

State of Florida



Public Service Commission

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DATE: October 29, 1999
TO: Chairman Garcia
Commissioner Deason
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FROM: Joseph D. Jenkins
Director, Division of Electric and Gas *JDJ*

RE: Reserve Margin Agreement - Docket No. 981890-EU

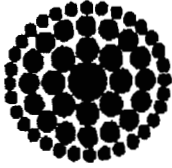
Attached is a proposed agreement to settle the reserve margin docket. The proposed agreement raises many questions which I hope to clarify by the beginning of the hearing on Tuesday.

JDJ:ng

cc: Bill Talbott
Mary Bane
Bob Elias
Chuck Hill
Blanca Bayo ✓
Parties of Record (fax)

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**Florida
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TELECOPY TRANSMITTAL SHEET

DATE: 10/28/99

TO: Robert Elias
Division of Legal Services
FPSC

TELECOPIER #: 840/ 413-6190

FROM: Jim McGee

TELEPHONE #: 727/ 820-5184

MESSAGE:

NUMBER OF PAGES TRANSMITTED INCLUDING THIS SHEET: 3

If all pages are not legibly received, please call: Anne Sheloski @ 727/ 820-5183

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PROPOSED AGREEMENT TO RESOLVE RESERVE MARGIN DOCKET

Based on the understanding that the Commission initiated the Reserve Margin docket due to the concern that generating reserves were falling below their historic levels, and based on the further understanding that Staff's pre-filed testimony fairly describes what would be appropriate to provide the Commission with assurance concerning the state of reserves in Peninsular Florida, the investor-owned utilities of Peninsular Florida (IOUs) propose the following:

1. The IOUs will voluntarily adopt a minimum 20% reserve margin planning criterion (employing current methodology), with a four-year transition period.
2. Consistent with long-standing Commission practice, the generating capacity on which the IOUs will rely to achieve and maintain these reserves is generating capacity owned by the IOUs or capacity for which there is a firm commitment to the IOUs.

Based on the understanding that the Commission initiated the Reserve Margin docket to address the concern that forecast reserves were falling, the IOUs would expect that this proposal would resolve the Commission's concerns, and that the Commission would see no need to continue the Reserve Margin docket. Accordingly, the IOUs offer this proposal as a means to obtain closure of this docket, without prejudice, of course, to the Commission's prerogative to initiate an investigation at any time in the future should the Commission believe that cause exists to do so. In the event that the Commission wished to proceed with the Reserve Margin docket and to inquire into the numerous issues that have been raised in the proceeding to date, then the IOUs would not be willing to offer the above proposal because it would be unfair and misleading to address issues that have been raised peripherally in this docket divorced from the context of the core concerns that have been raised by the Staff's testimony (concerning whether reserves in

the State are adequate). By offering this proposal, the IOUs do not mean to be misunderstood as agreeing with Staff's criticism of the planning criteria and methodology now employed by the IOUs and the FRCC. Rather, the IOUs hope to moot this criticism and to help restore confidence on the part of the Commission and its Staff concerning the state of reserves in Peninsular Florida.

Procedurally, the Reserve Margin docket was initiated by the Commission as an investigation. This is not a proceeding that any party commenced for the purpose of obtaining any identified relief. Accordingly, the Commission has the prerogative to conclude its investigation at any time. (Such disposition would be consistent with the informal disposition contemplated by Section 120.57(4) of the Administrative Procedure Act.) That being the case, the docket may be closed without proceeding with the hearing planned for November 2-3, 1999. If any party believes that it is entitled to any particular relief, closure of this docket will not preclude petitioning to initiate an appropriate proceeding to obtain relief otherwise available.

As mentioned, the IOUs' proposal is offered with the expectation that it will meet the Commission's concerns and bring about the closure of this docket. If the docket remains open, and if the case proceeds to hearing, the IOUs will not be able to offer this proposal, but must reserve the right to defend their substantial interests on all issues that have been raised.