



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: March 10, 1999
TO: All Parties
FROM: Leslie J. Paugh, Senior Attorney, Division Of Legal Services
Robert V. Elias, Chief of Electric & Gas, Division of Legal Services
RE: Docket No. 981890-EU - Generic investigation into the aggregate electric utility reserve margins planned for Peninsular Florida.

JAP RVE

Via Facsimile

At the March 4, 1999, Special Agenda approving the Duke/New Smyrna Beach merchant plant, Commission staff was instructed to hold a workshop to address all merchant plant issues. You will be notified of the date, time, and place of the workshop in a separate notice.

Because merchant power plants may be a solution to Peninsula Florida's questionable planned reserve margin, staff plans to drop Issues 1 through 25 which were published in its issues list dated March 1, 1999. We will retain issue 26 (renumbered below as issue 10) and add the following issues relating to merchant power plants. Please be prepared to discuss these issues and any other merchant plant issues at the issue identification meeting on March 18, 1999. Former issue 27 has been revised.

The merchant plant reserves provide a cushion for the uncertainties inherent in the utilities' cold/warm weather forecasting assumptions, the FRCC methodology, and non-firm load as a percent of total reserves. Subject to Commission approval, staff believes that the issues set forth in staff's Preliminary List of Issues are addressed by a merchant reserve cushion and therefore can be dropped.

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New Issue 1: Should a 10% merchant plant reserve margin be added to the FRCC's 15% reserve margin criterion?

New Issue 2: What, if any, stranded costs/benefits to each retail-serving utility will be caused by merchant plants selling in the wholesale market at market prices?

New Issue 3: Should a Peninsula Florida wholesale market price cost-effectiveness standard be adopted for merchant plants? What wholesale market price reports should be required for the purpose of determining the optimum level of merchant power plants?

New Issue 4: Should the megawatts (MWs) of solar photovoltaic capacity proposed be the selection criterion for subscription under a merchant power plant MW cap?

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New Issue 5: Should maximum heat and emissions rate standards be adopted as certification criteria for merchant power plants pursuant to the Florida Power Plant Siting Act?

New Issue 6: Which retail-serving utility plant sites, if any, will be adversely affected by merchant power plants using allowable ambient air pollution increments?

New Issue 7: Should all Peninsula Florida electric utilities be allowed to build merchant plants in Peninsula Florida? If so, what actions should be taken to encourage the FERC to approve market pricing for Florida Power and Light Company (FPL), Florida Power Corporation (FPC), and Tampa Electric Company (TECO)?

New Issue 8: What reporting requirements should be established for entities who want to locate merchant plants in Florida? (For example, type and size of units, location of units, etc.)

New Issue 9: With Peninsula Florida reserves at the level identified in Issue 1, what percent of firm load would be unserved when another Christmas 1989 freeze occurs?

Issue 10: Should the Commission establish pricing thresholds for purposes of limiting cost recovery at which a utility may interrupt firm or non-firm load to avoid a power purchase or make a power sale? If so, what should this pricing threshold be for each utility?

LJP/js

cc: Blanca Bayo
Kenneth Dudley
Tom Ballinger
Roberta Bass
Roland Floyd
Mike Haff
Connie Kummer
Paul Stallcup