

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

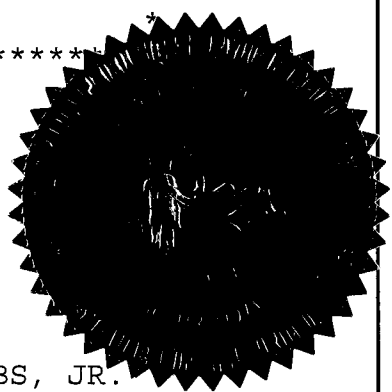
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In the Matter of : DOCKET NO. 001064-EI  
:  
PETITION FOR DETERMINATION :  
OF NEED FOR HINES UNIT 2 :  
POWER PLANT BY FLORIDA :  
POWER CORPORATION. :  
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VOLUME 3

Pages 177 through 312



PROCEEDINGS: HEARING  
BEFORE: COMMISSIONER E. LEON JACOBS, JR.  
COMMISSIONER LILA A. JABER  
COMMISSIONER BRAULIO L. BAEZ  
DATE: Thursday, October 26, 2000  
TIME: Commenced at 9:30 a.m.  
PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida  
REPORTED BY: JANE FAUROT, RPR  
FPSC Division of Records & Reporting  
Chief, Bureau of Reporting  
APPEARANCES:  
(As heretofore noted.)

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I N D E X

WITNESSES

NAME:

PAGE NO.

JOHN B. CRISP

Continued Cross Examination by  
Ms. Brownless  
Cross Examination by Ms. Hart

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## EXHIBITS

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## P R O C E E D I N G S

(Transcript follows in sequence from Volume 2.)

COMMISSIONER JACOBS: Ms. Brownless, you may  
continue.

- - - - -  
JOHN B. CRISP

resumed the stand and testified as follows:

## CONTINUED CROSS EXAMINATION

BY MS. BROWNLESS:

Q Did you specifically -- other than the  
reference you have made to --

A I'm sorry, where are you in the document?

Q I'm on Page 11, Paragraph 4.

A Of direct?

Q No, of your RFP document.

A Okay. Page 11, Paragraph 4.

Q Yes, sir. Other than the reference you made to  
using production costing models, costing methods and other  
models, did you indicate to your potential bidders that  
you would be using PROSCREEN, PROMOD, PROSYM specifically?

A We did not indicate to the bidders the specific  
models we would be utilizing.

Q Thank you. I want to turn now to Attachment D  
on Page 26 of that same RFP.

A I'm there.

1 Q Thank you. The data that is provided here, was  
2 that the data that you actually used in your computer  
3 modeling to produce your PWRR analyses?

4 A That's correct.

5 Q So it was exactly this data?

6 A Yes, it was.

7 Q Okay. When I asked you this question at your  
8 deposition I believe you indicated that it was similar  
9 data, but not exactly this data. Have you had an  
10 opportunity to review that?

11 A I have gone back to check the data, yes.

12 Q Okay. And it is absolutely what is shown here?

13 A To the best of my knowledge it is this data.

14 Q Okay. How was the data shown here developed?

15 A The information from each one of these itemized  
16 numbers, Numbers 1 through 13, was developed from all of  
17 the different sources, the experts in each one of their  
18 fields. For instance, estimated annual fixed O&M is 2.2  
19 million in '03 dollars; the estimated variable O&M is 1.11  
20 per megawatt hour. That would have come from operational  
21 experts. Levelized revenue requirements, annual value of  
22 deferral would have come from the financial experts. The  
23 estimated total direct cost, 197.6 million would have come  
24 from our construction folks.

25 Q Was the heat rate that is shown here provided by

1 the manufacturer, Siemens-Westinghouse, or is that a heat  
2 rate that was developed internally?

3 A That is a nominal heat rate. And to the best my  
4 knowledge that would have been provided by  
5 Siemens-Westinghouse.

6 Q And that would have been the manufacturer's heat  
7 rate associated with the 501F unit?

8 A Yes. And I might clarify that that is a nominal  
9 heat rate. Or, excuse me, that is a heat rate at maximum  
10 capacity, okay. Do you understand the difference?

11 Q Please explain.

12 A The heat rate at maximum capacity is the most  
13 efficient heat rate.

14 Q So to the extent that the unit operated at 130  
15 megawatts, the heat rate would be significantly -- or  
16 could be higher than that?

17 A At minimum load the heat rate would be less  
18 efficient or higher than that.

19 Q Okay, thank you. Before we leave the bid  
20 document, because you could have negotiated with a bidder  
21 who passed the initial screening, could the bid that  
22 ultimately succeeded have been substantially different  
23 than the bid that was originally proposed in that bidder's  
24 RFP?

25 A Substantially different?

1 Q Different.

2 MR. SASSO: Are you changing the question? Mr.  
3 Chairman, is she rephrasing the question?

4 MS. BROWNLESS: I will be glad to restate it. I  
5 will restate the question.

6 BY MS. BROWNLESS:

7 Q To the extent that a bidder was successful in  
8 passing the initially screening and negotiating with  
9 Florida Power Corporation, could the winning proposal have  
10 been different than that stated in the RFP?

11 A I think that the best way to answer your  
12 question accurately is to explain that once you go into a  
13 short list process and you start negotiating details, for  
14 instance, if you offer me one price, and you want to offer  
15 me another price, let's say you want to raise the price in  
16 the negotiation process, then I may get a benefit on a  
17 lower O&M. So there is a chance for some difference and  
18 some give and take in that negotiation process.

19 Now, does it ultimately wind up with a better  
20 value for me? No, there is no guarantee to that. The  
21 give and take process in negotiations in a short list  
22 procedure on many occasions the two parties trying to  
23 negotiate ultimately can fall out and agree to not agree  
24 to go forward with that contract on that basis.

25 Q Sure. But the bottom line here is that certain

1 terms and conditions could, in fact, have been different  
2 as a result of this negotiation than what was originally  
3 proposed by that bidder, yes or no?

4 A Yes.

5 Q Thank you.

6 A I would have to suggest that it should have been  
7 proposed in the first place.

8 MS. BROWNLESS: We would ask that that be  
9 stricken, the answer. The question was asked, the  
10 question was answered. That the following portion be  
11 stricken, the last little bit.

12 COMMISSIONER JACOBS: I thought that he was  
13 explaining his answer. But to move on we will strike that  
14 last portion. I don't think it was that important.

15 MS. BROWNLESS: Thank you.

16 BY MS. BROWNLESS:

17 Q I want to make sure, Mr. Crisp, that I  
18 understand the PWRR analyses that were done in order to  
19 compare the Hines Unit 2 unit with, in specific, the Panda  
20 bid. And I want to make sure I understand the computer  
21 modeling methodology that was actually used.

22 You took Panda's bid and did what with it in  
23 terms of input into the model that was used?

24 A When we originally received the Panda bid at  
25 first step there were several stages of give and take



1 between Florida Power Corporation and Panda. That was  
2 caused because not all of the questions in our request for  
3 proposal and not all of the information was provided in  
4 the initial proposal, so the first step was to clarify and  
5 get all of the information in from Panda that we needed to  
6 accurately evaluate their proposal.

7           The next step was because Panda initially only  
8 proposed 250 megawatts, we went back to Panda and said  
9 could you please provide us with another option for  
10 another 250 megawatt block, so we could have the total of  
11 500 megawatts so that we could -- since that fit our need.  
12 Panda provided us with a second 250-megawatt block, but it  
13 was priced much higher than the first 250-megawatt block.  
14 Now what we had was two blocks of contracts, if you will.  
15 And let's call them Panda 1 and Panda 2. And each one,  
16 Panda 1 and Panda 2 had an option where you could take  
17 either block for two years, and then you could extend it  
18 for a third year, or a fourth year, or a fifth year.

19           Now, once we had all of the information on those  
20 bids and all the information on the numbers, we did an  
21 initial screening process of the Panda proposal to put it  
22 in its best light. We've got a lot of options here to  
23 look at just in the fact that we have got two separate  
24 power blocks. So what we had to do was find the most  
25 optimum solution for our ratepayers using those two

1 different power blocks.

2           So we went through a screening analysis and what  
3 resulted was a recommendation from the models, the lowest  
4 cost production using a combination of Panda, the P1 and  
5 P2 blocks was a 500-megawatt contract with Panda for two  
6 years.

7           Q     Okay. Just so that I understand how the data  
8 was modeled, you ran a PROSCREEN computer model, is that  
9 correct?

10          A     That's correct.

11          Q     And the PROSCREEN computer model is the model  
12 that Florida Power Corporation uses in its ten-year site  
13 plans to determine least-cost options, is that correct?

14          A     We used the PROSCREEN module, which includes the  
15 PROVIEW and the DSVIEW components to sport the IRP  
16 process.

17          Q     Okay. But it is a consistent model is what I'm  
18 trying to get at?

19          A     It is a consistent model, but you are applying  
20 it for two different reasons.

21          Q     I appreciate that. This is not a trick  
22 question. You have the PROSCREEN modeling technology at  
23 Power Corp and you routinely use it to examine your own  
24 internal options, is that correct?

25          A     Yes. And I apologize, I wasn't trying to be

1 trite or anything, I was just trying to help understand.  
2 There are subtleties to the models that are very confusing  
3 at times.

4 Q Okay. In this PROSCREEN model, what is the time  
5 limit over which the Panda option was modeled?

6 A The Panda model -- or, excuse me, the model  
7 application for Panda was modeled over a full 25-year time  
8 frame.

9 Q Okay, let me stop you there. Was the Hines Unit  
10 2 unit modeled over the same 25-year time frame?

11 A Yes, it was.

12 Q And I assume Bidder B was also modeled over that  
13 same time frame?

14 A Yes, it was.

15 Q Okay. The data that Panda provided to you, the  
16 specific costing data, if I hear your testimony correctly,  
17 was divided in two blocks of 250 megawatts each, is that  
18 correct?

