

ORIGINAL

OFFICE OF GENERAL COUNSEL
CITY OF JACKSONVILLE

RICHARD A. MULLANEY
GENERAL COUNSEL

CINDY A. LAQUIDARA
CHIEF DEPUTY GENERAL COUNSEL



JOHN T. ALDERSON, JR.
TRACEY I. ARPEN, JR.
LEE S. CARLIN
DEXTER V. DAVIS
BRIAN M. FLAHERTY
LOREE L. FRENCH
L. THERESA HARDEN
SUZANNE S. HOWARD
LASHANDA R. JOHNSON
JOHN R. JOLLY
HOWARD M. MALTZ
THERESA R. MATCHETT
NEILL W. MCARTHUR, JR.
PAUL H. MCLESTER

CITY HALL, ST. JAMES BUILDING
117 WEST DUVAL STREET, SUITE 480
JACKSONVILLE, FLORIDA 32202

ERNST D. MUELLER
DOUGLASS E. MYERS, JR.
VIRGINIA B. NORTON
BRUCE D. PAGE
CHERYL R. PEEK
GAYLE PETRIE
GREGORY K. RADLINSKI
RAYMOND P. REID, JR.
VICKI R. REYNOLDS
STEVEN E. ROHAN
KARL J. SANDERS
EDWARD C. TANNEN
MICHAEL B. WEDNER
LINNIE C. WILLIAMS
ANTHONY B. ZEBOUNI

October 6, 1999

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
110 Betty Easley Conference Center
Tallahassee, Florida 32399-0850

Re: Docket No. 981890-EU

Dear Ms. Bayo:

Please find enclosed for filing in the above referenced docket on behalf of JEA the original and fifteen (15) copies of JEA's Pre-Hearing Statement. Please acknowledge receipt of this document by stamping the extra copy of this letter "Filed" and return it to me in the enclosed self addressed stamped envelope.

Very truly yours,

Michael B. Wedner
Assistant General Counsel

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CAF _____
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cc: Parties Listed on Service List

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Office Telephone
(904) 630-1700

Writer's Direct Line
(904) 630-1834

Facsimile
(904) 630-1316

Writer's E-Mail Address
MWedner@coj.net

Office Web Site
www.coj.net/gc

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Generic Investigation into the aggregate electric utility reserve margin planned for Peninsular Florida

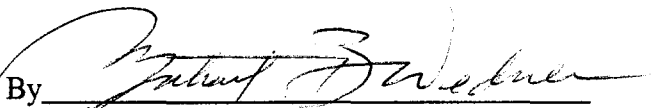
Docket No.: 981890-EU

NOTICE OF FILING
JEA'S PRE-HEARING STATEMENT

Please take notice that JEA hereby files with the Commission the original and fifteen copies of its Pre-Hearing Statement. The original of JEA's Pre-Hearing Statement is attached to this Notice.

Respectfully submitted,


Richard A. Mullaney, General Counsel

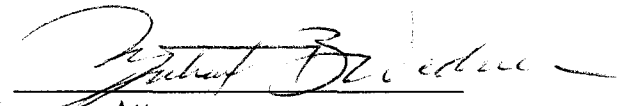
By 

Michael B. Wedner
Assistant General Counsel
Florida Bar No.: 287431
117 West Duval Street
Suite 480
Jacksonville, Florida 32202
(904) 630-1700
Attorney for JEA

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CERTIFICATE OF SERVICE

 I HEREBY CERTIFY that a copy of the foregoing has been furnished via U.S. Mail this of October, 1999, to the following (see attached service list):


Attorney

SERVICE LIST

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
110 Betty Easley Conference Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Robert V. Elias, Esquire
Leslie J. Paugh, Esquire
Florida Public Service Commission
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Reedy Creek Improvement District
Willard Smith/Fran Winchester
Post Office Box 10175
Lake Buena Vista, Florida 32830

Young VanAssenderp & Varnadoe
Roy Young
Post Office Box 1833
Tallahassee, Florida 32302

McWhirter Reeves McGlothlin
Vicki Gordon Kaufman
117 South Gadsden Street
Tallahassee, Florida 32301

