

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL

In re: Generic investigation)
 into the aggregate electric) DOCKET NO. 981890-EU
 utility reserve margins planned)
 for Peninsular Florida.) Submitted for filing: Oct. 4, 1999
 _____)

**PREHEARING STATEMENT OF
 FLORIDA POWER CORPORATION**

Pursuant to Order No. PSC-99-1215-PCO-EU, Florida Power Corporation (FPC) hereby submits its Prehearing Statement in this matter, and states as follows:

A. APPEARANCES

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On behalf of Florida Power Corporation

B. WITNESSES

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
John B. Crisp	All issues identified in Order No. PSC-99-1274-PCO-EU	1-19

EXHIBITS

- AFA 2
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG Staff
- LEG 1
- MAS 5
- OPC _____
- PAI 2
- SEC 1
- WAW _____
- OTH _____

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
JBC-1	Crisp	FRCC depiction of reserve margin criteria of various reliability councils

D. STATEMENT OF BASIC POSITION

As a procedural matter, the Commission determined that this docket should be opened as an “investigation” to enable the Commission to investigate the methodology for determining reserve margins. Although the Commission has statutory authority to conduct such an investigation and to summon witnesses and to require the production of documents as part of any proper investigation, the Commission does not have authority under existing law to make any finding or decision that affects the substantial interests of a utility or any other party at the conclusion of the investigation. *See* Rule 28-106.101(2), Fla. Admin. Code. Nor does the Commission have authority under existing law to conduct an “investigation” under rules that apply exclusively to “adjudication’s” under Chapter 120 of the Florida Administrative Procedures Act. *Id.* Accordingly, to the extent that the Commission has required that “parties” file “prehearing statements” under rules applicable to adjudication’s under Chapter 120, the Commission is proceeding in a manner contrary to applicable law. FPC files this prehearing statement without prejudice to its position that this proceeding is an “investigation” and that neither the Commission nor any party has properly initiated a proceeding to determine the substantial interests of FPC or any other “party.”

With respect to the issues identified in Order No. PSC-99-1274-PCO-EU, FPC’s basic position is as follows:

FPC appropriately plans its resources to ensure a minimum 15% reserve margin, forecasted over seasonal winter and summer peak demand. (FPC also seeks to satisfy an assisted Loss of Load Probability (LOLP) criterion of 0.1 days per year.) FPC’s methodology for calculating reserve margins is consistent with both the formula set forth in FPSC Rule 25-6.035 (relating to reserve sharing) and the FRCC’s methodology, and may be reflected as follows:

$$\text{Reserve Margin (\%)} = [(\text{Total Firm Capacity} - \text{Peak Firm Demand}) / \text{Peak Firm Demand}] \times 100$$

In making this determination, FPC and FRCC define Total Firm Capacity to include only firm supply resources. Non-firm supply resources, such as unsubscribed portions of qualifying facilities and purpose-built merchant plants, may not be counted on to serve peak loads within Peninsular Florida.

In assessing load, FPC evaluates individual components of customer load, which include retail load, retail Energy Management capability, retail interruptible capability, and firm wholesale requirements. A firm load forecast is then developed and adjusted for peak coincidence. Peak coincidence and the resulting seasonal peak load will vary from utility to utility.

Each utility must balance Direct Load Control (DLC) programs with other resources to ensure that appropriate levels of reliability and customer satisfaction are maintained. Because utility-specific considerations such as customer preferences, customer demographics, and customer responses to program design and tariff provisions drive this analysis, generic prescriptions or caps are not appropriate.

Likewise, lead times for generation development must be appropriate and must be determined by each utility based on its individual circumstances. A generic accommodation for equipment delays is not warranted.

Historical weather conditions must be analyzed for FPC's projections of seasonal peak load. FPC's methodology is unique to its service territory and integrates adjustments peculiar to FPC's peak load usage patterns.