19 A That's correct.

20 Q The first block would have been priced at \$6.75  
21 a kilowatt month, is that correct?

22 A That's correct.

23 Q And the second 250 block would have been priced  
24 at \$9.10 a kilowatt month?

25 A That's correct.

1 Q Okay. You took these blocks and modeled them so  
2 that Panda's numbers were used for the first five years of  
3 this 25-year period, is that correct?

4 A The initial screening process took a look at  
5 those blocks and said the best possible solution, the best  
6 cost solution -- do you remember where you said the second  
7 block was at \$9.10 kW a month?

8 Q Yes, sir.

9 A What happened there is that the best possible  
10 solution for cost was a 500-megawatt block for Panda for  
11 two years. So then at the end of two years our load  
12 didn't go away, it is still there. As counselor was  
13 explaining, we have a load that continues to grow for the  
14 next 25 years, or in our ten-year site plan for the next  
15 ten years. Now, we have to fill the load.

16 So, at the end of that optimal Panda solution,  
17 which was two years at 500 megawatts, the model selected  
18 the best possible solution to go in and fill in for the  
19 remainder of that period of time. And it just so happens  
20 that was a combined cycle unit.

21 Q Okay. So now obviously I didn't understand this  
22 at your deposition the other day. What you are telling me  
23 is that -- I understood -- let me tell you what I  
24 understood at your deposition, so I can clarify this.

25 I understood at your deposition that for the

1 first five years of this 25-year run you took the pricing  
2 supplied by Panda and put Panda's pricing parameters  
3 directly into the model recognizing that one block was  
4 more expensive than the second. What I hear you say today  
5 is that you modeled a 500-megawatt block for two years, is  
6 that --

7 A I apologize if I have confused the matter, but I  
8 thought I explained it pretty clearly. You had two  
9 separate blocks. You have two options. One is 250  
10 megawatts, one is 250 megawatts. You load those two in,  
11 you also load in the fact that you have got options for a  
12 three-year, four-year, and five-year extension on each one  
13 of those blocks. The model goes through and optimizes and  
14 says, okay, this is the best possible solution for Panda,  
15 okay. And that best possible solution for Panda was the  
16 500 megawatts taken for two years and then a combined  
17 cycle following that.

18 Q So you did not force Panda's pricing for the  
19 first five years?

20 A Could you explain forced pricing?

21 Q Sure. In the sense that you did not take the  
22 first five years and tell the model for the first five  
23 years 250 megawatts will be priced at this, and 250  
24 megawatts will be priced at 9.10, and used Panda's numbers  
25 for the first five years and then let the model optimize

1 the system from year 6 through year 25?

2 A That is what we did. We listed the price for  
3 the 250 megawatts block here, the price for the 250 block  
4 here, and the prices, all the variable O&M prices  
5 associated with each one of those blocks.

6 Q As if those units would be actually operational  
7 on your system?

8 A As if they were even separate units. We didn't  
9 want to exclude any possible potential combination of  
10 Panda offerings. We wanted to give all of the offerings a  
11 good look. We wanted to make sure that the combinations  
12 or permutations were all sorted out so that Panda got the  
13 optimal shot, the best possible shot.

14 Q Let me tell you what is confusing me here. I  
15 understood -- what you have just said is what I understood  
16 from the deposition, okay. That Panda's pricing was used  
17 for year one through six and that from years six through  
18 25 the model optimized the units that would be added.  
19 That is what I understood. I am confused because you keep  
20 saying the best possible thing would have been a  
21 500-megawatt block for two years as opposed to forcing  
22 Panda's 250-megawatt blocks for the first five years. Do  
23 you understand my confusion here?

24 MR. SASSO: Chairman Jacobs, I'm going to have  
25 to object at this point. Ms. Brownless keeps articulating

1 her own confusion as some type of predicate for questions.  
2 And I'm afraid the record is being hopelessly confused  
3 because she is not asking questions, she is just stating  
4 her state of mind and asking Mr. Crisp to react. I think  
5 he has explained the same thing three or four times now,  
6 and I don't mind direct questions about what he did and  
7 how he did it, but I am concerned about the predicate for  
8 these questions.

9 COMMISSIONER JACOBS: Ms. Brownless.

10 MS. BROWNLESS: Sure, thank you. Okay. Let me  
11 make sure I understand what happened from year six to year  
12 25.

13 COMMISSIONER JACOBS: Well, I was giving you an  
14 opportunity to respond to Mr. Sasso.

15 MS. BROWNLESS: If Mr. Sasso believes that this  
16 question has been asked and answered, and that is the  
17 gravamen of his objection, then I will move on to another  
18 question.

19 COMMISSIONER JACOBS: That works.

20 COMMISSIONER JABER: Now you both have me really  
21 confused and you don't want a Commissioner to be confused  
22 So may I ask a could of questions, Chairman Jacobs?

23 COMMISSIONER JACOBS: Okay.

24 COMMISSIONER JABER: What did you mean by the  
25 better option would have been two 500 blocks for two

1 years?

2 THE WITNESS: Two 250-megawatt blocks. Why  
3 don't I step back for just a moment. In the initial  
4 offering from Panda we got an offering for 250 megawatts  
5 and it was for two years. And then they gave us an option  
6 to extend for another year for year three, and then  
7 another option to extend for a year four, and an option to  
8 extend for a year five.

9 In discussions with Panda we indicated that we  
10 needed a full 500 megawatts. Panda offered another block,  
11 and it was priced differently. It was another block the  
12 same size, 250 megawatts, so that we ultimately had a  
13 cumulative total of 500 megawatts worth of bids from  
14 Panda. But it was in two separate offerings at two  
15 separate pricings. So we didn't want -- on the one hand  
16 we didn't want to penalize the offering that was cheaper,  
17 the 250-megawatt block that was cheaper.

18 So what we did was we let the model, we entered  
19 it as two separate generating units, if you will, or two  
20 separate options. And we told the model here are the  
21 different prices for each one of the different options and  
22 here are their length of terms. And what happens in the  
23 model is it runs a generation stack for total production  
24 costs for a fleet. And it goes through and it selects the  
25 optimum solution that comes up with the lowest possible



1 production cost for the entire fleet. And when it does  
2 that it looks at those and compares those two units and  
3 what the optimum solution for that comparison was was to  
4 combine those two options together for one 500-megawatt  
5 block and then only take it, though, for two years.

6 MS. BROWNLESS: Thank you.

7 BY MS. BROWNLESS:

8 Q And so really the model was selecting a unit  
9 from year 3 through year 25, is that correct?

10 A That's correct.

11 COMMISSIONER JACOBS: I'm sorry, my confusion.  
12 I thought you said it was five years.

13 MS. BROWNLESS: My understanding was it for five  
14 years. But Mr. Crisp has clarified today that it was, in  
15 fact, from year 3 through year 25, correct?

16 THE WITNESS: That's correct.

17 COMMISSIONER JACOBS: Thank you.

18 BY MS. BROWNLESS:

19 Q The unit that the model selected from year 3  
20 through year 25, was what type of unit?

21 A It was a Westinghouse 501F combined cycle unit  
22 similar to the existing proposed Hines 2 and Hines 3  
23 units. Because we already have Hines 1, it makes sense  
24 from a production costing methodology to combine and have  
25 multiple units of the same type so you save money on

1 spares and you save money on the different systems that  
2 control the units and support the units.

3 Q Thank you. I would like to hand out some  
4 exhibits I would like to talk about.

5 A Thank you.

6 MS. BROWNLESS: And I want the record to reflect  
7 that the handwriting on these exhibits is not that of Mr.  
8 Crisp or any notations of Florida Power Corporation.

9 Have you had an opportunity to look at these,  
10 Mr. Sasso?

11 MR. SASSO: I'm looking at it now, just trying  
12 to verify that we have removed Bidder B material.

13 Can I ask whether we have, in fact, removed  
14 that?

15 MS. BROWNLESS: There is no Bidder B stuff in  
16 here, but go ahead and make sure. Certainly it was not my  
17 intent to put it in.

18 MR. SASSO: Based on a quick review, it appears  
19 to be nonconfidential.

20 MS. BROWNLESS: And I would ask that with regard  
21 to the information in here relative to Hines Unit 2, is it  
22 okay for us to discuss that in the open?

23 MR. SASSO: Yes.

24 MS. BROWNLESS: Thank you.

25 BY MS. BROWNLESS:

1 Q Mr. Crisp, I have provided you with some  
2 documents, and they are variously labelled as 19, 20, 21,  
3 and 22. Are these responses which you provided to the  
4 staff of the Florida Public Service Commission?

5 A These appear to be those documents, yes.

6 Q Are they true and correct to the best of your  
7 knowledge and belief?

8 A Given that these are the same documents that are  
9 included in my interrogatories that were filed.

10 MR. SASSO: Just as a point of clarification,  
11 Mr. Chairman, there is handwriting on these documents --

12 MS. BROWNLESS: And we said that at the very  
13 beginning. Did you not hear that?

14 MR. SASSO: Sorry. I was reviewing this.

15 MS. BROWNLESS: Sure.

16 BY MS. BROWNLESS:

17 Q The handwriting, Mr. Crisp, is not part of the  
18 original materials filed by the Florida Power Corporation,  
19 is that correct?

20 A That's correct.

21 Q Okay. I want to look at -- I'm trying to see if  
22 these have separate pages on them -- 19, and the first  
23 page which says Hines Unit 2 case, it is the second page  
24 of the packet?

25 A I'm there.

1 Q And then the third page says Panda 530 case?

2 A Okay.

3 Q And let me ask you why this analysis for both  
4 the Hines case and the Panda case starts in the year 2000?

5 A Because the model itself starts off in the base  
6 year of 2000. Now, if you notice in both of the options  
7 they start off with the same accumulated present worth of  
8 system revenue requirements, in other words, 1,099,179 and  
9 2,159,419, and 3,117,224. And what that is saying is this  
10 is a prior period to the actual incorporation of either of  
11 the Panda bid or any of the other effects on the dispatch  
12 stack. So the net effect of the dispatch stack doesn't  
13 start up until the 2004 time frame.