Ausley & McMullen
James Beasley
Post Office Box 391
Tallahassee, Florida 32301

Legal Environmental Assistance Foundation
Deb Swim
1114 Thomasville Road
Suite E
Tallahassee, Florida 32303

Landers & Parsons
Scheff & Wright
Post Office Box 271
Tallahassee, Florida 32302

Steel, Hector and Davis
Matthew M. Childs
215 South Monroe Street
Suite 601
Tallahassee, Florida 32301

Utilities Commission
City of New Smyrna Beach
Ronald L. Vaden
Post Office Box 100
New Smyrna Beach, Florida 32170

Office of Public Counsel
John Roger Howe
111 West Madison Street
Room 812
Tallahassee, Florida 32399

Beggs & Lane
Jeffrey Stone
Post Office Box 12950
Pensacola, Florida 32576

Florida Electric Cooperative Association
Michelle Hershel
Post Office Box 590
Tallahassee, Florida 32302

Florida Reliability Coordinating Council
Ken Wiley
405 Reo Street
Suite 100
Tampa, Florida 33609

Moyle Flanigan
John Moyle, Jr.
210 South Monroe Street
Tallahassee, Florida 32301

City of Homestead
James Swartz
675 North Flagler Street
Homestead, Florida 33030

Seminole Electric Cooperative
Timothy Woodbury
Post Office Box 272000
Tampa, Florida 33688

City of Lakeland
Gary Lawrence
501 East Lemon Street
Lakeland, Florida 33801

City of Lake Worth Utilities
Harvey Wildschuetz
1900 Second Avenue, North
Lake Worth, Florida 33461

Florida Power Corporation
Jim McGee
Post Office Box 14042
St. Petersburg, Florida 33733

Gainesville Regional Utilities
Raymond O. Manasco, Jr.
Post Office Box 147117
Station A-138
Gainesville, Florida 32614-7117

Kissimmee Utility Authority
A.K. (Ben) Sharma
Post Office Box 423219
Kissimmee, Florida 34742

Florida Municipal Power Agency
Frederick Bryant
Post Office Box 3209
Tallahassee, Florida 32315

Orlando Utilities Commission
T.B. Tart
Post Office Box 10109
Tallahassee, Florida 32302

Kenneth A. Hoffman, Esquire
Rutledge, Ecenia, Purnell & Hoffman, P.A.
Post Office Box 551
Tallahassee, Florida 32302

Mr. Robert C. Williams
Florida Municipal Power Agency
7201 Lake Ellenor Drive
Suite 100
Orlando, Florida 32809-5769

PRE-HEARING STATEMENT OF



JEA, by and through its undersigned counsel, files its Pre-Hearing Statement pursuant to Order No. PSC-99-0760-PCO-EU, issued April 20, 1999. As directed by Order No. PSC-99-0760-PCO-EU, JEA sets forth the following information:

1 (a) The name of all known witnesses that may be called by the party, and the
2 subject matter of their testimony;

3 Witness: Tracy Danese

4 Subject: Testimony on the Commission's 19 Issues.

5 (b) A description of all known exhibits that may be used by the party, whether
6 they may be identified on a composite basis, and the witness sponsoring
7 each;

8 JEA does not anticipate using any exhibits at this time.

9 (c) A statement of basic position in the proceeding;

10 Order No. 22708, dated March 20th 1990, contained several recommendations to
11 improve Florida's exposure to weather conditions like the Christmas 1989 freeze.

12 The Order:

- 13 ▪ required the adoption of individual utility and FCG plans to deal with
14 severe weather conditions (not merely cold weather),
- 15 ▪ defined different levels of alerts,
- 16 ▪ required prearranged public information messages and plans to

- 1 improve the public's knowledge of the potential for these events and
2 their response in the form of greater load reductions when necessary,
- 3 ■ required development of uniform guidelines for interrupting customer
4 loads and better notification to QFs of high price periods to improve
5 their availability at times of need,
 - 6 ■ suggested various areas for improvement by utilities ranging from
7 reduced exposure of generating units to freezing conditions to
8 increased public education, additional conservation and changes to
9 building codes, and
 - 10 ■ urged expedition of the then current FERC review of a Florida Gas
11 Transmission expansion proposal which had the effect of preventing
12 some generating units from operating and created operating problems
13 for others due to lack of firm gas supplies.

