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October 7, 1999

VIA HAND DELIVERY

Blanca S. Bayo, Director
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RECORDS AND
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Re: Docket Number 981890-EU

Dear Ms. Bayo:

On behalf of Florida Industrial Power Users Group, enclosed for filing and distribution are the original and 15 copies of the following:

- ▶ Prehearing Statement

Please acknowledge receipt of the above on the extra copy of each and return the stamped copies to me in the envelope provided. Thank you for your assistance.

Yours truly,

Vicki Gordon Kaufman

Vicki Gordon Kaufman

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MCWHIRTER, REEVES, MCGLOTHLIN, DAVIDSON, DECKER, KAUFMAN, ARNOLD & STEIN, P.A.

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Generic investigation into the
aggregate electric utility reserve margins
planned for Peninsular Florida

Docket No. 981890-EU

Filed: October 7, 1999

The Florida Industrial Power Users Group's Prehearing Statement

Pursuant to Order No. PSC-99-1215-PCO-EU and Order No. PSC-99-1274-PCO-EU, the Florida Industrial Power Users Group (FIPUG) files its Prehearing Statement.

A. APPEARANCES:

John W. McWhirter, Jr., McWhirter Reeves McGlothlin Davidson Decker Kaufman Arnold & Steen, P.A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350 and **Vicki Gordon Kaufman**, McWhirter Reeves McGlothlin Davidson Decker Kaufman Arnold & Steen, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301

On Behalf of the Florida Industrial Power Users Group

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
James A. Ross	Adequacy of reserve margin	1, 2, 5, 6, 7, 8, 9, 11-16

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
Schedule 1	Ross	Comparison of Operable Capacity Margin (summer 1999)
Schedule 2	Ross	Comparison of Operable Capacity Margin (winter 1998/99)
Schedule 3	Ross	NERC Region Operable Capacity Margin (summer 1999)
Schedule 4	Ross	NERC Region Operable Capacity Margin (winter 1998/99)
Schedule 5	Ross	Resources, Demands and Margins (summer 1999)

FIPUG reserves the right to identify additional exhibits for purposes of cross-examination.

D. STATEMENT OF BASIC POSITION:

It is FIPUG's position that it is inappropriate for the FRCC to rely on the 15% reserve margin of other reliability councils to support its suggested 15% reserve margin because there are significant differences between the FRCC and these other reliability councils. It is highly possible that more capacity should be installed in the FRCC region. In addition, when assessing reliability, the Commission should consider the potential impact of short-term wholesales and establish a policy that places a higher priority on service to retail load. Finally, to ease any potential capacity constraint, the Commission should adopt a policy to encourage the development of merchant plants. Such plants would be available to enhance Florida's reliability without imposing revenue requirements on ratepayers.

E. STATEMENT OF ISSUES AND POSITIONS:

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

FIPUG: A methodology should be used which accurately reflects the demand on the systems and appropriately ensures that enough capacity is available to serve retail load.
2. ISSUE: What is the appropriate methodology, for planning purposes, for evaluating reserve margins for individual utilities and for Peninsular Florida?

FIPUG: A methodology should be used which accurately reflects the demand on the systems and appropriately ensures that enough capacity is available to serve retail load.
3. ISSUE: How should the individual components of an individual or peninsular Florida percent reserve margin criteria 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 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?

FIPUG: No position at this time.

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

FIPUG: No position at this time.

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

FIPUG: Individual utility reserve margins should be integrated in a manner which accurately reflects the demand on the systems and appropriately ensures that enough capacity is available to serve retail load.

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

FIPUG: No.

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

FIPUG: Yes. There should be sufficient supply side resources to adequately serve retail load.

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

FIPUG: The planning criteria which should be used to assess the generation adequacy of individual utilities is one which ensures that sufficient capacity will be available to serve retail load.

9. ISSUE: 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?

FIPUG: Yes.

10. ISSUE: 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 criteria?

- 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

FIPUG: No position at this time.

11. ISSUE: Has the Florida Reliability Coordinating Council's fifteen 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?

FIPUG: No. As explained in the testimony of Mr. Ballinger, although the FRCC has used a 15% reserve margin planning criterion, the FRCC does not have sustained experience with planning reserves as low as 15%.

12. ISSUE: 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

FIPUG: It appears that more installed capacity may be needed to provide an adequate and reliable source of energy for operational and emergency purposes in Florida.

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

FIPUG: The characteristics of the FRCC are significantly different from the other reliability regions to which FRCC attempts to compare itself. Therefore, it is inappropriate to rely on the reserve margin standard of these other regions.

14. ISSUE: 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?

FIPUG: Yes. Whether or not there should be a transition period depends on the standard selected.

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

FIPUG: Yes. Whether or not there should be a transition period depends on the standard selected.

16. **ISSUE:** 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?

FIPUG: No.

F. STIPULATED ISSUES:

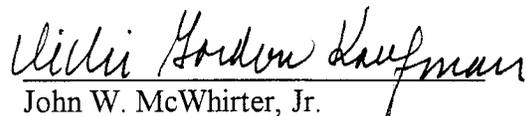
None.

G. PENDING MOTIONS:

FIPUG has Motions to Compel Discovery pending against FPL, FPC, TECo and FRCC.

H. OTHER MATTERS:

None at this time.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Florida Industrial Power Users Group's Prehearing Statement has been furnished by U.S. Mail or hand-delivery (*) this 7th day of October, 1999 to the following:

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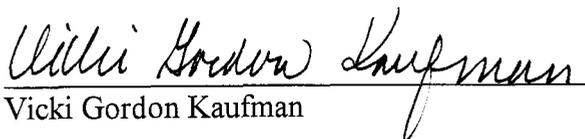
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