For all these reasons, promulgating formal reserve margin requirements or imposing a particular methodology on individual utilities would not be appropriate or beneficial. Each

utility must balance a unique set of supply, demand, and economic circumstances in the context of specific customer demographics and relationships, system size, the size and flexibility of supply resources, and unique geographic and weather conditions to determine the best manner of meeting its obligations to maintain adequate power resources at a reasonable cost. The Commission's review of each utility's 10 Year Site Plan on an annual basis continues to be the most effective way to evaluate the adequacy of a particular utility's reserves and affords the Commission a timely and meaningful opportunity to address any perceived planning problems on a utility by utility basis.

Similarly, the FPSC need not establish any formal regulatory standards relating to aggregate reserve margins at this time. The FRCC has adopted a 15% planning reserve margin standard for Peninsular Florida (supplemented by an LOLP analysis). Using this reserve margin standard, the FRCC is able to evaluate and ensure the aggregate existence of adequate reserves on an annual basis. In addition, FPSC Rule 25-6.035 establishes an equitable reserve sharing standard that requires each utility to maintain a minimum 15% planned reserve margin in order to qualify for the sharing of energy reserves. These existing approaches are consistent with industry standards used throughout the country and constitute an appropriate and adequate means to ensure a continuing reliable power supply in Peninsular Florida.

E. STATE OF POSITION ON SPECIFIC ISSUES

ISSUE 1: What is the appropriate methodology, for planning purposes, for calculating reserve margins for individual utilities and for Peninsular Florida?

FPC: The methodology currently used by FPC to calculate reserve margins is consistent with both the formula set forth in FPSC Rule 25-6.035 and the FRCC's methodology and continues to be an appropriate methodology for calculating reserve margins for planning purposes for FPC and Peninsular Florida.

ISSUE 2: What is the appropriate methodology, for planning purposes, for evaluating reserve margins for individual utilities and for Peninsular Florida?

FPC: The FRCC's methodology (as described in FRCC testimony and exhibits) provides an appropriate means to evaluate reserve margins for Peninsular Florida. FPC's methodology is appropriate for FPC, but no uniform criteria or methodology should be imposed for all utilities.

ISSUE 3: How should the individual components of an individual or peninsular Florida percent reserve margin planning criterion be defined:

A. Capacity available at time of peak (Ex. QF capacity, firm and non-firm purchases and non-committed capacity). Should equipment delays be taken into account?

B. Seasonal firm peak demand. Over what period (hourly, 30 min., 15 min.) should the seasonal firm peak demand be determined? What is the proper method of accounting for the diversity of the individual utilities' seasonal firm peak demands and load uncertainty? Is sufficient load uncertainty data available and being used? How are interruptible, curtailable, load management and wholesale loads treated at the end of their tariff or contract termination period? How should demand and/or energy use reduction options be evaluated and included in planning and setting reserve margins?

C. Should a percent reserve margin planning criterion be determined on an annual, seasonal, monthly, daily, or hourly basis?

FPC: Reserve margins are appropriately assessed on a seasonal basis over an integrated one hour period for seasonal peak demand. Only firm supply resources should be included in any reserve margin calculation, and a generic accommodation for equipment delays is not warranted or appropriate. FRCC properly accounts for diversity in individual utilities peaks and aggregates both historical and forecast weather data to ensure a reasonable assessment of load uncertainty. Direct Load Control (DLC) programs like load management and interruptible service are assumed by FPC to continue during the forecast periods, but FPC closely monitors customer participation and notice and sunset provisions, making appropriate changes based on participation patterns. Wholesale requirements customers are projected by FPC to continue purchasing for the relevant contract period. Each utility must determine the appropriate mix of resources (supply or demand) necessary to achieve a level of reliability and customer satisfaction, but

these considerations are company specific and should be dealt with and evaluated by individual utilities.

ISSUE 4: How should generating units be rated (MW) for inclusion in a percent reserve margin planning criterion calculation?

FPC: FPC files plant ratings with the FPSC, the FRCC, and the Federal Government using the SERC rating conventions based on actual plant test data for reliable operations at 40° F (winter) and 90° F (summer). For purposes of long-term planning with “normalized” weather peak forecasts, this convention remains appropriate.

