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Matthew M. Childs, P.A.

February 25, 2000

Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, FL 32399-0850

RE: DOCKET NO.991462-EU

Dear Ms. Bayó:

Enclosed for filing please find the original and fifteen (15) copies of Florida Power & Light Company's Prehearing Statement in the above referenced docket.

Also enclosed is a formatted double sided high density 3.5 inch diskette containing the Prehearing Statement for Florida Power & Light Company.

Very truly yours,

Matthew M. Childs, P.A.

MMC/ml
Enclosures
cc: All Parties of Record

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APP _____
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Determination)	
of Need for Electric Power Plant)	DOCKET NO. 991462-EU
in Okeechobee County by Okeechobee)	DATE: FEBRUARY 25, 2000
Generating Company, L.L.C.)	
)	

FLORIDA POWER & LIGHT COMPANY'S
PREHEARING STATEMENT

Pursuant to Order No. PSC-99-2002-PCO-EU, issued October 13, 1999, Order No. PSC-99-2165-PCO-EU, issued November 8, 1999, Order No. PSC-99-2166-PCO-EU, issued November 8, 1999, Order No. PSC-00-0290-PCO-EU, issued February 11, 2000, and Order No. PSC-00-0339-PCO-EU, issued February 18, 2000, establishing the prehearing procedure in this docket, Florida Power & Light Company ("FPL") hereby submits its Prehearing Statement.

APPEARANCES

Matthew M. Childs, P.A.
Charles A. Guyton
Steel Hector & Davis LLP
215 South Monroe Street
Suite 601
Tallahassee, FL 32301

A. WITNESSES

<u>WITNESS</u>	<u>SUBJECT MATTER</u>	<u>ISSUES</u>
Samuel S. Waters	Direct Testimony	1, 2, 3, 4, 5, 8, 9 11, 13, 14, 15, 17, 18, 19
John H. Landon	Direct Testimony	2, 3, 4, 5, 8, 9, 13, 15, 16, 17, 18, 19

Pursuant to the Prehearing Officer's revised procedural schedule, FPL may file testimony from other witnesses subsequent to the date of this Prehearing Statement.

B. EXHIBITS

<u>EXHIBITS</u>	<u>WITNESS</u>	<u>DESCRIPTION</u>
(JHL-1)	John H. Landon	Resume

C. STATEMENT OF BASIC POSITION

The need determination petition of Okeechobee Generating Company, L.L.C. ("OGC") should be denied. OGC's Petition and case are factually and legally deficient. OGC's case is largely smoke and mirrors. OGC fails to offer standard proof of need and instead relies upon seriously flawed analyses of markets that do not exist in Florida.

OGC fails to meet its burden of proof as to each of the criteria of Section 403.519. OGC makes no attempt to demonstrate there is a utility specific need for its proposed plant. Instead, OGC argues, but fails to prove, that there is a Peninsular Florida need for its plant. There is no Peninsular Florida reliability need for the OGC plant; its capacity is not properly counted in the Peninsular Florida reserve margin; and the plant is not necessary for Peninsular Florida to meet a reliability criterion. OGC fails to demonstrate that there is an economic need for the OGC plant; OGC's supposed price suppression benefits are wildly overstated, and when other impacts are considered, utility customers would be worse off with the OGC plant than they would be without it. OGC completely fails to offer a comparative cost-effectiveness analysis; therefore, it has failed to demonstrate that its plant is the most cost effective alternative available. Finally, even though OGC postulates that there is a Peninsular Florida need for the OGC project, OGC makes no effort to demonstrate whether there is conservation available in Peninsular Florida that would mitigate the need for the plant.

The underlying theory of the petitioner's case, that the market rather than the Commission should determine need, is inconsistent with Section 403.519, Florida Statutes. OGC is not a proper applicant for a determination of need. The need criteria of Section 403.519 are utility specific, and OGC's attempt to premise its need upon Peninsular Florida need offends this Commission's and the Supreme Court's prior construction of the statute. OGC's attempt to have the Commission presume need and cost-effectiveness would result in the Commission's abrogation of its statutory responsibilities. OGC has failed to comply with Rule 25-22.081, Florida Administrative Code. The proposed plant would result in an uneconomic duplication of facilities.

