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March 10, 1999

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Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

RECEIVED-FPSC
MAR 10 AM 11:01
RECORDS AND REPORTING

Re: Docket # 990023-EM - Petition by City of Lakeland for determination of need for McIntosh Unit 5 and proposed conversion from simple to combined cycle.

Dear Ms. Bayo:

Enclosed find original and 15 copies of Prehearing Statement for the City of Lakeland to be filed in the above-captioned case.

Thank you.

Very truly yours,


Roy C. Young

RECEIVED & FILED
FPSC BUREAU OF RECORDS

- ACK RCY:swp
- AFA 4 Enclosures
- AFP cc: Cochran Keating (w/o enclosure)
- CAF _____
- CIAD _____
- CTR _____
- EAG Hartlow
swp Lakeland Bayo.310
- LEG 1
- LIN 3
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

DOCUMENT NUMBER-DATE
03085 MAR 10 99
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by the City of Lakeland for
Determination of Need for McIntosh Unit 5
and Proposed Conversion from Simple to
Combined Cycle.

DOCKET NO 990023-EM
FILED March 10, 1999

**Prehearing Statement
City of Lakeland**

Pursuant to Order No. PSC-99-0102-PCO-EM dated January 21, 1999 the applicant files
its Prehearing Statement.

a. **All Known Witnesses**

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Robert G. Siegel	Lakeland	1, 2, 3, 4, and 5
Paul H. Elwing	Lakeland	1, 4, and 5
Gary T. Lawrence	Lakeland	4 and 5
Rolando Sanz-Guerrero	Lakeland	3 and 5
Daniel J. Runyan	Lakeland	1, 2, 3, 4, and 5
Myron R. Rollins	Lakeland	1, 2, 3, 4, and 5
David H. McLain	Lakeland	3 and 5

DOCUMENT NUMBER-DATE

03085 MAR 10 99

FPCO-RECORDS/REPORTING

b. All Known Exhibits

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Petitioner	Lakeland Lakeland	(LAK-1) (LAK-2)	Need for Power Application Table of Contents of Need for Power Application showing witnesses sponsoring subsections
Paul H. Elwing	Lakeland	(LAK-1) (PHE-1)	Executive Summary, Sections 1 0, 2 0, 3 0, 17 0, 18 0-18 1, and 20 0 Corrections to proffered sections
Gary T. Lawrence	Lakeland	(LAK-1) (GTL-1)	Sections 7 0, 8 0-8 2, and Appendix 21 1 Corrections to proffered sections
Rolando Sanz-Guerrero	Lakeland	(LAK-1) (RSG-1)	Sections 10 1-10 2, Appendix 21 2, and Appendix 21 3 Corrections to proffered sections and appendices
Daniel J. Runyan	Lakeland	(LAK-1) (DJR-1)	Contents Table, Sections 8 3, 9 0, 10 3, 12 0, 13 0, 14 0, 15 0, and 18 2 Corrections to proffered sections
Myron R. Rollins	Lakeland	(LAK-1) (MRR-1)	Sections 4 0, 5 0, 6 0, 11 0, and 16 0 Corrections to proffered sections
David H. McLain	Lakeland	(LAK-1) (DHM-1)	Section 19 0 Corrections to proffered section

c. **City of Lakeland Basic Position**

The City of Lakeland is seeking a determination of the need for C. D. McIntosh Unit 5 and its conversion to combined cycle. McIntosh Unit 5 is currently a simple cycle combustion turbine scheduled for commercial operation in July 1999 with an ISO rating of 249 MW. The scheduled operation date for the unit converted to combined cycle is January 1, 2002 with an ISO rating of approximately 369 MW. Lakeland's position is that the petition for determination of need for McIntosh Unit 5 and its conversion to combined cycle should be granted.

Lakeland's need for the proposed conversion of McIntosh Unit 5 is evident by the need for electric system reliability and integrity, the need for adequate electricity at a reasonable cost, the demonstration that the proposed plant is the most cost-effective alternative available, and the demonstration that the need for power has been mitigated by the implementation of all cost effective and demand side alternatives.

Lakeland has demonstrated McIntosh Unit 5 and the proposed conversion to combined cycle are needed for electric system reliability and integrity. Lakeland has demonstrated a need for capacity in 2002 with a 15 percent reserve margin. McIntosh Unit 5 and the proposed conversion to combined cycle will contribute to Peninsular Florida's reliability and integrity, as reserve margins in the state are low and highly dependent upon load management and interruptible contracts.

In addition, Lakeland has demonstrated that McIntosh Unit 5 and the proposed conversion to combined cycle will provide reliable generation with very low power costs. The unit will be the industry's most efficient combined cycle unit using clean burning natural gas.