14 Q So where you have -- where it says new resource  
15 fuel and O&M revenue requirements and it has got little  
16 dashes, that would indicate that the analysis is not  
17 relevant there, it doesn't kick in until 2004 on both  
18 sheets?

19 A That's correct.

20 Q So that for the Hines Unit 2 sheet, we would be  
21 looking at accumulated present worth of system revenue  
22 requirement of 4,928,993? I'm just following it across  
23 there.

24 A For the year 2004 that is correct.

25 Q And on the Panda document, which is Page 3, the

1 requirement for 2004 would be 4,938,773, am I reading this  
2 right?

3 A That's correct.

4 Q Okay. With regard to where it says new resource  
5 fuel and O&M revenue requirement, I noticed that for the  
6 Hines unit you have 71,065, and what is the basis for that  
7 number?

8 A Those are the revenue requirements associated  
9 with fuel costs and variable O&M.

10 Q Okay. Does Florida Power Corporation at this  
11 time have fuel contracts in place to serve the Hines  
12 Unit 2 unit?

13 A Those contracts are currently under negotiation.  
14 We do not have contracts in place specifically for  
15 Hines 2.

16 Q Do you anticipate that you will be negotiating  
17 with both FGT and Gulfstream?

18 THE WITNESS: Is that a confidential issue,  
19 Counsel?

20 MR. SASSO: Yes. Yes, it is.

21 MS. BROWNLESS: I'm sorry, I didn't --

22 BY MS. BROWNLESS:

23 Q Well, let me rephrase my question in this way.

24 Do you anticipate that you will be negotiating with  
25 whatever natural gas suppliers are available to negotiate

1 with?

2 A Yes.

3 Q Okay.

4 A Bring them on.

5 Q All right. So these, this 71,065 is your  
6 projected fuel cost, is that correct, for this unit?

7 A That is for the 2004 time frame, yes.

8 Q I notice that the corollary column for Panda  
9 indicates 100,156 approximately, I'm not going to get the  
10 right numbers here, a 30 million, is that correct,  
11 difference? I don't know how many zeros are omitted from  
12 these charts.

13 A That's correct.

14 Q Okay. Where was this pricing derived from?

15 A It was derived from Panda's O&M. The O&M quotes  
16 that were included in the Panda proposal as well as the  
17 converted fuel pricing.

18 Q I'm sorry, I didn't hear the last phrase. The  
19 quoted prices as well as what?

20 A I believe, this is to the best of my knowledge,  
21 that that is the fuel and O&M associated with the Panda  
22 contract.

23 Q Okay. And that would have been what,  
24 information taken directly out of Panda's bid for the year  
25 2004?

1 A That's correct. And, once again, that is to the  
2 best of my knowledge.

3 Q Sure. For the next year, 2005, does the 75,668  
4 also indicate a projected number?

5 A I'm sorry, where are you?

6 Q I am on your Hines case.

7 A Okay.

8 Q I am on the very next year.

9 A 75,668, I'm with you.

10 Q Yes, sir. Is that also based upon projected  
11 fuel cost?

12 A Fuel and O&M.

13 Q Okay. Where did you get the corollary number on  
14 2005 for Panda, which is the 103,731? Was that directly  
15 off Panda's documents with regard to fuel and O&M?

16 A It is the same source as the previous year. It  
17 is from the Panda contracts.

18 Q Okay. Now, 2006, would that be the first year  
19 in which the model would select an option?

20 A Yes, it would.

21 Q And I just want to make sure I am understanding  
22 the information that is down here. I am going to look at  
23 your Hines Unit 2 case, and I am looking at the year 2006,  
24 and so for existing unit operating expenses it is 604,807,  
25 and that is exactly the same number that it shows for

1 Panda for 2006 in that category, is that right?

2 A I'm not with you right now. Tell me where --

3 Q Okay. I am on 2006 on your Hines 2 case?

4 A Okay.

5 Q And I am looking at the Panda analysis for 2006?

6 A I see.

7 Q So I am just trying to go across the columns  
8 here. The 604,807 is the same for the Panda case existing  
9 unit operating expenses as it is for Hines Unit 2,  
10 correct?

11 A That's correct.

12 Q Okay. Other purchased power production costs is  
13 498,128, that is also true for Hines 2?

14 A That's correct.

15 Q Okay. For the Hines unit, the next category,  
16 new resource capital, financial revenue requirement is  
17 102,370 for Hines and it is 111,516 for Panda, is that  
18 correct?

19 A That's correct.

20 Q What is included in the calculation of new  
21 resource capital revenue requirement?

22 A You are seeing the effect of the addition of a  
23 combined cycle at that point to replace the lost -- the  
24 end of the Panda contract.

25 Q Okay. And even though the model put in



1 equivalent unit to that of the Hines Unit 2, there is this  
2 disparity in new resource capital revenue requirements?

3 A That is correct.

4 Q And why is that?

5 A Because the Hines 2 unit is approximately 20 to  
6 \$30 million cheaper in the Hines 2 run then it would be at  
7 that point in time when you pulled an option for a  
8 combined cycle off the market.

9 Q So what this larger figure in the Panda case  
10 indicates is if Panda were going to the market to get a  
11 combined cycle at that time?

12 A It indicates what we would do if we had to go to  
13 the market. Because once Panda is out, they are out. We  
14 have to cover our load. So we would have to go to the  
15 market and find a combined cycle to replace it.

16 Q Okay. Are you aware of whether at this time  
17 Panda has on order combined cycles?

18 A No, and that was not included in the proposal.

19 Q Okay. To the extent that Panda has combined  
20 cycles on order, would that effect the determination of  
21 this number?

22 A The number for Hines 2 is a number that is  
23 basically contracted with Siemens-Westinghouse, so that is  
24 where you get the 20 to \$30 million lower cost.

25 Q And I guess my question is you are assuming that

1 Power Corp would have to go out into the market beyond the  
2 contract with Siemens-Westinghouse and purchase at fair  
3 market value -- at the current fair market value a  
4 combined cycle unit, is that correct?

5 A That's correct.

6 Q Okay. Under your contract with  
7 Siemens-Westinghouse, do you have the ability not only to  
8 get a power block for Hines 2, but also a power block for  
9 Hines 3?

10 A That was a contract issue, and at the point in  
11 which your deposition of me we discussed the potential for  
12 the third Hines or the third power block --

13 Q Which is Tuesday, right?

14 A Yes. -- there are still negotiations going on.  
15 After Tuesday I learned from our construction specialists  
16 that the second unit is the only one that we are entitled  
17 to now.

18 Q So they have removed off the table the third  
19 power block unit?

20 A That's correct.

21 Q And is that because that has been -- well, let  
22 me ask this question. The contract as it stood prior to  
23 Tuesday would have allowed you access to that third block?

24 A Yes.

25 MR. SASSO: We are getting into confidential

1 information.

2 COMMISSIONER JACOBS: I think you were done with  
3 that line of questioning.

4 MS. BROWNLESS: I am done with that line.

5 COMMISSIONER JACOBS: Good timing.

6 BY MS. BROWNLESS:

7 Q With regard to new resource fuel O&M revenue, I  
8 notice or it looks to me like the number is the same for  
9 the Hines Unit 2 case as well as the Panda 530 case, is  
10 that correct, 145,159?

11 A Yes.

12 Q And the next number, total revenue requirement,  
13 is different, it is higher for the Panda project, is that  
14 correct?

15 A That is because you have added in the cost --

16 Q The capital cost?

17 A -- of that new combined cycle where you don't  
18 have the Hines 2 options.

19 Q Sure. And then system revenue requirement for  
20 the Panda project would also be higher for the same  
21 reason?

22 A That's correct.

23 Q In other words, this higher capital cost carries  
24 across?

25 A That's correct.

1 Q And then that is going to affect the present  
2 worth of system revenue requirement, also?

3 A Correct.

4 Q And obviously be reflected in the accumulated  
5 PWRR?

6 A Correct.

7 Q Okay. If I were to compare year 2008 for the  
8 Hines Unit 2 case, and that is the PWRR figure, the very  
9 last figure on the extreme right side, 8,204,588, would  
10 that comparable number for Panda be 8,236,491?

11 A Yes. I think you will find that all the Hines  
12 numbers for all the years involved are cheaper.

13 Q Okay. I'm just trying to understand if that is  
14 an appropriate comparison.

15 A I understand, yes.

16 Q And the difference is roughly 32 million bucks?

17 A Yes.

18 Q Now, because virtually the same unit was modeled  
19 in each generation expansion plan from year 3 through the  
20 end, through year 25, when I look, for example, at year  
21 2010, I am just going to pick that roughly, I would expect  
22 to see that the numbers for the existing unit operating  
23 expenses, purchased power, and other options would be  
24 identical, correct?

25 A Not necessarily. You could be experiencing --

1 as far as when you bring on the combined cycles,  
2 maintenance required for those combined cycles happen at  
3 set intervals. And so the maintenance impact of those set  
4 intervals may cause some slight showing of disparity  
5 between the numbers.

6 Q The reason I asked that question is quickly  
7 looking at the first two columns on both charts, the  
8 numbers in those charts appear to be identical?

9 A Very good, yes.

10 Q And I assume that is because the model was using  
11 a very similar unit?

12 A Yes. And I just wanted to make that clear.  
13 Because when you asked me that you said for all the  
14 columns, and so I didn't want to lead anybody astray.