D. STATEMENT OF FACTUAL ISSUES AND POSITIONS

ISSUE 1: Is there a need for the Okeechobee Generating Project taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519?

FPL: No. The OGC Project has not been shown to be needed for either individual utility or Peninsular Florida reliability and integrity. OGC has not proposed reliability criteria to gauge either individual utility or Peninsular Florida reliability and has not shown that the unit is necessary for either an individual utility or Peninsular Florida to achieve a reliability criterion. OGC's case shows that Peninsular Florida will achieve its approved reserve margin criterion without the OGC unit. OGC has failed to demonstrate that absent a firm contract for its capacity the OGC unit should be recognized in any reserve margin calculation.

ISSUE 2: Is there a need for the Okeechobee Generating Project taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519?

FPL: No. The statutory need criterion in Section 403.519 requiring the Commission to consider "the need for adequate electricity at a reasonable cost" is a utility specific criterion. OGC has made no attempt to prove that a specific utility needs the OGC Project to meet its need for "adequate electricity at a reasonable cost."

Dr. Nesbitt's testimony fails to demonstrate that OGC will provide adequate electricity at a reasonable cost. Dr. Nesbitt models a Florida electricity market that does not exist. The cost of electricity in the market modeled by Dr. Nesbitt is higher than the cost of electricity that will be paid in Florida's regulated electricity market.

ISSUE 3: Is the Okeechobee Generating Project the most cost effective alternative available, as this criterion is used in Section 403.519?

FPL: No. OGC has failed to present a comparative cost-effectiveness analysis comparing alternatives to the OGC Project. Therefore, OGC has not demonstrated that the Project is the most cost-effective alternative. Dr. Nesbitt's analysis of financial viability is not a comparative cost-effectiveness analysis. Dr. Nesbitt's wildly exaggerated wholesale price suppression quantification is not a comparative cost-effectiveness analysis. OGC asks the Commission to presume cost-effectiveness, and making such a presumption would be an abrogation of the Commission's statutory responsibility.

ISSUE 4: Are there any conservation measures taken by or reasonably available which mitigate the need for the proposed power plant?

FPL: OGC attempts to justify the need for the OGC Project on the basis of a Peninsular Florida need. However, OGC makes no attempt to prove that there is not sufficient conservation available in Peninsular Florida to mitigate the need for all or part of the OGC Project.

ISSUE 5: Does the Commission have sufficient information to assess the need for the proposed power plant under the criteria set forth in Section 403.519?

FPL: No. The Petition and supporting exhibits filed by OGC failed to meet the requirements of Rule 25-22.081, Florida Statutes, and OGC's testimony does not provide the missing information. Moreover, OGC has failed to present sufficient Project specific data to allow the Commission to assess the feasibility, viability and reliability of the Project. Instead of providing Project specific data, OGC relies instead on generic data presented by Dr. Nesbitt, which he readily admits are based upon his own estimates and not OGC data.

ISSUE 6: Has Okeechobee Generating Company provided adequate assurances regarding available primary and secondary fuel to serve the proposed plant on a long- and short-term basis?

FPL: No.

ISSUE 7: Can the existing Peninsular Florida transmission system accommodate power deliveries from the Okeechobee Generating project to other utilities in Peninsular Florida?

FPL: OGC has failed to answer this issue.

ISSUE 8: Would granting the determination of need for the Okeechobee Generating Project be consistent with the public interest and the best interests of electric customers in Florida?

FPL: No.

ISSUE 9: Does the displacement of "more costly generation" quantify the "wholesale price suppression" OGC presents?

FPL: OGC has not established a credible basis to either explain or justify its "wholesale price suppression" or savings.

ISSUE 10: Whether the proposed prices for the sale of electrical output from the Project in Peninsula Florida are reasonable?

FPL: No.

ISSUE 11: Whether the prices or costs of any sources of generation used in the quantification of "wholesale price suppression" and savings presented by OGC witness Nesbitt are correct and reasonable?

FPL: No.

ISSUE 12: Whether the method and assumptions associated with the quantification of "wholesale price suppression" and "savings" from the operation of the Project presented by OGC witness Nesbitt are sufficiently accurate and thus appropriate for use in this proceeding?

FPL: The method is not accurate and not appropriate. Most assumptions remain absent from testimony and exhibits offered by OGC and thus will be tested further.