14 The Order resulted in a reduction of Florida's exposure to conditions similar to
15 those of Christmas 1989. Florida utilities responded to the requirements and the
16 suggestions of the Order by:

- 17 ■ revising plans to better deal with winter conditions,
- 18 ■ changing building codes,
- 19 ■ adopting conservation and demand side management measures under
20 Commission supervision,
- 21 ■ securing additional firm gas supplies,
- 22 ■ improving unit availability, and
- 23 ■ revising planned maintenance during high load periods.

1 The utilities in Florida have provided prudent, reliable planning and operating
2 services to its customers for many years. There is not a need for a Commission
3 rule establishing a reserve margin level. If the Commission adopts a rule, the
4 Commission should:

- 5 ■ establish a 15% reserve margin criterion,
- 6 ■ apply the criterion to all Florida utilities and Peninsular Florida,
- 7 ■ allow FRCC to develop the calculation methodology, and
- 8 ■ apply it to all load-serving entities in the state.

9 **(d) A statement of each question of fact the party considers at issue, the party's**
10 **position on each such issue, and which of the party's witnesses will address**
11 **the issue;**

12 JEA's positions on the facts in issue are stated in the pre-filed testimony of
13 Mr. Danese.

14 **(e) A statement of each question of law the party considers at issue and the**
15 **party's position on each such issue;**

16 **Issue:** Whether this proceeding constitutes a formal proceeding pursuant to
17 Sections 120.569, and 120.57, Florida Statutes.

18 **JEA's Response:** JEA agrees with FRCC's position that this docket is not
19 the proper proceeding for a reserve margin criterion to be established.
20 It is not appropriate for a rule to be set in this docket proceeding.

21 **(f) A statement of each policy question the party considers at issue, the**
22 **party's position on each such issue, and which of the party's witnesses will**
23 **address the issue;**

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

4 **JEA's Response:** JEA is in agreement and support of FRCC's current
5 methodology of reserve margin calculation and evaluation. Reserve
6 margins for Peninsular Florida are calculated using an industry accepted
7 reserve margin formula utilizing information which captures, without
8 double counting, all electrical system data for the peninsula. The FRCC
9 currently calculates firm reserve margin using this accepted reserve
10 margin formula for projected winter and summer firm peak demands. This
11 formula calculates the firm reserve margin as the differential of the total
12 firm available supply-side resources and the seasonal firm peak demand
13 and is expressed in resource capacity (MW) in excess of the projected
14 seasonal firm peak demand, or as a percentage of the projected seasonal
15 firm peak. (Danese)

16 **Issue 2:** **What is the appropriate methodology, for planning purposes,**
17 **for evaluating reserve margins for individual utilities and for**
18 **Peninsular Florida?**

19 **JEA's Response:** The evaluation of reserve margins for the Peninsula is
20 currently being conducted by the FRCC on an annual basis as part of the
21 region's reliability assessment process. The current evaluation procedure
22 determines the sufficiency of planned reserves to provide reliable
23 electrical service as compared to its 15% minimum standard. If the
24 peninsula reserve margin is below 15%, FRCC should report which

1 utilities do not meet the 15% minimum. The FRCC should also analyze
2 multiple methods to evaluate reserve margin criteria and recommend the
3 best methodology for Peninsular Florida. The Commission should then
4 accept FRCC's evaluation method. (Danese)

5 **Issue 3:** How should the individual components of an individual or
6 peninsular Florida percent reserve margin planning criterion be
7 defined:

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

11 **JEA's Response:** Capacity available at time of peak includes capacity from
12 generating units, firm QF capacity, and firm contracted, dependable
13 capacity purchases less any firm contracted capacity sales in- or out-of-
14 state. (Danese)