15 Q Sure. Thank you.

16 Does the answer to Staff's Interrogatory Number  
17 19 include imputed debt?

18 A Yes, it does.

19 Q Was there an amount of imputed debt imputed to  
20 the Panda project?

21 A Yes. It was very slight, though.

22 Q Okay. Was that imputed debt -- what was the  
23 time frame over which that imputed debt was imputed?

24 A Over a two-year period.

25 Q Okay. So it would be over the same two-year

1 period that Panda's 500-megawatt unit was modeled?

2 A Exactly.

3 Q With regard to the interrogatories identified as  
4 20, do these numbers reflect the same type of analysis  
5 with the imputed debt removed?

6 A That's correct.

7 Q Okay. So if I were to subtract the very last  
8 number associated with 2028 on the Panda case in  
9 Interrogatory Number 20 from the very last number on the  
10 Panda case for Interrogatory Number 19, would I get the  
11 amount of imputed debt?

12 MR. SASSO: Could we get a clarification of what  
13 column?

14 MS. BROWNLESS: Oh, it is the very last column,  
15 PWRR, the very last one on your right, Mr. Sasso.

16 THE WITNESS: Yes, I believe it would be 4  
17 million, the difference between 16,811.

18 MS. BROWNLESS: Yes. It is about 4.5 million  
19 bucks.

20 THE WITNESS: Okay.

21 BY MS. BROWNLESS:

22 Q I mean, if I take 16,811,876 and subtract  
23 16,748,815?

24 A Right.

25 Q Okay.

1           A     I believe that to the best of my knowledge that  
2 would be the major difference.

3           Q     Thank you.

4           A     Now, you do have -- throughout the period of  
5 time since you have incurred the imputed debt on the front  
6 end of the contract, you do carry imputed debt through the  
7 life of the contract, so that is 4 million through the  
8 life.

9           Q     Okay. Or 4-1/2 million, whatever the difference  
10 is.

11          A     Right.

12          Q     With regard to Interrogatory Number 21, is it  
13 fair for me to characterize these as -- oops, wait a  
14 minute -- comparisons of annual and cumulative revenue  
15 requirements for each option, Panda and Hines?

16          A     That's correct.

17          Q     Okay. And the difference in those options is 66  
18 million, approximately?

19          A     Could you hold on for just one minute, please?

20          Q     Sure.

21                   (Pause.)

22          A     I'm ready for your questions. Thank you.

23          Q     Is the difference in revenue requirement between  
24 Hines Unit 2 -- and we are talking cumulative revenue  
25 requirement, which would be the very last number on the

1 extreme right-hand side of the page, approximately \$66  
2 million?

3 A That's correct.

4 Q And I'm assuming that these revenue requirements  
5 are directly correlated to the PWRR analysis that were  
6 previously described?

7 A You mean in Interrogatory 19?

8 Q Yes, sir.

9 A These are not the same analyses. One is the  
10 initial screening and one is a supplemental screening.

11 Q Okay. Was one done with the -- 19 was done with  
12 PROSCREEN and one was done with PROVIEW or a different  
13 type of model?

14 A 19 was done with PROSCREEN, 21 was done with  
15 PROSYM, which is an hourly dispatch model.

16 Q Thank you. And I believe you have testified  
17 that that is a more detailed model?

18 A Yes, it is.

19 Q With regard to Interrogatory Number 22, was this  
20 comparison also done using PROSYM?

21 A Yes, it was.

22 Q And this excludes the impact of imputed debt  
23 associated with the Panda project?

24 A That's correct.

25 Q Interrogatory Number 23 consists of a series of



1 sensitivities, is that correct?

2 A That's correct.

3 Q And these sensitivities used what computer  
4 model? You used what computer model to generate them?

5 A To the best of my knowledge these were on  
6 PROSYM, as well.

7 Q Okay. And there is a sensitivity for high fuel,  
8 a sensitivity for low fuel, and a sensitivity for  
9 alternate natural gas provider, is that correct?

10 A That's correct.

11 Q Okay. Do you believe that this alternate gas  
12 provider is a viable natural gas option to the existing  
13 FGC system?

14 A To the extent that we are going to negotiate  
15 with any and all gas providers, we are going to give them  
16 the credibility of existence. But from our standpoint of  
17 our operational requirements, the FGT gas system is the  
18 proven pipeline that is there right now.

19 Q And the bottom line is that it is the difference  
20 between a pipeline in place and a proposed pipeline?

21 A And a proposed pipeline.

22 Q Does the FGT pipeline system that is in place  
23 have current capacity necessary to serve the Hines Unit 2  
24 unit?

25 A The FGT pipeline currently has -- and this is to

1 the best of my knowledge. The FGT pipeline currently has  
2 capacity to supply the Hines site for both Hines 1 and 2.  
3 I believe there is some additional work that has to be  
4 done on pipeline equipment within the siting area that is  
5 necessary to fit Hines 2.

6 Q Would that additional construction or those  
7 additional facilities be the responsibility of Power Corp  
8 or FGT?

9 A This is -- you are right outside of my knowledge  
10 base now.

11 Q So you don't know?

12 A I don't know.

13 Q Okay. In order to correctly reflect the  
14 comparisons between the Panda project and the Hines  
15 project, and I'm looking now at the cumulative revenue  
16 requirements all the way -- the last column, all the way  
17 to the right. I do that in every instance, right, so I  
18 could subtract with regard to the high fuel sensitivity,  
19 the 17,367,178 from the Hines unit, 17,294,647?

20 A Yes.

21 Q Okay. So that is about a 72 million buck  
22 difference?

23 A Pardon me?

24 Q It is about \$72 million worth of difference?

25 A I'm sorry, I have lost you. Which were you

1 looking at?

2 Q Okay. I am looking at Page 4 of 12, which says  
3 annual and cumulative revenue requirements, high fuel  
4 sensitivity, Panda?

5 A I'm there.

6 Q Now, the number that is all the way -- the last  
7 number, the last line all the way on the right?

8 A Right.

9 Q Is the number that I compare that to on the data  
10 associated with the Hines unit 17,294,647?

11 A Got you.

12 Q So that the difference is approximately \$72  
13 million?

14 A That's correct.

15 Q Okay. And for the low fuel sensitivity number,  
16 I'm looking again at all the way to the right for Panda's  
17 low fuel sensitivity. Would I take 15,439,746 and  
18 subtract from it 15,369,965?

19 A That's correct.

20 Q So that is about 69 million, is that correct?

21 A That's correct. But I do believe I need to  
22 point out one issue.

23 Q Sure.

24 A As you are comparing these, I think it is  
25 important to point out that Panda's high fuel sensitivity,

1 Panda's low fuel sensitivity -- I just caught my -- I  
2 caught myself right there. I understand it now. I  
3 apologize, please.

4 Q Sure. And finally with regard to potential new  
5 pipeline comparisons?

6 A Right.

7 Q I take the 16,662,848 and compare it to  
8 16,579,018?

9 A That's correct.

10 Q And that is about \$83 million?

11 A That's correct.

12 Q Did these analyses make any adjustment for the  
13 fact that Panda might be able to get better natural gas  
14 pricing than that available to Florida Power Corp?

15 A Yes, they did.

16 Q And in what way?

17 A The confidential pipeline provider is typically  
18 noted as having better prices than the FGT prices that we  
19 included in the Hines analyses.

20 Q I understand that, and hence the potential  
21 pipeline sensitivity study, correct?

22 A Correct.

23 Q Okay. My question is did FPC assume that Panda  
24 would get -- that Florida Power Corporation would get the  
25 same prices from this potential pipeline as Panda could

1 get, that you would be treated the same by a potential  
2 pipeline?

3 A I am not equipped to answer that. I'm not the  
4 fuels expert for Florida Power Corporation. And I  
5 apologize, I don't know.

6 Q Sure. So you don't know whether that is true or  
7 not?

8 A I don't know that.

9 Q It is possible that that was the assumption,  
10 however?

11 A It is possible.

12 Q Thanks.

13 MR. SASSO: Objection.

14 BY MS. BROWNLESS:

15 Q Did your PWRP analysis for years 3 through 25  
16 assume that the generic heat rates used in the model for a  
17 combined cycle unit could be significantly different or  
18 different at all from the heat rate actually achieved by  
19 Panda?

20 A Once the Panda contract was over with -- are you  
21 talking about the period of time after the Panda contract?

22 Q Yes, sir.

23 A Then we used specific information that is  
24 included in our databases for combined cycle units.

25 Q Okay. And that may or may not match the actual

1 heat rate that Panda would have been able to achieve with  
2 its unit had you exercised your one-year option?

3 A In any event, Hines 2 has --

4 Q Well, can you just answer the question yes or no  
5 and then explain?

6 A Hines 2 has a better heat rate. The options  
7 that we would -- or, excuse me, the combined cycle units  
8 that we would most likely be exercising into that block or  
9 that opening would have been similar units which would  
10 have had a better heat rate.

11 Q That is not the question. The question is did  
12 the model take into account that the actual heat rates  
13 achieved by the Panda units in year number 3 could have  
14 been different than what was modeled, and you can say yes  
15 or no and then explain?

16 A I don't understand your reference to the Panda  
17 units in year 3.

18 Q My understanding is that for the first two years  
19 you used Panda-specific data and the heat rate supplied by  
20 Panda, is that correct?

21 A That's correct.

22 Q And my question is simply this, is the heat rate  
23 that was supplied by Panda different than the generic heat  
24 rate that the model would use from year 3 forward?

25 A Yes.

1           Q     So the heat rate could be different from the  
2 actual unit in year 3 forward, the fuel prices could be  
3 different from the actual unit in year 3 forward. Could  
4 the O&M expenses be different from the actual unit from  
5 year 3 forward?

6           MR. SASSO: I'm going to object. She has  
7 included three different things in there; two as  
8 assumptions, which are her interpretation of what has just  
9 happened. I think she wants him to answer only the third,  
10 but I would certainly object to her assumptions.

11           MS. BROWNLESS: Well, I believe that the witness  
12 has just answered that the heat rates could, in fact, be  
13 different. That was his testimony. And he has just  
14 answered that the fuel costs could, in fact, be different.

