

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: GENERIC INVESTIGATION INTO THE AGGREGATE ELECTRIC UTILITY RESERVE MARGINS PLANNED FOR PENINSULAR FLORIDA

Docket Number: 981890-EU Filed: October 7, 1999

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PREHEARING STATEMENT OF ISSUES AND POSITIONS OF PG&E GENERATING COMPANY

Intervenor, PG&E Generating Company ("PG&E Gen"), files this Prehearing Statement of Issues and Positions pursuant to the Order Establishing Procedure issued in this docket and Commission Rule 25-22.038(2), Florida Administrative Code.

A. Witnesses

Stephen S. Greene

B. Exhibits

PG&E Gen has not identified any exhibits that it intends to offer into evidence but reserves the right to introduce exhibits that may be identified in discovery.

C. Statement of Basic Position

PG&E Gen would urge the Commission, in considering the issue of whether or not to adopt a reserve margin standard, to support and encourage owners or developers of uncommitted capacity and energy. If reserve margin standards and other policies do not artificially discourage them, the owners of uncommitted capacity and energy, which is often referred to as merchant power, will provide wholesale capacity and energy to the Florida energy market as called for by the market and without forcing ratepayers to bear the risks of developing these merchant plants. Merchant plants serve to improve reliability without imposing costs on captive ratepayers. Uncommitted capacity and energy should be appropriately considered, and more importantly, not discriminated against, in any methodology for determining reserve margins or for otherwise evaluating electric system reliability.

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D. Statement of Issues and Positions

Issue 1: What is the appropriate methodology, for planning purposes, for calculating

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reserve margins for individual utilities and for Peninsular Florida?

PG&E Gen: While the testimony and evidence related to the appropriate methodology, for planning purposes, for calculating reserve margins is likely to vary, uncommitted capacity and energy should be appropriately considered in any methodology for determining reserve margins and should not be disadvantaged by any such methodology.

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

PG&E Gen: No position at this time.

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

PG&E Gen: No position at this time.

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

PG&E Gen: Historical availability should bear on how much units count for purposes of reserve margin and reserve targets.

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

PG&E Gen: Assuming a robust, competitive wholesale market is in place and active, the Commission's focus should be on the reliability of Peninsular Florida's power reserves.

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

PG&E Gen: No position at this time.

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

PG&E Gen: It would be unwise to be over-dependent on demand side resources, particularly when one considers that certain residential demand side programs can be discontinued on short notice. Also, data on the reliability and dependability of demand side resources should be gathered and carefully reviewed.

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

PG&E Gen: The focus should be to ensure that Peninsular Florida has adequate generation. This goal can be advanced by ensuring a robust, competitive wholesale market that includes the presence of non-rate based merchant generators.

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?

PG&E Gen: Yes.

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?

PG&E Gen: The evidence produced at hearing will help determine whether the listed utilities appropriately account for historical winter and summer temperatures when forecasting seasonal peak loads for purposes of establishing a percent reserve margin planning criterion.

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?

PG&E Gen: No position at this time.

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?

PG&E Gen: No position at this time.

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

PG&E Gen: Other reliability councils employ different criteria than that adopted by the FRCC. Evidence on this issue will be introduced in this proceeding.

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 the standard?

PG&E Gen: No position at this time.

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

PG&E Gen: The Commission should work to encourage a robust, competitive wholesale market that includes merchant generation assets, the costs of which are not borne by captive ratepayers. To the extent that a truly robust, competitive wholesale market is in place that includes merchant plants, the need to adopt a reserve margin standard for Peninsular Florida is lessened.

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, 12/25/83, 01/21/86 and 12/23/89?

PG&E Gen: No position at this time.

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 for Peninsula Florida?

PG&E Gen: Peninsular Florida needs more than 10,000 MW of new installed capacity in order to maintain winter reserve margins generally between 4% and 9% without exercising load management and interruptible resources from the winter of 1999-2000 through the winter of 2008-2009.

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?

PG&E Gen: No position at this time.

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

PG&E Gen: The Commission should continue to work to ensure that Floridians have enough reliable energy and capacity. Obtaining reliable energy and capacity from merchant plants, facilities which do not force their costs on ratepayers, should be encouraged.

Stipulated Issues:

PG&E Gen is unaware of any stipulated issues at this time.

E. Pending Motions

PG&E Gen is aware of a number of pending motions or requests, including the Petition to Intervene filed by PG&E Gen on June 16, 1999.

F. Requirements of the Procedural Order

PG&E Gen is unaware of any requirement of the Order Establishing Procedure with which PG&E Gen is unable to comply.

Respectfully submitted this 7th day of October, 1999.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Prehearing Statement of Issues and Positions of PG&E Generating Company has been furnished by hand delivery* or by U.S. Mail to the following parties of record this 7th day of October, 1999:

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