention that**
8 **capacity payments under the standard offer contract must continue for**
9 **10 years beyond the life of the unit to be avoided by the contract?**

10 **A. As with the issue of facility size, Panda's position on the duration of**
11 **capacity payments under the standard offer contract is fundamentally**
12 **flawed because it fails to take into account the Commission's rules on**
13 **this point. Specifically, none of the Panda witnesses even mention,**
14 **much less attempt to reconcile their position with, the restriction in Rule**
15 **25-17.0832(3)(e)(6) that limits the maximum period for the delivery of**
16 **firm capacity and energy to the life of the avoided unit, which in the**
17 **case of the Panda standard offer contract is 20 years.**

18
19 **Instead, witnesses Killian and Lindloff refer to various meetings, memos**
20 **and letters in which Florida Power representatives supposedly agreed to**
21 **or acknowledged that capacity payments were to be made for 30 years.**
22 **Because it is irrelevant to the issue before the Commission, I do not**
23 **intend to engage in a "we said, they said" type of argument with Panda**
24 **on this matter. Suffice it say that Florida Power has never agreed to**
25 **make capacity payments to Panda beyond 20 years, nor could it have.**

1 In the first place, Section 27.4 of the contract expressly provides that:

2 The Parties' representatives designated above shall have full
3 authority to act for their respective principals in all technical
4 matters relating to the performance of this Agreement. However,
5 they shall not have the authority to amend, modify, or waive any
6 provision of this Agreement. (Emphasis added.)

7 More importantly, representatives of Panda and Florida Power certainly
8 had no authority to modify or waive the application of the Commission's
9 rules regarding maximum period for capacity payments, or the limitation
10 on the size of a facility.

11
12 **Q. The Panda witnesses refer to the term of the standard offer contract**
13 **with Florida Power as 30 years. Are they correct?**

14 **A. No. The contract term is not expressed as a number of years, but**
15 **rather in terms of a commencement date and an expiration date. The**
16 **contract originally provided for a Contract In-Service Date of April 1,**
17 **1995 and an expiration date of March 31, 2025, which amounted to a**
18 **term of 30 years. Thereafter, in May 1993, the Contract In-Service**
19 **Date was amended to January 1, 1997, with no change in the**
20 **expiration date. Although the contract term is sometimes referred to as**
21 **30 years for convenience, it should be understood that the term is**
22 **actually 28 years, three months. Likewise, when the dispute between**
23 **Florida Power and Panda over the duration of capacity payments is**
24 **referred to in terms of 20 years versus 30 years, it is actually 20 years**
25 **versus 28 years, three months.**

1 **Q. If the Commission were to determine that Florida Power is required to**
2 **make firm capacity for the full term of the contract, how should the**
3 **pricing terms for that capacity be determined?**

4 **A. If Florida Power were required to make capacity for 28 years, three**
5 **month, the value of deferral calculation should be redone, in accordance**
6 **with the Commission's rules, using an economic life equal to the term**
7 **of the capacity payments.**

8
9 **EXTENSION OF CONTRACT MILESTONE DATES**

10
11 **Q. Would you please summarize your response to Panda's request that the**
12 **Commission unilaterally modify the standard offer contract by extending**
13 **the construction commencement and in-service milestone dates for an**
14 **unspecified period?**

15 **A. Yes. Mr. Killian, the only witness who addresses Panda's request,**
16 **attempts to place the blame for its milestone predicament on Florida**
17 **Power. He ignores the fact that it was Panda's decision to enlarge the**
18 **size of its facility by over 50% that brought into question Panda's**
19 **compliance with the Commission's 75 MW limitation, and that it was**
20 **Panda's failure to bring this question to the Commission for resolution**
21 **that forced Florida Power to take the action that Panda now complains**
22 **of. Panda's predicament is of its own making. Panda should not be**
23 **allowed to shift the responsibility for its actions and inactions to Florida**
24 **Power.**

1 Mr. Killian claims that the filing of Florida Power's declaratory statement
2 petition resulted in "bringing Panda's financing of the Panda Kathleen
3 facility to a halt." However, he offers nothing to show that Panda could
4 have secured financing even if Florida Power had not filed its petition.
5 He simply says that "efforts were well under way to obtain financing
6 and an equity partner for the project" before the petition was filed, but
7 provides no documentation or other evidence to suggest, much less
8 demonstrate, that those "efforts" had any chance of success.

9
10 It is my understanding that a party who requests affirmative relief from
11 the Commission has the burden of demonstrating that they are entitled
12 to that relief. Given Panda's failure to demonstrate the viability of
13 project before Florida Power initiated this proceeding, and particularly in
14 light of the evidence to the contrary in Mr. Morrison's testimony, I urge
15 the Commission to reject Panda's request to extend the contract
16 milestone dates. To do otherwise would reward Panda's dilatory
17 conduct before and during this proceeding and would very likely place
18 Panda in a better position than before it began.