15           COMMISSIONER JACOBS: So you are essentially  
16 restating his answers.

17           MS. BROWNLESS: Well, let me just ask the final  
18 question, then.

19           MR. SASSO: Mr. Chairman, my certain is I have  
20 no idea what that means; the heat rates can be different,  
21 the fuel costs may be different.

22           COMMISSIONER JACOBS: Well, let's clear up the  
23 first issue. His answers can stand for themselves. And  
24 if she misstated them, then he can correct them.

25           MS. BROWNLESS: I can withdraw that question and

1 ask a simpler one.

2 COMMISSIONER JACOBS: Okay.

3 BY MS. BROWNLESS:

4 Q If the Panda unit that was bid by Panda was  
5 actually selected by Power Corp in year number 3, which  
6 was an option, could the present worth revenue requirement  
7 produced by your analyses be different?

8 MR. SASSO: I'm going to have to object to that  
9 question, too. I'm not sure what she is asking him to  
10 speculate about. It's clear she is asking him to  
11 speculate, but I don't understand the question.

12 MS. BROWNLESS: It is a very simple question.

13 BY MS. BROWNLESS:

14 Q If the parameters put into the computer model  
15 are different in year number 3, is it possible that the  
16 results could be different?

17 A If you change the parameters, certainly. But  
18 the problem is that the --

19 Q Well, the answer is yes or no, and then you can  
20 explain.

21 COMMISSIONER JACOBS: I think he gave a yes.

22 Well, maybe not --

23 THE WITNESS: Yes. If you change the parameters  
24 to the model you will have different results. The problem  
25 with this is that the heat rates for Panda are higher.



1 BY MS. BROWNLESS:

2 Q But you would have no way of knowing how that  
3 would impact with other parameters that were different as  
4 well, correct?

5 A You have a refined set of assumptions that run  
6 within the model.

7 Q Wait a minute. Let me just explain. If I ask a  
8 question, I think you are supposed to say yes or no and  
9 then explain.

10 MR. SASSO: Well, first --

11 MS. BROWNLESS: And then if you don't understand  
12 the question --

13 COMMISSIONER JACOBS: Excuse me.

14 MS. BROWNLESS: -- then you can say you don't  
15 understand.

16 COMMISSIONER JACOBS: We will ask the witness to  
17 please respond with a yes or no and then you can explain  
18 your answer.

19 MR. SASSO: First, I would like to make an  
20 objection to the question. I don't believe it was a  
21 proper questions. I'm not sure I remember what it was at  
22 this point, but --

23 COMMISSIONER JACOBS: Could you restate your  
24 question?

25 MS. BROWNLESS: Sure.

1 BY MS. BROWNLESS:

2 Q If the parameters placed into the model are  
3 different than those parameters that you used in  
4 developing, for example, the results to Interrogatory  
5 Number 19, will the results be different?

6 A If you change -- yes. If you change -- now, can  
7 I please clarify for the Commission's benefit.

8 Q Sure.

9 A If you change the parameters on an evaluation  
10 for one unit, those same parameters will ripple through to  
11 the other units. Clear so far? So if you make a change  
12 in that third year and you, for instance, included Panda's  
13 heat rate and Panda's model -- Panda's contract provisions  
14 in the third year, I believe, subject to check, what you  
15 would see is what you see in those third year numbers  
16 actually for many of these sensitivity analyses, is that  
17 the Panda numbers will once again be higher because of a  
18 higher heat rate, a higher variable O&M rate, and a higher  
19 capacity cost.

20 Q In point of fact, did you do any computer  
21 modeling in which Panda's numbers were used in year three?

22 A Absolutely. In the screening process -- we have  
23 been through this I think it was about an hour ago, when I  
24 talked about P1 and P2. Each one of those analyses went  
25 through and selected the best possible cost option for

1 Panda. That means that year 3 was much more expensive  
2 than a two-year option.

3 Q So the answer is no, you didn't; but if you had,  
4 it would have been more expensive?

5 MR. SASSO: Objection. Mr. Chairman, that is  
6 exactly the opposite of what Mr. Crisp just said and what  
7 he has testified repeatedly to today.

8 COMMISSIONER JACOBS: I think his answer to the  
9 prior question was pretty clear.

10 MS. BROWNLESS: Thank you.

11 COMMISSIONER JABER: Mr. Crisp, can you clarify  
12 something for me?

13 THE WITNESS: I will be happy to.

14 COMMISSIONER JABER: When you say to figure out  
15 what the best option for Panda was, are you saying that  
16 you ran the model for every year 25 years out?

17 THE WITNESS: What we did for Panda -- I'm  
18 sorry. We ran the models in the screening analysis for  
19 every year out through and it went out through the 25-year  
20 time frame, yes. But the point of clarification is is  
21 that it is a cumulative process and so you can look at the  
22 results year-by-year.

23 COMMISSIONER JABER: Educate me, because I  
24 really would like to understand how this process is. For  
25 me this is the first need determination. When you look at

1 the runs each year, what goes into your analyses and  
2 determination with respect to what the best option will  
3 be?

4 THE WITNESS: If I may take a moment for  
5 latitude, we will go kind of back to the beginning of how  
6 you set up a generation fleet. And you take all of the  
7 generation units that Florida Power Corporation either  
8 owns, contracts for, or receives a supply for, and you  
9 load them all up. Those are all of the units and the net  
10 total capacity down at the bottom that Florida Power Corp  
11 has access to to serve its load. And then you do your  
12 calculation to make sure that you have got the appropriate  
13 number or percentage of reserve margins.

14 But you compare it -- well, you set up your  
15 generation stack with all of those generating units and  
16 you load those in your model. You include things like  
17 heat rate for each one of the units. On supply contracts  
18 you include either the way that the wording of the  
19 contract is, it can be a fixed cost contract where they  
20 supply it to you at a set amount of dollars per megawatt  
21 hour, that you load the parameters in for that contract to  
22 say, okay, it is either at this dollars per megawatt hour  
23 or it is going to convert gas at this heat rate.

24 And you load in variable O&M for each one of the  
25 units, which I believe we have included in the

1 interrogatory files. You include all of the capacity  
2 costs for those units in the contracts. So what you wind  
3 up with when you push a button, the computer goes through  
4 and runs it, it does a simulation of how all those  
5 generation units run on a day-by-day basis.

6           And the difference in PROSCREEN and PROSYM is  
7 PROSCREEN takes a look at it on a weekly basis. It is a  
8 very high level screening tool. In other words, it just  
9 looks at minor changes on a week-by-week basis of how a  
10 fleet might run. It also includes forced outage rates and  
11 planned maintenance. So spitting out down at the bottom  
12 right-hand corner is a total production cost. And what  
13 that is is that is the cost for the entire fleet to run to  
14 serve Florida Power Corporation's load.

15           Now, in order to do an analysis as in the  
16 analysis that was done for Panda, it was important for us  
17 to take all of the different information that Panda  
18 provided us, both of the 250-megawatt blocks because they  
19 were priced differently, we couldn't just merge them  
20 together, that wouldn't have been fair to Panda. We took  
21 them separately and loaded them in as two separate  
22 entities; each one having a two-year term, or a three-year  
23 term, or a four-year term, or a five-year term. And we  
24 included all of their variable O&M costs for each one of  
25 the years.

1           COMMISSIONER JABER: Did you ask Panda if the  
2 options could be -- if the blocks could be merged?

3           THE WITNESS: No, we did not. Because what we  
4 wanted to do was let the model determine what the best  
5 possible cost was. I believe Panda told us on the front  
6 end when we asked them for an additional block, they  
7 agreed to give us the additional block assuming that both  
8 -- either one, or two, or both would be selected.

9           So in going through the process now, you do  
10 these evaluations on a one-by-one basis. And the computer  
11 goes through a production cost run over a full life or a  
12 25-year lifespan. It evaluates the total production cost,  
13 for instance, for that first 250-megawatt block for only  
14 two years, and then it evaluates it for three years, then  
15 it evaluates it for four years, and then it evaluates it  
16 for five years.

17           Then it goes through another permutation. It  
18 takes the second block in and it evaluates it for two  
19 years, three years, four years, or five years. Then it  
20 starts making permutations of those combinations, seeing  
21 if there is a better way to match up that 250 and 250  
22 megawatt block to come up with something that is even  
23 better.

24           Now, also included in our generation database  
25 are each of the different technologies that are available

1 to us right now. Whether it is combined cycle, or peaking  
2 units, either EA, F, or G configurations of peaking units.  
3 And those are simply letters that designate -- EA, it's a  
4 little bit older, a little bit higher heat rate, not as  
5 efficient. F is a little bit newer, better heat rate. G  
6 is kind of out on the leading edge, very new and very  
7 unproven to this point. I can't say very unproven, but it  
8 is being proven at this point.

9           But the point there being that the model goes  
10 through and picks the best possible solution for the  
11 ratepayer, because that is what we are trying to achieve  
12 is that bottom right-hand corner number that says here is  
13 the best possible production cost.

14           So in an attempt to put -- that's why I say in  
15 an attempt to put Panda in its best light, that was what  
16 we wanted to do. We didn't want to penalize them in any  
17 way, shape, or form for the fact that they came in  
18 underneath what we requested. In fact, we went back and  
19 got the full 500 megawatt complement as a proposal. But  
20 then we went back in and sorted through to see what else  
21 we could do to shape it to make it the best possible  
22 production cost for the Panda bid.

23           COMMISSIONER JABER: Thank you.

24           THE WITNESS: You're welcome.

25 BY MS. BROWNLESS:

1 Q If you had used a five-year time frame, would  
2 the PWRR analysis, cumulative present worth requirement  
3 numbers be different than those for a 25-year time frame?