15 **B. Seasonal firm peak demand. Over what period (hourly, 30 min., and**
16 **15 min.) should the seasonal firm peak demand be determined?**
17 **What is the proper method of accounting for the diversity of the**
18 **individual utilities' seasonal firm peak demands and load**
19 **uncertainty? Is sufficient load uncertainty data available and being**
20 **used? How are interruptible, curtailable, load management and**
21 **wholesale loads treated at the end of their tariff or contract**
22 **termination period? How should demand and/or energy use**
23 **reduction options be evaluated and included in planning and setting**
24 **reserve margins?**

1 **JEA's Response:** The seasonal firm peak demand is the maximum need for
2 electricity that occurs in a specific time period or season. The forecasted
3 seasonal firm peak demand is calculated from the forecasted total
4 seasonal peak demand less any non-firm load such as interruptible/
5 curtailable load or load management. The annual firm peak demand also
6 determines the capacity required by the utility, and should be calculated
7 on an hourly, integrated basis.

8 To properly account for diversity of individual utilities' seasonal firm peak
9 demand on the state level, hourly utility loads should be aggregated.
10 FRCC currently aggregates individual utility load when performing
11 reliability studies.

12 Forecasts of interruptible, curtailable, load management and wholesale
13 loads should be done by each utility to determine the expected levels of
14 each to include in the firm load calculation. FRCC should develop
15 procedures to ensure all Peninsular Florida load is accounted for
16 throughout the planning horizon as wholesale contracts expire.

17 Forecasting expected levels of demand and energy use reduction options
18 allows the utilities to adjust their firm load prior to calculating the capacity
19 and reserves needed. (Danese)

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

22 **JEA's Response:** A percent reserve margin should be calculated for all Florida
23 utilities and for the State either on an annual or seasonal basis. (Danese)

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

3 **JEA's Response:** For Peninsular Florida reserve margin calculations, the
4 rating for each generating unit is the rating given by the utility and used in
5 its Ten Year Site Plan calculations. FRCC should develop a standard
6 procedure for utilities to follow in determining and testing units for capacity
7 rating. NERC guidelines should be considered. (Danese)

8 **Issue 5:** How should individual utility's reserve margins be integrated
9 into the aggregated reserve margin for Peninsular Florida?

10 **JEA's Response:** The individual utility's reserve margins should not be
11 integrated into the aggregated reserve margin for the Peninsula. The
12 factors that make up the utility's reserve margins, capacity and coincident
13 peaks, should be summed and the calculation then performed for the
14 Peninsular Florida. (Danese)

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

17 **JEA's Response:** FRCC should undertake the responsibility of doing analytical
18 work and recommend a maximum limit. (Danese)

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

22 FRCC should undertake the responsibility of doing analytical work and
23 recommending a limit. (Danese)

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

3 **JEA's Response:** FRCC advocates and has adopted a minimum reserve
4 margin criterion of 15% that has been demonstrated to be adequate for
5 meeting the needs of the state. Due to the Emergency Interchange and
6 reserve sharing arrangements within Florida, a minimum planning reserve
7 margin criterion of 15% for individual utilities is also sufficient. (Danese)

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

12 **JEA's Response:** Firm contracted utility purchases from outside Florida are
13 properly reported and counted by the utilities. FRCC studies report and
14 count these imports when evaluating Peninsular Florida reliability.

15 Import capability should be counted as a resource in measuring and
16 evaluating reserve margins to the extent that the Utility or the State can
17 demonstrate that dependable supply-side resources are available.
18 (Danese)

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

23 **JEA's Response:** As to JEA, yes. JEA's peak demand forecast represents a
24 trend analysis of 50 years of historical data, weather-normalized to typical

1 temperatures. For each season, winter and summer, a separate model
2 evaluates the effect of weather on historical peak demands and outputs
3 weather-normalized peak demands. The weather-normalized peak
4 demands become the basis for the trend analysis.

