

One Energy Place
Pensacola, Florida 32520

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ORIGINAL



March 15, 1999

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Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Enclosed are an original and fifteen copies of Gulf Power Company's Petition to Determine Need for Electrical Power Plant.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Petition in WordPerfect for Windows 6.1 format as prepared on a Windows NT based computer.

Sincerely,

Susan D. Ritenour

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs & Lane
Jeffrey A. Stone, Esquire

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DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Gulf Power Company to
Determine Need for Proposed Electrical
Power Plant in Bay County, Florida

Docket No.: _____
Date Filed: March 15, 1999

**PETITION TO DETERMINE NEED
FOR ELECTRICAL POWER PLANT**

Gulf Power Company ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, hereby petitions the Florida Public Service Commission ("Commission") pursuant to Section 403.519, Florida Statutes, and Rule 25-22.081, Florida Administrative Code, to determine the need for the proposed electrical power plant described herein, and to file its order making that determination with the Department of Environmental Protection ("DEP") pursuant to Section 403.507(2)(a)(2), F.S. In support thereof, Gulf states:

1. Gulf's full name and business address is:

Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

2. The name and address of Gulf's representatives to receive communications

regarding this docket are:

Jeffrey A. Stone
Russell A. Badders
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576-2950

Richard D. Melson
Hopping Green Sams & Smith, P.A.
P.O. Box 6526
Tallahassee, Florida 32314

with copies to:

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

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FPSC-RECORDS/REPORTING

3. Gulf is a corporation with its headquarters located at 500 Bayfront Parkway, Pensacola, Florida 32501. The Company is an investor-owned utility operating under the jurisdiction of this Commission. Gulf serves approximately 350,000 customers in Northwest Florida.

4. Gulf meets its power supply needs through a combination of Gulf-owned generation, generation co-owned with sister companies, a contract for capacity with a co-generator and wholesale power purchases. As a member of the Southern electric system, Gulf can rely to some extent on system-wide reserves to meet its capacity needs. Gulf has a corresponding obligation, however, to maintain a reasonable share of those reserves.

5. By 2002, a number of factors combine to require Gulf to add generating resources to meet its customers' needs. The last 143 MW of Gulf's existing short-term firm power purchase arrangements expires at the end of 2001, leaving Gulf with a negative reserve margin on a Company-only basis. At the same time, system-wide reserve margins are declining, limiting Gulf's ability to rely on those reserves to offset its own reserve shortfall. Due to the decreasing availability and increasing cost of power purchase arrangements, Gulf cannot meet its 2002 need through additional short-term power purchases.

6. Gulf employed a competitive request for proposal ("RFP") process, in combination with an evaluation of Gulf-owned generation options, to choose the most cost-effective alternative to meet its need beginning in the year 2002. That process identified a 540 MW combined cycle generating facility, to be constructed at the existing Lansing Smith

generating plant site located in Bay County, Florida as the best alternative. The new unit, to be known as Smith Unit 3, consists of two "F" class combustion turbine/generators and two heat recovery steam generators that will power a single steam turbine/generator.

7. As indicated above, Smith Unit 3 will provide sufficient resources to enable Gulf to maintain an adequate reserve margin which, without additional new capacity, will decrease to a negative number in 2002. In addition, the construction and operation of Smith Unit 3 will replace power currently obtained through purchased power contracts totaling 143 MW which expire in 2001.

8. The Smith Unit 3 project is the most cost-effective option to meet the Gulf's generating needs. Compared to the lowest-cost alternative submitted to Gulf in response to its RFP, the Smith Unit 3 project saves approximately \$90 million (2002\$) in cumulative present worth of revenue requirements ("PWRR") over a 20-year period.

9. Pursuant to the Florida Electrical Power Plant Siting Act, Section 403.519, F.S., and Rules 25-22.080 to 25-22.081, F.A.C., the Commission has jurisdiction to determine the need for the proposed electrical power plant, applying the standards set forth in Section 403.519, F.S.

10. As authorized by Rule 25-22.080(1), F.A.C., Gulf has elected to commence this proceeding for a determination of need prior to the filing with DEP of a Site Certification Application (SCA) for the proposed electrical power plant.

11. The information supporting this petition is contained in Gulf's Need Determination Study (the "Need Study") which is attached as an exhibit to this petition and incorporated herein by reference. The Need Study contains Gulf's analysis of the need for the proposed electrical power plant and includes the information required by Rule 25-22.081, F.A.C.

12. The accompanying information demonstrates the need for the proposed electrical power plant in the proposed time frame as the most cost-effective alternative available, taking into account the need for electric system reliability and integrity, the need for adequate electricity at a reasonable cost, and other relevant matters.

(a) Smith Unit 3 will provide sufficient resources to enable Gulf to maintain an adequate reserve margin. By providing sufficient resources for Gulf to meet its reliability requirements upon termination of contract purchased power of 143 MW, the proposed plant will contribute to the reliability of the Gulf's system.

(b) The unit's location at the Smith Generating Plant also allows the unit to provide voltage support for the Eastern area of the Gulf's system at low cost, thereby contributing to the integrity of Gulf's electric system.

(c) The proposed unit will ensure that Gulf has an adequate supply of power to serve its customers' needs at a reasonable cost.

(d) The proposed unit is the most cost-effective alternative available for meeting Gulf's 2002 capacity need, saving approximately \$90 million PWRR (2002\$) over a 20-year period compared to the least cost alternative identified through the Gulf's competitive RFP process.

(e) Gulf has implemented cost-effective demand-side management programs which have resulted in significant demand and energy reductions, projected to reach 365 MW of summer peak demand reduction by 2002. Even with the demand and energy reductions from those programs, Smith Unit 3 is required to enable Gulf to reliably meet its customers' power supply needs.

13. As set forth in more detail in the Need Study, the Smith Unit 3 project has a number of advantageous features, including the following:

(a) The facility will be located at the existing Smith site which is presently connected to Gulf's load center by an existing 115 kV and 230 kV transmission system into which the new unit will connect through a 230 kV bus. No additional off-site transmission will be required to integrate the unit into the electric grid.

(b) The project will minimize environmental impacts by utilizing clean burning natural gas as the primary fuel, utilizing an air emission strategy resulting in a net reduction in NO_x for the entire plant, and utilizing a closed-cycle cooling system with make-up water coming from the existing once-through cooling water discharge canal currently in use by the existing Smith Units 1 and 2.

14. Gulf has coordinated with the Commission staff to arrange a schedule which calls for the need determination hearing to commence on or about June 7, 1999.

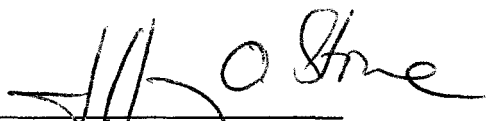
WHEREFORE, Gulf respectfully requests that:

(1) pursuant to Rule 25-22.080(2), F.A.C., the Commission within seven days set a date no later than June 7, 1999 for commencement of a hearing on this petition;

(2) the Commission give notice of the commencement of the proceeding as required by Rule 25-22.080(3), F.A.C.; and

(3) the Commission determine that there is a need for the proposed electrical power plant described in this petition, and file its order making such determination with the DEP pursuant to Section 403.507(2)(a)2., F.S.

RESPECTFULLY SUBMITTED this 15th day of March, 1999.

By: 

JEFFREY A. STONE

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