ISSUE 5: How should individual utility’s reserve margins be integrated into the aggregated reserve margin for Peninsular Florida?

FPC: Individual utility reserve margins should not be integrated. Rather, the individual utilities’ firm supply resources and firm load obligation forecasts should be integrated to a Peninsular Florida level.

ISSUE 6: Should there be a limit on the ratio of non-firm load to MW reserves? If so, what should that ratio be?

FPC: No. There should not be a limit imposed on non-firm load. Rather, these issues should be dealt with by each utility individually, as it balances the resource mix in its long-term planning process.

ISSUE 7: Should there be a minimum of supply-side resources when determining reserve margins? If so, what is the appropriate minimum level?

FPC: No. Like Issue 6, this question again seeks to limit the mix of supply resources and load control in determining reserve margins. There should not be a mandated minimum for supply-side resources for individual utilities or the FRCC.

ISSUE 8: What, if any, planning criteria should be used to assess the generation adequacy of individual utilities?

FPC: Each utility is balancing a unique set of circumstances, and a uniform criteria or methodology for evaluating reserves for all utilities is not appropriate.

ISSUE 9: Should the import capability of Peninsular Florida be accounted for in measuring and evaluating reserve margins and other reliability criteria, both for individual utilities and for Peninsular Florida?

FPC: Yes, the portions of the interface that are committed to firm supply contracts should be and already are accounted for in the reserve margin assessments by individual utilities and FRCC. The balance of the interface may be taken into account in an assisted LOLP analysis.

ISSUE 10: Do the following utilities appropriately account for historical winter and summer temperatures when forecasting seasonal peak loads for purposes of establishing a percent reserve margin planning criterion?

- A. City of Homestead
- B. City of Lake Worth Utilities
- C. City of Lakeland
- D. City of Tallahassee
- E. Florida Power and Light Company
- F. Florida Power Corporation
- G. Florida Municipal Power Agency
- H. Gainesville Regional Utilities
- I. Jacksonville Electric Authority
- J. Kissimmee Utility Authority
- K. Orlando Utilities Commission
- L. Reedy Creek Improvement District
- M. Seminole Electric Cooperative
- N. Tampa Electric Company
- O. Utilities Commission of New Smyrna Beach

FPC: Yes. FPC projections of seasonal peak demand use the most appropriate measure of historical weather conditions that have impacted the historical recorded seasonal peaks in FPC's service territory.

ISSUE 11: Has the Florida Reliability Coordinating Council's 15 percent reserve margin planning criterion, or any other proposed reserve margin criterion, been adequately tested to warrant using it as a planning criterion for the review of generation adequacy on a Peninsula Florida basis? If the answer is no, what planning criterion should be used?

FPC: Yes. The FRCC's current 15% reserve margin standard and its underlying analysis are appropriate measures for examining supply adequacy for Peninsular Florida. The FRCC's standard is also consistent with that of several other NERC Regions that use reserve margin standards and has been validated empirically over years of successful operations.

ISSUE 12: What percent reserve margin is currently planned for each of the following utilities and is it sufficient to provide an adequate and reliable source of energy for operational and emergency purposes in Florida?

- A. City of Homestead
- B. City of Lake Worth Utilities
- C. City of Lakeland
- D. City of Tallahassee
- E. Florida Power and Light Company
- F. Florida Power Corporation
- G. Florida Municipal Power Agency
- H. Gainesville Regional Utilities
- I. Jacksonville Electric Authority
- J. Kissimmee Utility Authority
- K. Orlando Utilities Commission
- L. Reedy Creek Improvement District
- M. Seminole Electric Cooperative
- N. Tampa Electric Company
- O. Utilities Commission of New Smyrna Beach

FPC: FPC uses long-range resource planning criteria of a minimum 15% reserve margin and 0.1 LOLP. FPC's Ten Year Site Plan reflects reserves that exceed this minimum planning criterion. FPC's plan provides for adequate, reliable, and economic energy to meet the needs of its customers.

ISSUE 13: How does the reliability criteria adopted by the FRCC compare to the reliability criteria adopted by other reliability councils?