Lakeland has studied numerous alternative generating technologies, evaluated purchase power alternatives through the IFP process, and studied numerous Demand-Side Management programs. McIntosh Unit 5 and its proposed conversion to combined cycle has been selected as the least-cost alternative, among all feasible alternatives, in the base case and sensitivity analyses. McIntosh Unit 5 and its proposed conversion to combined cycle is \$27.7 million lower in costs than the installation of a new 501F combined cycle unit, and \$71.9 million lower in cost than the installation of a new 501F simple cycle combustion turbine. In addition, the conversion was identified as the least-cost alternative from the IFP process by \$21.1 million. Moreover, Lakeland evaluated 66 potential conservation and demand-side management programs to compare against McIntosh Unit 5 and its conversion to combined cycle. No conservation or demand-side management program proved to be cost-effective.

Additional strategic considerations support McIntosh Unit 5 and its conversion to combined cycle. These other considerations include exceptional efficiency, low installation cost on a \$/kW basis, low operating costs, domestically produced fuel, use of existing site which can support the project capacity, electric industry deregulation, and environmental benefits.

Finally, timing for this proposed conversion from simple cycle to combined cycle is critical. There are significant reliability and economic impacts if the conversion of McIntosh Unit 5 to combined cycle is not completed for January 1, 2002 commercial operation. Lakeland's reserve margin will fall below the required 15 percent minimum reserve margin in 2002 if McIntosh Unit 5 is not installed. This could lead to potential outages and system failures for Lakeland and Peninsular Florida. The customers will suffer adverse consequences with the possibility of inadequate power supply and potentially very high electricity cost. With the low reserve margins projected for the state in 2002, the potential for insufficient power supplies exists. Furthermore, there are adverse economic effects if the unit is delayed. The estimated additional costs for a one year delay in commercial operation is \$9.3 million.

d **City of Lakeland Issues and Positions**

ISSUE 1: **Has the City of Lakeland demonstrated a need for the proposed power plant, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?**

Position: Lakeland's reserve margin is projected to fall below 15 percent by 2002. Peninsular Florida reserve margins are low and highly dependent upon load management and interruptible contracts. Lakeland has applied a probabilistic reserve margin approach which predicts a 6.5 percent reserve margin by 2002 without the conversion of McIntosh Unit 5.

ISSUE 2: **Has the City of Lakeland demonstrated a need for the proposed power plant, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes?**

Position: Yes, the proposed conversion will provide reliable generation with very low costs. The cost estimate for the proposed conversion includes costs for environmental compliance and contingency; they include the potential cost for a SCR. The 501G combustion turbine has a guaranteed equivalent availability of 92 percent.

ISSUE 3: **Has the City of Lakeland demonstrated that the proposed power plant is the most cost-effective alternative available, as this criterion is used in Section 403.519, Florida Statutes?**

Position: The proposed conversion has been selected as least cost. It is \$27.7 million lower in cost than the installation of a new combined cycle unit.

\$71.9 million lower than the installation of a simple cycle combustion turbine. No feasible IFP alternatives were lower in cost than McIntosh Unit 5.

ISSUE 4: Are there any conservation measures taken by or reasonably available to the City of Lakeland which might mitigate the need for the proposed power plant?

Position: Lakeland has evaluated 66 potential conservation and demand-side management programs using the FIRE model to compare against the least-cost alternative. No conservation or demand-side management programs proved to be cost effective based upon FIRE modeling.

ISSUE 5: Based on the resolution of the previous factual and legal issues, should the application by Lakeland for the determination of the need for McIntosh Unit 5 and the proposed conversion from simple cycle to combined cycle be granted?

Position: Yes. McIntosh Unit 5 and its proposed conversion to combined cycle is the least cost alternative, will provide economical, reliable power, and there are no cost effective conservation measures available.

ISSUE 6: Should this docket be closed?

Position: Yes

e. **Questions of Law**

None at this time.

f. **Policy Questions**

None at this time.

g. **Stipulated Issues**

None at this time.

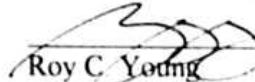
h. **Pending Motions**

None at this time.

i. **Compliance with Order No. PSC-99-0102-PCO-EM**

City of Lakeland has complied with all requirements of Order No. PSC-99-0102-PCO-EM.

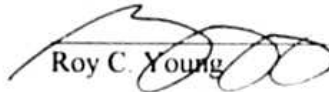
Respectfully submitted this 10th day of March, 1999.



Roy C. Young
Young, Van Assenderp & Varnadoe, P.A.
225 South Adams Street
Tallahassee, FL 32301
Telephone: 850/222-7206
Attorneys for City of Lakeland

Certificate of Service

I HEREBY CERTIFY that a true and correct copy of Lakeland's Prehearing Statement has been furnished by U.S. Mail, this 10th day of March, 1999, to William Cochran Keating, IV, Staff Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Gerald L. Gunter Building, Room 370, Tallahassee, Florida 32399-0850.



Roy C. Young