4 MR. SASSO: I've got to object to that question,  
5 too. I'm not sure I understand it. Again, I'm not sure  
6 it makes any sense. I don't understand whether Ms.  
7 Brownless is asking if you stopped the stream at five  
8 years and had only five years numbers would they look  
9 different from 25 years numbers or whether she means to  
10 ask something more fundamental.

11 MS. BROWNLESS: No, I just mean to ask a very  
12 simple question.

13 BY MS. BROWNLESS:

14 Q If you used your same computer model and instead  
15 of modeling over a 25-year period you had modeled over  
16 only a five-year period, would you expect the CWRR  
17 results to be different?

18 COMMISSIONER JACOBS: That was similar to the  
19 question that you asked before, but why don't we go ahead  
20 and just present the question the way you just asked it  
21 and see what the answer would be.

22 THE WITNESS: I don't know the answer to that,  
23 I'm sorry. The two-year run obviously was the run that  
24 was selected, indicating that it was cheaper than the  
25 five-year run.



1 MS. BROWNLESS: No, sir, that is not my  
2 question.

3 THE WITNESS: I apologize.

4 MS. BROWNLESS: I am obviously not being very  
5 articulate here.

6 BY MS. BROWNLESS:

7 Q If you had taken your PROSCREEN analysis and  
8 instead of evaluating options over a 25-year period you  
9 had evaluated Panda's options over a five-year period,  
10 would you expect the CWRR analysis even as you modeled  
11 Panda's options to be different?

12 MR. SASSO: I have to object again. I'm afraid  
13 the confusion adheres in the question. As Mr. Crisp has  
14 testified repeatedly that the Panda option was modeled  
15 over a five-year term and a four-year and a three-year and  
16 a two-year. I think I understand Ms. Brownless to be  
17 asking something very different, but her question is  
18 ambiguous. And I'm afraid the answer is going to be  
19 confusing and the record is going to be confused.

20 BY MS. BROWNLESS:

21 Q If you stop the PWRR analysis for the Hines  
22 Unit 2 unit at five years, would the CWRR dollar figure be  
23 different?

24 COMMISSIONER JACOBS: That sounds more  
25 reasonable. I think it does. We'll let the question go.

1 MR. SASSO: Well, does she mean to say assume  
2 that Hines would operate for only five years and Panda  
3 would operate for five years?

4 MS. BROWNLESS: Yes.

5 COMMISSIONER JACOBS: That is the question that  
6 is on the floor. Go ahead, Mr. Crisp.

7 THE WITNESS: The numbers should be the same.

8 BY MS. BROWNLESS:

9 Q As that is shown over a 25-year period?

10 A To the best of my knowledge I would believe they  
11 would be the same.

12 Q Here is what I don't understand about that. My  
13 understanding is that there is a capital component that is  
14 carried forward each year that figures into a cumulative  
15 present revenue requirement, is that correct?

16 A Correct.

17 Q So I assumed that that capital component -- that  
18 there is a cost for that capital component over each year  
19 of an analysis, is that correct?

20 A Correct.

21 Q So I would assume that the total dollars  
22 associated with a CWRR revenue analysis for 25 years would  
23 be greater than the total revenue requirements associated  
24 with the same unit over five years?

25 A So I believe what you are suggesting is is we

1 take the entire cost of Hines and load it in for five  
2 years.

3 Q No. What I am suggesting is that if you had  
4 taken your PWRR analysis -- well, actually I probably am  
5 suggesting that. If you took the total cost of Hines and  
6 put it in there during a five-year period, would you  
7 expect the CWRR number to be greater?

8 MR. SASSO: I have to object just to protect the  
9 record, because I'm not sure I believe that I understand  
10 the question correctly. Because as I understand it, she  
11 is asking if you pack 25 years of costs of a unit into  
12 five years and compare it to Panda what will you get.  
13 That is a nonsensical question.

14 MS. BROWNLESS: Well, nonsensical or not it is a  
15 fair one.

16 COMMISSIONER JACOBS: I will allow the question.

17 THE WITNESS: The numbers would be different.

18 BY MS. BROWNLESS:

19 Q Okay. If you prorated the Hines unit capital  
20 cost to the first five years of that unit and ran a  
21 revenue analysis with that assumption would the CWRR  
22 results be different?

23 A I believe they would. Please come back again,  
24 you are losing me.

25 Q The first question was if you took all the

1 capital costs associated with Hines Unit 2 and packed them  
2 into five years, would the CWRR results be different?

3 A That would be different.

4 Q That would be different. All right. If you  
5 took 1/5th of those costs, the costs associated with the  
6 first five years, okay?

7 A Of Hines?

8 Q For Hines.

9 A Uh-huh.

10 Q And you ran your analysis for five years, would  
11 the CWRR number at the end of that five year be different?

12 MR. SASSO: Different from what? I'm going to  
13 object.

14 MS. BROWNLESS: Different from that of the 25  
15 year PWRR analysis for the Hines Unit 2 unit?

16 MR. SASSO: Does Ms. Brownless mean the delta,  
17 the difference between the two units being compared, or is  
18 she comparing five years of Hines operation versus 25  
19 years?

20 COMMISSIONER JACOBS: Excuse me, we can't have  
21 both of you talking. You have an objection?

22 MR. SASSO: Yes, I'm making an objection because  
23 I think the question is terribly ambiguous.

24 MS. BROWNLESS: It is quite simple.

25 BY MS. BROWNLESS:

1 Q If you take five years of capital cost  
2 associated with Hines Unit 2 --

3 A The first five years?

4 Q The first five years. -- and you run your PWRR  
5 analysis?

6 A For five years?

7 Q For five years.

8 A Just as they appear here in 2003 through 2008 in  
9 the interrogatory?

10 Q Well, I'm going to ask that question in a  
11 minute, okay. Would the number be different than the CWRR  
12 number that falls out at the end of 25 years for that  
13 unit?

14 MR. SASSO: Again, I must object.

15 MS. BROWNLESS: Mr. Sasso, with all due respect,  
16 if you are --

17 COMMISSIONER JACOBS: Excuse me, excuse me,  
18 excuse me. Let him finish his objection.

19 MR. SASSO: If she is asking whether five years  
20 worth of cost numbers are different from 25 years worth of  
21 cost numbers, I would have to object on the grounds of  
22 relevance because it is an absurd question.

23 If she means to ask something else, I would  
24 prefer that she clarify it. Because I can't understand  
25 it, and we are spending an awful lot of time, I think,

1 getting nowhere.

2 MS. BROWNLESS: Well, with all due respect to  
3 Mr. Sasso, I don't think Mr. Sasso needs to understand the  
4 question, I think his witness needs to understand the  
5 question. So to the extent his witness understands it, I  
6 would appreciate the witness' answer.

7 THE WITNESS: And I am struggling to understand  
8 it.

9 COMMISSIONER JACOBS: Excuse me. That was not  
10 the essence of his objection. I thought the essence was  
11 relevance, whether or not the question was relevant to --

12 MS. BROWNLESS: It is absolutely relevant. In  
13 other words, they have stated --

14 BY MS. BROWNLESS:

15 Q Let me ask this question. You believe the  
16 appropriate time over which to analyze all of these bids  
17 is a 25-time-year period, correct?

18 A That is correct.

19 Q And in all the analysis you have used a  
20 25-time-year period, correct?

21 A That's correct.

22 Q You got data from Panda that covered at a  
23 maximum a five-year time period, correct?

24 A That's correct.

25 Q Okay. All I'm trying to ask is did you do a

1 PWRR analysis that stopped at the fifth year?

2 A Can you please -- can you please clarify that  
3 question? Are you asking me did we stop the computers at  
4 five years?

5 Q Did you use your model and put the timeline in  
6 over which you were going to optimize or maximize your  
7 system as a five-year time period?

8 A No, we did not.

9 Q And you didn't do that for any of the bids,  
10 right?

11 A No, we did not.

12 Q Did you do a PWRR analysis over a ten-year  
13 period, from 2003 to '14, I guess?

14 A We ran a ten-year screening study.

15 Q Those were the sensitivity studies, correct?

16 A Yes, the screening studies.

17 Q On PROSYM, right?

18 A Yes.

19 Q But you did not do a PROVIEW PWRR analysis for a  
20 ten-year period, correct?

21 A To the best of my knowledge, no.

22 Q When you are developing your ten-year site  
23 plans, do you use a ten-year planning horizon for the data  
24 contained in those ten-year site plans?

25 A Yes, we do.

1 Q And you have traditionally done that, is that  
2 correct?

3 A That's correct.

4 Q To the extent that a site plan extrapolates fuel  
5 data from ten years onward, is it less reliable every  
6 year?

7 A You mean from an incremental standpoint less  
8 reliable?

9 Q Yes, sir.

10 A I think as you get out in the future, as you get  
11 further and further out in time obviously things are a  
12 little less reliable, yes.

13 Q And they become more reliable the further out  
14 you go?

15 A I would be inclined to agree with that.

16 Q Thank you. I would like to pass out what I  
17 think has been included in Staff's Production of Documents  
18 Request Number 1 --

19 COMMISSIONER JACOBS: Excuse me. Had you  
20 finished your --

21 THE WITNESS: There was one thing that was  
22 bothering me there, Commissioner. The one thing that I  
23 know I can guarantee about a 25-year time frame and  
24 looking out in time is that if we build our plant in a  
25 regulated rate of return environment, the customer is only



1 going to pay for that plant one time in that 25-year time  
2 frame. And if we cut it off at the end of two years or  
3 five years and open ourselves up to market exposure, we  
4 don't know how many times the customer is going to pay for  
5 a plant to support that particular 530-megawatt block.  
6 That is a guarantee for out in the future that I think we  
7 can guarantee.

8 BY MS. BROWNLESS:

9 Q Will the customer ever pay for more megawatts  
10 than are necessary to serve him?

11 A No, the customer will not pay for more megawatts  
12 necessary to serve him.

13 Q Because you are not going to purchase more,  
14 right, or you are not going to charge him for more?

15 A We are going to buy the necessary amount of  
16 megawatts to maintain our operating system and serve our  
17 obligation.