FPC: The FRCC's research on reliability criteria in other reliability regions indicates that its 15% reserve margin standard is reasonably consistent with criteria being used in other areas of the Country.

ISSUE 14: Should the Commission adopt a reserve margin standard for individual utilities in Florida? If so, what should be the appropriate reserve margin criteria for individual utilities in Florida? Should there be a transition period for utilities to meet that standard?

FPC: No. Each utility faces a unique set of circumstances for which it needs to establish long-term planning approaches. Rule 25-6.035 adequately addresses any concerns about equitable sharing of reserves, and no additional criteria or standards are needed. If new standards are set, an appropriate transition period should be provided.

ISSUE 15: Should the Commission adopt a reserve margin standard for Peninsular Florida? If so, what should be the appropriate reserve margin criteria for Peninsular Florida?

FPC: No, the Commission should not adopt a reserve margin standard for Peninsular Florida. The FPSC may obtain necessary assurances about the adequacy of power resources in Peninsular Florida through its active support of and participation in the FRCC's annual adequacy planning activities.

ISSUE 16: Should the Commission adopt a maximum reserve margin criterion or other reliability criterion for planning purposes; e.g., the level of reserves necessary to avoid interrupting firm load during weather conditions like those experienced on the following dates: 01/08/70, 01/17/77, 01/13/81, 01/18/81, 12/19/81, 12/25/83, 01/21/85, 01/21/86 and 12/23/89?

FPC: No. A maximum reserve margin limit should not be necessary. The present regulatory process imposes sufficient limits on additions of significant generation as a result of the economic and environmental considerations that must be addressed.

ISSUE 17: What percent reserve margin is currently planned for Peninsula Florida and is it sufficient to provide an adequate and reliable source of energy for operational and emergency purposes in Peninsula Florida?

FPC: The FRCC reserve margin standard establishes a 15% minimum threshold for Peninsular Florida. FPC endorses the FRCC studies and conclusions, which indicate that reserve margin levels will be above the minimum for the planning horizon and will be sufficient to provide adequate and reliable energy supplies for Peninsular Florida.

ISSUE 18: Can out-of-Peninsular Florida power sales interfere with the availability of Peninsular Florida reserve capacity to serve Peninsular Florida consumers during a capacity shortage? If so, how should such sales be accounted for in establishing a reserve margin standard?

FPC: Long-term power sales are already included in the selling utility's planning load, and thus do not impact reserves. From a short-term operating perspective, utilities can examine the state of their systems before making arrangements to sell power and must make judgments regarding the appropriateness of off-system sales.

ISSUE 19: Based on the resolution of Issues 1 through 18, what follow-up action, if any, should the Commission pursue?

FPC: The FPSC should continue to monitor reserve margins in Florida through the 10 Year Site Plan review process without changing the criteria that the FPSC has traditionally used.

F. STIPULATED ISSUES

None at this time.

G. PENDING MOTIONS

Florida Power Corporation's Request for Confidential Classification

Reliant Energy Power Generation, Inc.'s Petition to Intervene

LEAF's Motion for Order to Compel Discovery (TECO)

LEAF's Motion for Order to Compel Discovery (FP&L)

FIPUG's Motion to Compel the Florida Reliability Coordinating Council to Respond to Discovery

Tampa Electric Company's Objections, Motion for Protective Order and Written Response to Florida Industrial Power Users Group's First Request for Production to Tampa Electric Company (Nos. 1-6) and First Set of Interrogatories to Tampa Electric Company (Nos. 1-16)

The Florida Industrial Power Users' Group's Motion to Compel Florida Power & Light Company to Respond to Discovery

The Florida Industrial Power Users' Group's Motion to Compel Tampa Electric Company to Respond to Discovery

Florida Reliability Coordinating Council's Notice of Intent to Request Confidential Classification

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing **PREHEARING STATEMENT OF FLORIDA POWER CORPORATION** has been furnished by U.S. Mail to the following counsel of record this 4th day of October, 1999.


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