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May 17, 1999

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:

RE: Docket No. 990325-EI

Enclosed are an original and fifteen copies of Gulf Power Company's Supplement to Petition to Determine Need for Electrical Power Plant and supplemental direct testimony of Gulf's witnesses R. G. Moore, W. F. Pope, and M. J. Burke to be filed in the above docket.

Sincerely,

*Susan D. Ritenour*

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane  
J. A. Stone, Esquire

- AFA 3
- APP
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*Burke*  
DOCUMENT NUMBER - DATE  
**06215 MAY 17 99**  
FPSC-RECORDS/REPORTING

*Moore*  
DOCUMENT NUMBER - DATE  
**06216 MAY 17 99**  
FPSC-RECORDS/REPORTING

*Pope*  
DOCUMENT NUMBER - DATE  
**06214 MAY 17 99**  
FPSC-RECORDS/REPORTING

*Petition*  
DOCUMENT NUMBER - DATE  
**06212 MAY 17 99**  
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

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Docket No.: 990325-EI  
Filed: May 17, 1999

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

Gulf Power Company ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, hereby supplements the Company's petition to the Florida Public Service Commission ("Commission") pursuant to Section 403.519, Florida Statutes, and Rule 25-22.081, Florida Administrative Code asking the Commission to determine the need for the Company's proposed electrical power plant, 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.

The Company's petition and supporting documentation, as filed on March 15, 1999, referred to the proposed electrical power plant as a 540 MW combined cycle generating facility, to be constructed at the existing Lansing Smith generating plant site located in Bay County, Florida. 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 drive a single steam turbine generator. As noted in the attached Supplement to Gulf Power Company Need Study and the supplemental direct testimony of Gulf's witnesses R. G. Moore, W. F. Pope and M. J. Burke filed contemporaneously with this supplement to the Company's petition to determine need for electrical power plant, Gulf has continued to refine the engineering design and cost estimate for Smith Unit 3 in an effort to achieve the best overall value for the proposed electrical power plant.

As a result of design changes identified through this ongoing engineering process, the proposed Smith Unit 3 is now more appropriately referred to as a 574 MW combined cycle generating facility.

WHEREFORE, Gulf Power Company respectfully requests that the Florida Public Service Commission determine that there is a need for the proposed electrical power plant described in this supplement to the Company's petition to determine need for electrical power plant, and that the Commission file its order making such determination with the DEP pursuant to Section 403.507(2)(a)2., F.S.

RESPECTFULLY SUBMITTED this 17th day of May, 1999.

By: 

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Attorneys for Gulf Power Company

## **SUPPLEMENT TO GULF POWER COMPANY NEED STUDY**

Since the filing of Gulf Power Company's Need Study on March 15, 1999, Gulf has continued to refine the engineering design and cost estimate for Smith Unit 3 in an effort to achieve the overall best value.

As a result of design changes identified through this ongoing engineering process, Gulf has been able to increase the summer peak capacity of the unit from approximately 540 MW to approximately 574 MW. This increase is accomplished by adding the capability to produce a higher mass steam flow through the steam turbine generator. The changes associated with this 6.3% increase in maximum unit capability result in a slight reduction in the average annual output of the unit, from 521 MW to 519 MW, and a slight increase in the average annual heat rate for the unit from 6,741 Btu/KWH to 6,761 Btu/KWH.

The total nominal cost estimate for the Smith Unit 3 has increased by \$9,670,000, or 5.2%, to \$196,922,000. On a per KW basis, the total nominal cost has decreased from approximately \$347/KW to approximately \$343/KW.

To confirm that the cost-effectiveness of the project has been improved on a net present value (NPV) of total cost basis, Gulf has analyzed the total revenue requirements associated with the larger unit using the same PROVIEW evaluation methodology that was used in the previous ranking

of Smith Unit 3 and the RFP alternatives. The results of this study are presented in the attached Table A, which updates the information previously provided in Table 8-1 of the Need Study.

This updated analysis shows that the evaluated NPV cost of Smith Unit 3 has decreased from \$279/KW to \$274/KW in 2002 dollars. This indicates that the incremental MWs resulting from the design change are a cost-effective capacity resource.

Based on this analysis, Gulf has concluded that the design changes to Smith Unit 3 represent a cost-effective means of providing 34 MW of additional capacity under summer peak conditions. Gulf therefore requests the Commission to determine a need for 574 MW of capacity and to find that Smith Unit 3 is the most cost-effective means of meeting that need.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Gulf Power Company )  
to determine need for proposed ) Docket No. 990325-EI  
electrical power plant in Bay County )  

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Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished  
this 17<sup>th</sup> day of May 1999 by U.S. Mail or hand delivery to the following:

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