19
20 **Q. Does this conclude your rebuttal testimony?**

21 **A. Yes.**

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FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ (RRD-13)
CONSISTING OF FOUR PAGES

Copy: Bob Se
Dave Lit
BYZ
UC



April 4, 1994

RECEIVED
APR 7 1994

R. G. SIEGEL
Managing Director
Department of Electric & Water Utilities

Mr. Paul H. Elwing
City of Lakeland
Department of Electric and
Water Utilities
501 E. Lemon St.
Lakeland, FL 33801-5050

Dear Gentlemen:

It is with great pleasure that we submit to you the attached proposal for 35 MW's of electric capacity and energy dedicated to the City of Lakeland. We will provide you with the electricity from our Panda-Kathleen facility located in Lakeland.

Panda's cogeneration facility will be capable of delivering the 35 MW's to the City in 1996 when you have indicated a need for such power. You will find that the price of electricity from our facility is much lower than the cost of installing such a small block of generation by itself.

Panda looks forward to a long relationship with the City of Lakeland. Please feel free to call if you have any questions.

Sincerely,

J. Taylor Cheek
Manager, Project Development

cc: Ralph T. Killian/Panda
Darol Lindloff/Panda
Todd Carter/Panda

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD-13)
Sheet 2 of 4

**PROPOSAL SUBMITTED TO
THE CITY OF LAKELAND
35 MW**

1. Panda Energy Corporation (Panda) will sell 35 MW of electrical capacity to the City of Lakeland beginning in the second half of 1996 (between June 30 and December 31) and ending in March, 2025 at the enclosed prices. (Please see Attachment 1)
2. Panda will sell at least 35 MW and up to 125 MW of electric energy to the City of Lakeland, subject to the following conditions:
 - A. The sale must not violate Florida Power Corporation's (FPC's) right to purchase power under the 74.9 MW Standard Offer Contract signed between Panda and FPC, dated September 20, 1991.
 - B. Panda will have the option to use the City of Lakeland as a Power Broker to sell electric energy, above the 35 MW committed to the City of Lakeland, on the open market. Panda will pay the City of Lakeland a commission of 10% of the difference between the price for which the power is sold by the City of Lakeland and the price for which the power could have been sold to FPC pursuant to their as available energy rates.
 - C. The City of Lakeland will pay Panda for its 35 MW of energy at the higher of:
 - i) the Florida Municipal Power Pool marginal energy rate,
 - ii) Panda's marginal energy rate. (See Attachment 2)
 - D. In instances where Panda is wheeling electricity through the City of Lakeland's transmission system for Panda's sales to FPC, Panda will pay \$0.50/MWH to the City of Lakeland for this service. When Panda is selling electricity to the City of Lakeland, however, there will be no fee for wheeling.
 - E. The City of Lakeland will be responsible for the interconnect necessary to receive electricity from Panda. This interconnect must be capable of handling up to 125 MW of electricity and is subject to FPC waving their current interconnection requirements.

FPSC Docket No. 950110-EI
 FPC Witness: DOLAN
 Exhibit No. _____, (RDD-13)
 Sheet 3 of 4

ATTACHMENT 1

**PANDA - KATHLEEN L.P.
 CAPACITY
 RATE SCHEDULE**

CONTRACT YEAR	CALENDAR YEAR	CAPACITY RATE (\$/KWYR)
1	1996	\$114.00
2	1997	\$116.85
3	1998	\$121.52
4	1999	\$126.38
5	2000	\$131.44
6	2001	\$136.70
7	2002	\$142.17
8	2003	\$147.85
9	2004	\$151.55
10	2005	\$156.85
11	2006	\$162.34
12	2007	\$168.02
13	2008	\$173.91
14	2009	\$179.99
15	2010	\$186.29
16	2011	\$190.95
17	2012	\$195.72
18	2013	\$200.62
19	2014	\$205.63
20	2015	\$210.77
21	2016	\$214.99
22	2017	\$219.29
23	2018	\$223.67
24	2019	\$228.15
25	2020	\$232.71
26	2021	\$237.36
27	2022	\$242.11
28	2023	\$246.95
29	2024	\$251.89
30	2025	\$256.93

*Price includes Fixed Operations and Maintenance as well as firm transportation on FGT Phase III

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD-13)
Sheet 4 of 4

ATTACHMENT 2

PANDA'S MARGINAL ENERGY RATE

Panda's Marginal Energy Rate (PMER) will be \$22.16 per MWH for January, 1994. Commencing on February 1 and each month thereafter, Panda Marginal Energy Rate will be adjusted as follows:

$$\text{PMER} = \$22.16 * \frac{\text{MSGP}}{\text{BSGP}}$$

Where MSGP is the Month Spot Gas Price as quoted in the first issue each month of Inside F.E.R.C.'s Gas Market Report in the table "Prices of Spot Gas Delivered to Pipelines" under the heading "Florida Gas Transmission Co. - Zone 3 - Index Price". BSGP is \$2.13 per MMBTU.