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Matthew M. Childs, P.A.

February 21, 2000

Blanca S. Bayó, Director  
Division of Records and Reporting  
Florida Public Service Commission  
4075 Esplanade Way, Room 110  
Tallahassee, FL 32399

RE: DOCKET NO. 991462-EU

Dear Ms. Bayó:

Enclosed for filing please find the original and twenty (20) copies of pages 44, 53 and 54 of the Direct Testimony of John H. Landon which were inadvertently omitted from the filing on February 18, 2000.

I apologize for any inconvenience this may have caused.

Very truly yours,

Matthew M. Childs, P.A.

MFA \_\_\_\_\_  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMU \_\_\_\_\_  
CTR \_\_\_\_\_  
EAG \_\_\_\_\_  
LEG \_\_\_\_\_  
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MMC:ml

Enclosure

cc: All Parties of Record

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1 units in the portfolio have unique physical characteristics, the owner can, by  
2 careful, coordinated management, maximize the total value of the portfolio.  
3 As a result, an individual plant such as that proposed by OGC, may operate in  
4 what appears to be a non-optimal manner if considered on a stand alone basis.  
5 The bottom line is that merchant power plants are operated to maximize  
6 profits for owners, not to provide energy and capacity in a cost-effective  
7 manner for the benefit of customers.

8  
9 **Q. In light of these alternatives, do you consider it likely that the proposed**  
10 **plant will sustain a 93 percent capacity factor in Florida and be dedicated**  
11 **exclusively to the Florida market as assumed by the petitioners?**

12  
13 A. No. The operating scenario developed by OGC, in which the Project operates  
14 at the 93 percent capacity factor cited by petitioners, is based upon full-time  
15 operation of the plant for the Florida wholesale market without consideration  
16 of alternative, and possibly more profitable uses. While it is impossible to  
17 predict with certainty what effect the competing uses for the plant will have on  
18 plant availability, it is disingenuous to argue unequivocally that a merchant  
19 plant will be dedicated to Florida markets.

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***B. Proposed Plant Capacity Factor will Vary from 93 Percent***

**Q. Are there any other factors to consider when evaluating the Project's estimated capacity factor claim of 93 percent?**

A. Yes. In addition to my observations regarding the plant's availability to Florida customers if it is operated competitively as detailed above, there are several problems with the 93 percent capacity factor used by OGC. First, the capacity factor will vary systematically from one year to the next to reflect planned outages for maintenance. Every third year, the plant will be shut down for 30 days. We can not know if this pattern of availability is reflected in Dr. Nesbitt's benefit calculations, since we do not have access to his model. Second, in a regulated setting, market price is not the only driver of when plants are kept available. Plants that otherwise are in the money may ramp down to accommodate system reliability considerations and other operational constraints. These considerations have not been reflected in establishing the 93 percent capacity factor. Third, presently there is no incentive to coordinate operation of the proposed plant with that of existing plants so that system reliability is maintained at least cost to customers. The 93 percent capacity factor under these conditions is less meaningful than if plant outages were coordinated with those throughout the system.

1 **Q. Is the OGC Project the most cost-effective alternative for customers to**  
2 **improve system reliability?**

3  
4 A. We don't know. OGC has not demonstrated that the Project is the most cost-  
5 effective alternative for improving system reliability. I have already discussed  
6 the fact that were the OGC plant built by a utility the cost to customers would  
7 in all likelihood be lower. In addition, a similar plant built by a regulated  
8 utility would supply firm power to cover its obligation to serve Florida  
9 customers. Thus, all of the output of the plant would go to improving  
10 reliability for system planning purposes, as reflected in improvement in both  
11 loss of load probabilities and system reserve margins. Furthermore, Florida  
12 customers would have first priority for the least-cost resources available to the  
13 utility. Since the plant likely would be one of the least cost plants to operate,  
14 its output would be dedicated to serving Florida customers.

15

16 **VIII. OGC'S GENERAL DISCUSSION OF MERCHANT POWER PLANTS IS IRRELEVANT**  
17 **TO THIS PROCEEDING**

18

19 **Q. Is the OGC discussion of the benefits of additional merchant capacity**  
20 **relevant to meeting the requirements for economic analysis in this**  
21 **proceeding?**

22

**CERTIFICATE OF SERVICE**  
**DOCKET NO. 991462-EU**

I HEREBY CERTIFY that a true and correct copy of pages 44, 53 and 54 of the Direct Testimony of John H. Landon has been furnished by Facsimile and by Hand Delivery or Federal Express, this 21st day of February, 2000 to the following:

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