18 Q Does your assessment that 25 years is reasonable  
19 depend upon the fact that this will continue to be a  
20 totally regulated environment for Florida Power  
21 Corporation?

22 A Our RFP is based on a regulated environment.

23 Q And by regulated you mean rate base regulated as  
24 we have traditionally known it?

25 A That's correct.

1           Q     Thank you. Was this information contained in  
2 the response to Staff Interrogatories Number 1? And I  
3 will give you a second to check through those materials,  
4 because there were a lot of materials provided pursuant to  
5 that request.

6           A     Staff's Interrogatory Number 1 --

7           Q     Not Interrogatory Number 1, I'm sorry.  
8 Production of Documents Request Number 1.

9           MR. SASSO: I would just note that the document  
10 that we -- the documents we produced have Bate's numbers,  
11 this does not. So we are having some difficulty verifying  
12 it.

13           MS. BROWNLESS: Gary, this was sent to me under  
14 the little tab that said Number 1. So that is how I got  
15 the idea it was Staff's Request for Production Number 1.  
16 You all provided it.

17 BY MS. BROWNLESS:

18           Q     Let me ask it this way. Are you familiar with  
19 this document at all, Mr. Crisp?

20           A     No, I'm not. I'm hoping to find it in the stack  
21 here so that I can put it into context.

22           Q     If you are not familiar with it we won't pursue  
23 any questions about it.

24           A     I apologize.

25           Q     Sure.

1 MR. SASSO: This is a confidential exhibit.  
2 This is supposed to be handled only in envelopes. Can we  
3 collect this back, please?

4 MS. BROWNLESS: Well, with all due respect, if I  
5 had handed it out in an envelope one would have taken it  
6 out of the envelope to look at it, would one not?

7 MR. SASSO: Well, we have a special procedure in  
8 place for handling exhibits at the hearing as opposed to  
9 discovery. We have produced these to you in discovery  
10 under a confidentiality agreement. At the hearing they  
11 are supposed to stay in envelopes.

12 MS. BROWNLESS: Well, to the extent that I could  
13 ask general questions about these documents and not reveal  
14 their content --

15 MS. HART: Mr. Chairman, we could pass out our  
16 version.

17 COMMISSIONER JACOBS: Is it under a confidential  
18 envelope? Let's do that. That will solve the issue real  
19 quickly.

20 MR. SASSO: Is staff's version also -- or is it  
21 in a confidential envelope?

22 COMMISSIONER JACOBS: Yes, they indicate that it  
23 is.

24 MR. SASSO: Can we collect the open copies?

25 MS. BROWNLESS: Sure.

1 MS. HART: Mr. Chairman, we are also sending  
2 around the redacted version of this document.

3 COMMISSIONER JACOBS: Okay. Do you want to go  
4 ahead and mark this now or --

5 MS. HART: Yes, the redacted version.

6 MR. SASSO: May we have an opportunity to see  
7 the redacted version before it is marked?

8 COMMISSIONER JACOBS: Very well.

9 (Pause.)

10 COMMISSIONER JACOBS: So we can mark that as  
11 Exhibit 6, titled FPC's confidential response to Staff  
12 Interrogatories 4 through 5 and 21 through 23.

13 MS. BROWNLESS: Are we all ready?

14 COMMISSIONER JACOBS: Now, I understand you only  
15 wanted to mark the redacted version, you don't want to  
16 mark the confidential version?

17 MR. ELIAS: We don't need to mark the  
18 confidential version. That will be secure throughout the  
19 process and this is just meant to show the trail.

20 COMMISSIONER JACOBS: Sure. This has the  
21 information that you are looking for, Ms. Brownless?

22 MS. BROWNLESS: Yes, sir.

23 COMMISSIONER JACOBS: You may proceed.

24 (Exhibit 6 marked for identification.)

25 BY MS. BROWNLESS:

1 Q To the extent that a date is indicated on here  
2 by which a contract needed to be finalized, was that date  
3 met?

4 A Could you please restate the question.

5 Q I'm going to refer you to Bullet 4 on the very  
6 first page.

7 A Okay. I'm there.

8 Q All right. To the extent that a contract date  
9 is stated in this document, was that contract date met?

10 A The contract being the Hines 2 option?

11 Q The contract referenced in this document.

12 MR. SASSO: Mr. Crisp, just as a caution, since  
13 this is confidential we are taking care not to articulate  
14 any of the details of the document. I know this is  
15 awkward, but if you can answer without disclosing details.

16 THE WITNESS: Yes. Yes.

17 BY MS. BROWNLESS:

18 Q Was the dollar amount shown on this document in  
19 relation to that contract applied toward the purchase of  
20 the commodity involved?

21 A I don't know the answer to that. I think that  
22 is an answer that someone else is responsible for.

23 Q Do you know who would be able to answer that  
24 that is a witness in this proceeding?

25 A Someone in our construction area.

1 Q Do you have a name for a witness that will be  
2 produced here?

3 MR. SASSO: We can offer a name. I think he was  
4 just about to do it.

5 THE WITNESS: Eric Major.

6 MS. BROWNLESS: Thank you.

7 BY MS. BROWNLESS:

8 Q If you don't know the answer to this question,  
9 Mr. Major would be the person that I should pursue this  
10 with, please feel free to indicate that.

11 Is the contract referenced now binding on both  
12 parties to your understanding?

13 A Mr. Major should answer that.

14 Q Should Mr. Major answer any questions concerning  
15 the status of this particular contract?

16 A Yes.

17 Q If I turn to the second page of this document,  
18 there is a reference there to different perspectives, are  
19 there not, on the right-hand side of the document?

20 A Top right-hand side of the page.

21 Q Okay. And there are two categories of  
22 perspectives, are there not?

23 A Yes.

24 Q Okay. There is a reference to a phrase on the  
25 very first bullet of the very first perspective. Do you

1 see that?

2 A Yes, I do.

3 Q Okay. What is meant by that particular  
4 terminology?

5 A I think the asterisked statement at the bottom  
6 of the box provides a good description as well as the  
7 method of determining that value.

8 Q Okay. Do you know why the year in question that  
9 is on this particular document on that same first bullet  
10 point was selected?

11 A Yes.

12 Q Can you share that with us?

13 A Because it is a part of our financial planning  
14 horizon.

15 Q Okay.

16 A It extends to that year.

17 Q And that is the only reason that date was  
18 selected?

19 A That's correct.

20 Q That date would not have been selected in  
21 relationship to the previous nomenclature we just  
22 discussed?

23 A You mean concerning the previous page?

24 Q No, concerning the previous two words on that  
25 bullet point. Does it have any relationship to the

1 concept expressed in the first two words there?

2 A Nothing is implied there. We have a five-year  
3 financial planning horizon.

4 Q Okay. And this would have been five years from  
5 November 15th -- well, five years from the date of this  
6 document?

7 A We look in whole year increments; 2001, 2, 3, 4,  
8 and 5.

9 Q Okay. The figures that are mentioned here as  
10 being discounts, are those compared to prices at the time  
11 that this document is dated? I'm looking on the --

12 A Top left-hand corner.

13 Q -- top left-hand corner?

14 A It is a comparison at the time that this  
15 document was made.

16 Q Now, I also noticed in the top left-hand corner  
17 Bullet Number 3 that there is some other terminology used  
18 there. Does this document -- contained in this document  
19 is there a definition of the terminology that is used  
20 there at the end of the bullet point?

21 A Can you please rephrase your question.

22 Q All right. I'm in the box on the --

23 A I know where you are. Just please rephrase the  
24 question.

25 Q Is there a definition in this document of the



1 last two words on that -- on the first line of the last  
2 bullet point?

3 A There is no definition in this document for  
4 those words.

5 Q Okay. Would those words have the same meaning  
6 as the generic common meaning that one might associate  
7 with them?

8 A I think that the confusion from those two words  
9 in the upper left-hand box -- and this is subject to  
10 check --

11 Q Sure.

12 A -- are pertaining to that particular bullet  
13 point, not necessarily to the bullet points in the upper  
14 right-hand box.

15 Q Okay. That is the answer to a different  
16 question. But my question is looking at those two words  
17 contained on the left-hand third bullet point, can I give  
18 those two words the common meaning usually associated with  
19 them?

20 A I assume so.

21 COMMISSIONER JACOBS: Do you have much more, Ms.  
22 Brownless?

23 MS. BROWNLESS: On this document I don't think  
24 so.

25 COMMISSIONER JACOBS: Okay. I didn't want to

1 take a break until you were done.

2 MS. BROWNLESS: Would you like to take a break?

3 COMMISSIONER JACOBS: Yes. I want to give the  
4 court reporter a break, but I want to get gone with this  
5 first so we can put it away. I wanted to get done with  
6 the --

7 MS. BROWNLESS: Oh, with this document?

8 COMMISSIONER JACOBS: Yes.

9 MS. BROWNLESS: Okay. Thank you.

10 BY MS. BROWNLESS:

11 Q I'm looking now on the third page of this  
12 document, and I'm looking at the second big box. It has  
13 1, 2, 3, 4, 5, 6, 7, that box?

14 A I see it.

15 Q Okay. And I'm looking at Item Number 3, okay?

16 A Okay.

17 Q Would this be an attempt to address your demand  
18 curve?

19 A I think this is an attempt to go back to the  
20 issues of optimizing our generation fleet and removing our  
21 exposure to demand-side management cancellations.

22 Q Okay. With regard to Item Number 4 there, would  
23 this indicate that this type of capability would be  
24 exhausted in the Polk County area?

25 A I'm not equipped to answer that. This is not my

1 area of expertise.