ISSUE 13: Whether the method of quantification of "wholesale price suppression" and "savings" from the operation of the Project presented by OGC witness Nesbitt identifies the Project as the most cost-effective alternative and is capable of identifying the most cost-effective alternative?

FPL: Dr. Nesbitt's quantification of wholesale price suppression and savings are not cost-effectiveness analyses. They grossly exaggerate savings, disregard costs of the OGC Unit on customers and completely fail to evaluate alternatives. Such an analysis is incapable of identifying the most cost-effective alternative.

ISSUE 14: Whether the method of quantification of "wholesale price suppression" and "savings" is consistent with meeting the need for adequate electricity at reasonable cost?

FPL: No.

ISSUE 15: Whether the OGC request for a determination of need is in compliance with applicable rules of this Commission?

FPL: No.

ISSUE 16: Whether the model and associated assumptions used by OGC witness Nesbitt is capable of independent evaluation or verification so as to be relied upon for the purposes presented by OGC?

FPL: Independent evaluation and verification of the Altos and Market Point™ models is not feasible under the circumstances of this proceeding. Intervenors and the Commission Staff have been provided too little time and access to perform such an analysis.

ISSUE 17: Whether the method of analysis associated with the quantification of "wholesale price suppression" and "savings" from the operation of the Project and the assumptions used in that analysis has identified and quantified all costs associated with the operation of the Project?

FPL: No.

ISSUE 18: Will there be significant cost to retail electric customers in Florida from the loss of receipt of the gain from off-system sales resulting from displacement by OGC or the proposed method of analysis?

FPL: This is a significant cost to Florida utility customers that has been ignored by the OGC analysis.

ISSUE 19: Whether the Project will provide power with no risk to Florida electric customers?

FPL: No.

ISSUE 20: Whether the Project will impose no obligation on Florida utilities?

FPL: No.

ISSUE 21: Whether the Project is economically viable?

FPL: Awaiting further analysis but OGC has not established that it is.

ISSUE 22: Based on the resolution of the foregoing issues, should the petition of Okeechobee Generating Company for determination of need for the Okeechobee Generating project be granted?

FPL: No.

ISSUE 23: Should this docket be closed?

FPL: Yes. The matter should be dismissed and the docket closed.

E. STATEMENT OF LEGAL ISSUES AND POSITIONS

Issue 24: Is Okeechobee Generating Company, L.L.C. a proper applicant for a determination of need?

FPL: No.

ISSUE 25: May the Commission presume that the need criteria of Section 403.519 are met or defer to the market to determine whether the criteria will be met?

FPL: No.

ISSUE 26: Are the criteria of Section 403.519 unit and utility specific?

FPL: Yes, and OGC's failure to make a showing of a utility specific need is fatal.

ISSUE 27: Does the OGC Petition satisfy the requirements of Rule 25-22.081, Florida Administrative Code?

FPL: No.

F. STATEMENT OF POLICY ISSUES AND POSITIONS

G. STIPULATED ISSUES

None at this time.

H. PENDING MOTIONS AND OTHER MATTERS

FPL has a Motion for Reconsideration of Order No. PSC-00-0291-PCO-EU pending.

FPC has a Motion to Strike Portions of the Prefiled Testimony of Gerald J. Kordecki and Sean J. Finnerty pending.

I. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

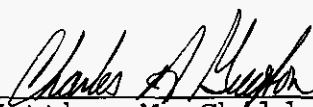
There are no requirements of the Order Establishing Procedure with which Florida Power & Light Company cannot comply.

DATED this 25th of February, 2000.

Respectfully submitted,

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Attorneys for Florida Power
& Light Company

BY: _____


Matthew M. Childs, P.A.
Charles A. Guyton

CERTIFICATE OF SERVICE
DOCKET NO. 991462-EU

I **HEREBY CERTIFY** that a true and correct copy of Florida Power & Light Company's Prehearing Statement has been furnished by Hand Delivery* or U.S. Mail this 25th day of February, 2000 to the following:

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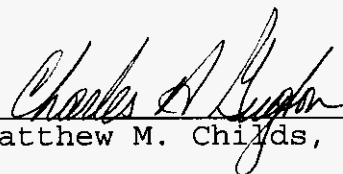
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