5 JEA uses minimum temperature of the day for the winter season and
6 maximum temperature of the day for the summer season as the weather
7 variables in the normalization methodology. For each individual year of
8 historical data, JEA models the relationship between daily low or high
9 temperature and daily peak demand. JEA evaluates the models at normal
10 temperatures to estimate weather-normalized peak demands. For the
11 purposes of JEA's model, 23°F for the winter and 98°F for the summer are
12 defined to be normal weather. (Danese)

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

19 **JEA's Response:** JEA believes that FRCC has adequately tested the
20 Peninsular Florida reserve margin of 15%. FRCC studies show that a
21 15% reserve margin adequately provides reliable electric service to the
22 state. (Danese)

23 **Issue 12: What percent reserve margin is currently planned for each of**
24 **the following utilities and is it sufficient to provide an adequate and**

1 **reliable source of energy for operational and emergency purposes in**
2 **Florida?**

3 **JEA's Response:** JEA currently uses a 15% reserve margin criterion, which
4 has been sufficient in providing an adequate and reliable source of energy
5 for operational and emergency purposes in Florida. (Danese)

6 **Issue 13:** **How does the reliability criteria adopted by the FRCC compare**
7 **to the reliability criteria adopted by other reliability councils?**

8 **JEA's Response:** The reliability criteria of other reliability councils are
9 comparable to that used by FRCC. (Danese)

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

14 **JEA's Response:** FRCC has adopted a standard reserve margin criterion of
15 15% that has been demonstrated to be adequate for meeting the needs of
16 the state. Individual Florida utilities have generally followed the leadership
17 of FRCC and also adopted a planning reserve margin criterion of 15%.
18 JEA sees no need for a Commission standard establishing a reserve
19 margin level for individual utilities or the State. If the Commission adopts
20 a standard, the Commission should:

- 21 ▪ establish a 15% reserve margin criterion,
- 22 ▪ apply the criterion to all individual Florida utilities and
- 23 Peninsular Florida,
- 24 ▪ allow FRCC to develop the calculation methodology, and

1 ▪ apply the standard to all load-serving entities in the state.

2 (Danese)

3 **Issue 15:** **Should the Commission adopt a reserve margin standard for**
4 **Peninsular Florida? If so, what should be the appropriate reserve**
5 **margin criteria for Peninsular Florida?**

6 **JEA's Response:** Same response as Issue 14. (Danese)

7 **Issue 16:** **Should the Commission adopt a maximum reserve margin**
8 **criterion or other reliability criterion for planning purposes; e.g., the**
9 **level of reserves necessary to avoid interrupting firm load during**
10 **weather conditions like those experienced on the following dates:**
11 **01/08/70, 01/17/77, 01/13/81, 01/18/81, 12/19/81, 12/25/83, 01/21/85,**
12 **01/21/86 and 12/23/89?**

13 **JEA's Response:** Resource plans provide economical and reliable sources of
14 capacity to meet the expected electric need and reserves. Utilities
15 recognize that certain weather conditions may arise that result in higher
16 than expected demand. The cost of adopting a reserve margin criterion
17 that satisfies a higher than expected demand cannot be justified for the
18 low probability of the events occurring. JEA has been able to supply its
19 customer needs during these extreme events. (Danese)

20 **Issue 17:** **What percent reserve margin is currently planned for**
21 **Peninsular Florida and is it sufficient to provide an adequate and**
22 **reliable source of energy for operational and emergency purposes in**
23 **Peninsular Florida?**

1 **JEA's Response:** This issue is addressed annually in FRCC's Load and
2 Resource Plan and Reliability Assessment reports. JEA believes the
3 current planned margin is sufficient. (Danese)

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

9 **JEA's Response:** Firm out-of-state capacity sales are included in each utility's
10 Ten Year Site Plan and FRCC studies and are properly accounted for in
11 reserve capacity calculations. These firm out-of-state sales effectively
12 reduce the total capacity available to the utility and state. (Danese)

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

15 **JEA's Response:** Florida utilities and FRCC are doing prudent planning. No
16 Commission action should be taken at this time. (Danese)

17 **(g) A statement of issues that have been stipulated to by JEA;**

18 JEA has no issues that have been stipulated to. (Danese)

19 **(h) A statement of all pending motions or other matters JEA seeks action**
20 **upon; and**

21 JEA has no pending motions or other matters to seek action upon. (Danese)

22 **(i) A statement as to any requirement set forth in this order that cannot be**
23 **complied with, and the reasons therefore.**

1 JEA is unaware of any statements set forth in this order that cannot be
2 complied with. (Danese)