BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Determination of Need of Hines Unit 2 Power Plant	)	DOCKET NO. 001064-EI
	)	Submitted for filing: August 7, 2000

CONFIDENTIAL

SUPPLEMENTAL TESTIMONY OF ALAN S. TAYLOR

ON BEHALF OF FLORIDA POWER CORPORATION

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INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Alan S. Taylor. My business address is PHB Hagler Bailly, Inc. (Hagler Bailly), 1881 Ninth Street, Suite 302, Boulder, Colorado 80302.

Q. Are you the same Alan S. Taylor who filed public direct testimony in this proceeding?

A. Yes. This supplemental testimony contains information that supports my public direct testimony but which I believed would be better provided in a confidential fashion.

Q. What is the purpose of your confidential supplemental testimony?

A. The purpose of my confidential supplemental testimony is to provide specific information concerning the responses to FPC's resource solicitation and the results of FPC's analysis.

Q. Please describe in general terms the proposals that were ultimately submitted in response to the RFP.

A. There were two proposals submitted. The Panda proposal was for a 250 MW portion of a larger natural-gas-fired combined-cycle facility. The capacity would be available beginning November 2003, and the purchase power contract would be for two years, with optional one-year extensions through October 2008.

The Eagle proposal was for between 500 MW and 809 MW from an integrated gasification combined-cycle project fueled by petroleum coke. The capacity was proposed to be available beginning March 31, 2004 and extending for 25 years.

Q. What steps were taken subsequent to receipt of the proposals to ensure fair consideration of the bids?

A. Once FPC had reviewed the bids, FPC staff held one-on-one meetings with the bidders in order to fully understand the proposals and to offer the bidders opportunities to clarify and/or revise the proposals and certain important particulars to better address FPC's needs and the requirements of the RFP. At these meetings and in earlier written communications, Panda was made aware that there were no other proposals with which the Panda project could be combined to provide FPC with the 530 MW specified in the RFP. As a result, through subsequent communications, Panda offered a revised proposal of 530 MW.

Q. Please describe the methodology by which FPC evaluated the submitted proposals.

A. As described in my public direct testimony, FPC utilized New Energy Associates's PROVIEW resource optimization model to initially evaluate each of the proposals and their variants. The Eagle project was evaluated at both the desired 530 MW and also at the revised maximum of 750 MW in order to determine whether accepting the offer of more capacity would lower overall system costs to FPC. The Panda project was evaluated at both the 250 MW level (265 MW, with supplemental call)

initially proposed and at the 530 MW level offered in the subsequent revision; each of these alternative capacity scenarios was considered under the 2-, 3-, 4- and 5-year options proposed by the bidder.

FPC utilized the PROVIEW results to narrow the field of contending proposals or variants of proposals. In order to provide added validity to the analysis, a more detailed utility-system simulation model, known as PROSYM, was then utilized to evaluate the remaining proposal variants. The PROSYM runs determined total system costs under four unique scenarios defined by which proposed resource was included in the mix:

(1) the 530 MW Hines 2 unit;

(2) the 530 MW, 2-year option for the Panda proposal;

(3) the 530 MW Eagle option; and

(4) the 750 MW Eagle option.

In short, the Hines 2 unit and both Eagle options were carried over for evaluation in the PROSYM modeling stage. Only the 2-year Panda option was retained for further modeling analysis since this was shown to be the least-cost alternative among the Panda variations in the PROVIEW analysis.

In all four scenarios, each proposal was evaluated in the best light in that the optimal long-term generation expansion plan that was developed in the PROVIEW evaluation was incorporated into the PROSYM runs.

These results were then incorporated into a proforma spreadsheet analysis that determined the anticipated total annual revenue requirements for each resource scenario for each year through 2028.

Q. What were the results of the modeling and proforma analysis?

A. The analysis showed that under the base case Hines 2 was the lowest-cost alternative from 2003, the first year the units would come on line, continuously through to the end of the planning period in 2028. Relative to Hines 2, the Panda proposal was more expensive in each of its two years; the present value of this option over the study period was about $66 million greater than Hines 2. The two Eagle options were more expensive still, with present value costs of approximately $302 million and $499 million above Hines 2.

As discussed in my public direct testimony, FPC conducted three sensitivity analyses on each of the four resource scenarios. These sensitivities included a high-fuel case, a low-fuel case, and a case referred to as "Gulfstream" that represented a scenario in which the proposed Gulfstream gas pipeline was developed. Results from the sensitivity analyses were similar to those of the base case analysis, with Hines 2 clearly the least-cost option. Relative to the base case, the difference in the present value of total costs between the Panda proposal and Hines 2 increased

slightly in all sensitivity cases. The Eagle proposals were more expensive than Hines 2 in all of the sensitivity cases. In only one of the sensitivies — the high-fuel sensivity — was the cost differential between the Eagle proposals and Hines 2 less than the base case cost differential, but even the least expensive of the two options remained more than $234 million more expensive than Hines 2 in present value terms.

Q. What do you conclude from this analysis?

A. I conclude that the Hines 2 resource represents the least-cost resource for FPC's ratepayers under a reasonable variety of scenarios.

Q. Does this complete your confidential supplemental testimony?

A. Yes, it does.