2 Q Okay. With regard to Item Number 5, could I  
3 take it that that would apply to nonretail transactions?

4 A That would pertain to opportunity transactions  
5 if the opportunities presented themselves on a very, very  
6 short-term basis. For instance, in off-season periods or  
7 during periods where we were operationally very sound and  
8 we would have that obligation to bring that value back to  
9 the ratepayer.

10 Q So that would be nonretail transactions, then?

11 A That's correct.

12 Q And with regard to Number 7 that is listed  
13 there, can I take, again, that language at commonly  
14 understood value?

15 A I believe so, to the best of my knowledge.

16 Q Sure. I'm looking on the right-hand side now in  
17 the box that is, like, lowest to the box we were just  
18 talking about, and it has seven numbers there also?

19 A It starts with the word plans?

20 Q Yes. Do I take Number 6 to mean that at the  
21 date of this memorandum the equipment discussed here was  
22 firmly available to Power Corp?

23 A At this point, as in the prior years, the option  
24 was there. Power Corp was required to pay, I believe, a  
25 maintenance fee to maintain the option.

1 Q And the language here refers to that?

2 A I would suggest that Mr. Major could provide the  
3 answer to that.

4 Q Sure. To the extent that there are financial  
5 figures at the bottom of both this page and the next, I  
6 assume that those were true and correct to the best of  
7 FPC's knowledge and belief at that time, correct?

8 A Correct. But, once again, these areas are out  
9 of my expertise. This is a financial analysis performed  
10 by financial specialists.

11 Q Thank you. Is there any difference between what  
12 has been labelled FPC 298 and what has been labelled FPC  
13 299?

14 A Yes, there is.

15 Q And what is that difference?

16 A There is a signature block on FPC 299.

17 Q So this would be a final approved document of  
18 Power Corp?

19 A That's correct. But I would caution -- rather  
20 than be misleading, I would caution everyone to look at  
21 the title and make note of if the option is selected.

22 Q Yes, sir. But all of this data would be in  
23 Power Corps' opinion accurate once the option was  
24 selected?

25 A I think the key word there was if the option was

1 selected. At this point in time no determination was made  
2 to select this option.

3 Q Okay. Thank you.

4 MR. SASSO: I would also like to note an  
5 objection insofar as some of the data does not reflect  
6 existing facts when we are talking about accuracy.

7 MS. BROWNLESS: And I believe we clarified that  
8 it was as of the date of this material.

9 COMMISSIONER JACOBS: Why don't we -- only as to  
10 the knowledge of the witness will I allow the question.  
11 So he can answer only as to his knowledge. Do you  
12 understand?

13 THE WITNESS: I'm sorry, no, I don't understand.

14 COMMISSIONER JACOBS: Your counsel had objected  
15 to the question. And I indicated that I will allow it  
16 only to the extent of your knowledge.

17 THE WITNESS: I understand. As noted before,  
18 this is a document and this information was to the best of  
19 our knowledge at this particular date.

20 MS. BROWNLESS: Thank you. I am done with that  
21 document, sir.

22 COMMISSIONER JACOBS: We will take a break.

23 MS. HART: Mr. Chairman, if I could interrupt.  
24 We are going to collect that confidential information  
25 again as we leave. Thanks.

1                   COMMISSIONER JACOBS: Great. We will come back  
2 at 4:30. For your information, we are intending on going  
3 until 6:00 p.m. today.

4                   (Recess.)

5                   COMMISSIONER JACOBS: Back on the record. Go  
6 ahead. You can proceed.

7                   MS. BROWNLESS: Just for the record, you have  
8 previously identified Florida Power Corporation's  
9 responses to staff Interrogatories 19, 20, 21, 22, and 23.  
10 Could I have those marked as an exhibit?

11                   COMMISSIONER JACOBS: I'm sorry, give me the  
12 description again.

13                   MS. BROWNLESS: Staff Interrogatory Responses --  
14 and these are partial responses. This is the Hines Unit 2  
15 and Panda Energy portions of these interrogatories.

16                   COMMISSIONER JACOBS: These are Power Corp's  
17 responses to staff's interrogatories?

18                   MS. BROWNLESS: Yes. Number 19, 20, 21, 22 and  
19 23. And these do not contain any confidential material.

20                   COMMISSIONER JACOBS: Now, as a part of Exhibit  
21 6 we had 21 through 23. Was that the same set of  
22 interrogatories?

23                   MS. BROWNLESS: Well, the Confidential Exhibit  
24 Number 6 contains both the nonconfidential and  
25 confidential portions. And so my exhibit would just

1 contain the nonconfidential portion of Exhibits 21 and 23.

2 COMMISSIONER JACOBS: Very well. Show that  
3 marked as Exhibit 7.

4 MS. BROWNLESS: Thank you. And could we move  
5 those into the record at this time?

6 COMMISSIONER JACOBS: Do you want to do it now  
7 or wait until you were completed with all the cross?

8 MS. BROWNLESS: Well, I was going to try to do  
9 it now before I forget it.

10 MR. SASSO: I'm sorry, I'm trying to get  
11 straight on the exhibits here. Ms. Brownless'  
12 Confidential Exhibits 6, as I understand it, was the  
13 exhibit that staff handed out in the maroon binder?

14 COMMISSIONER JACOBS: Correct.

15 MS. BROWNLESS: Yes, that is the confidential  
16 material. And that includes staff Interrogatory Number 4  
17 and 5, Staff Interrogatories 21 and 23, and Staff POD  
18 Number 8.

19 MR. SASSO: So Panda is taking staff's exhibit  
20 and using that as Panda's Exhibit 6?

21 MS. BROWNLESS: No, sir.

22 COMMISSIONER JACOBS: It was my understanding  
23 that staff intends to sponsor that on their cross of Mr.  
24 Crisp.

25 MS. BROWNLESS: That was just identified.

1           COMMISSIONER JACOBS: As a matter of convenience  
2 they went ahead and identified it and passed it out now  
3 because they had it in folders. This exhibit is  
4 nonconfidential responses to the same --

5           MS. BROWNLESS: It is the nonconfidential  
6 responses.

7           MR. SASSO: So Exhibit 6 is staff's exhibit?

8           COMMISSIONER JACOBS: Correct.

9           MR. SASSO: Okay.

10          MS. BROWNLESS: And Exhibit 7 is the  
11 nonconfidential material that I provided you with, Gary.  
12 And that would be responses to staff interrogatories --  
13 the nonconfidential portion of Staff Interrogatories 19,  
14 20, 21, 22, and 23.

15          MR. SASSO: Got it. I apologize, Mr. Chairman.  
16 You had asked me a question and I didn't hear it. Has it  
17 been answered?

18          COMMISSIONER JACOBS: Actually that was it. No,  
19 that wasn't the question.

20          MS. BROWNLESS: The question is I would like to  
21 move this into evidence.

22          COMMISSIONER JACOBS: And I was going to ask you  
23 if you had any objection?

24          MR. SASSO: No objection.

25          COMMISSIONER JACOBS: Okay. That being the



1 case, show Exhibit 7 admitted.

2 (Exhibit 7 marked for identification and  
3 admitted into the record.)

4 COMMISSIONER JABER: Suzanne, when you talk  
5 during other people's conversation, I can't hear anything.

6 MS. BROWNLESS: I'm sorry.

7 COMMISSIONER JABER: No problem.

8 COMMISSIONER JACOBS: Very well. You may  
9 proceed.

10 BY MS. BROWNLESS:

11 Q I would like to turn now to what has been marked  
12 as Composite Exhibit Number 5.

13 A Can you clarify what Composite Exhibit Number 5  
14 is?

15 Q Sure. That is the list of appendix items. I am  
16 particularly interested in the list of appendix items.

17 COMMISSIONER JACOBS: That is all of the  
18 exhibits to your testimony.

19 MS. BROWNLESS: Right.

20 MR. SASSO: Okay. I assume -- if I may ask, Mr.  
21 Chairman, that Ms. Brownless is talking about Confidential  
22 Exhibit 3?

23 MS. BROWNLESS: You have put all of those  
24 exhibits -- this was -- let me just read the heading,  
25 Gary, because I am little confused about where it is

1 included in the record. I believe you put in the record  
2 all -- the complete need determination, both the  
3 nonconfidential portions and the confidential portions,  
4 did you not?

5 MR. SASSO: That's correct.

6 MS. BROWNLESS: Okay. And there is a portion of  
7 need study that says confidential section, list of  
8 appendix items.

9 MR. SASSO: Yes, that is confidential.

10 MS. BROWNLESS: Okay. Now, the only thing I  
11 wish to ask questions about is Item Number 7, which are  
12 Panda's responses, and we will waive confidentiality with  
13 regard to those. So are we all looking at the same  
14 document?

15 THE WITNESS: Can you give me a title of the  
16 document?

17 MS. BROWNLESS: Let me show what you the front  
18 page looks like. And as I said, Panda waives its  
19 confidentiality with respect to this information, so we  
20 are going to go ahead and just ask questions about it.

21 BY MS. BROWNLESS:

22 Q The heading on this schedule is nonprice  
23 attributes, is that correct?

24 A Yes.

25 Q Are these the attributes that were listed in

1 Section C of the RFP that we discussed earlier?

2 A As I explained in my deposition, there is not  
3 necessarily a one-to-one correlation between these  
4 nonprice attributes and what is contained in Section C.  
5 Section C was a request for information or options that  
6 FPC would like to have seen providing good creative  
7 solutions and gave some suggestions. This is not  
8 necessarily a one-to-one correlation between those two  
9 documents.

10 Q So there may be some items that were listed in  
11 Section C that are not included in this analysis?

12 A If, for instance, there was an item in Section C  
13 that Panda did not include in their proposal, then they  
14 would not have been penalized.

15 Q I'm just trying to get the correlation. The  
16 correlation is that there was a series of items listed in  
17 Section C, and is it a correct statement that not all of  
18 those items are addressed in this document?

19 A That's correct.

20 Q The way this document is set up, it says factor,  
21 attribute, commentary, and significance, is that correct?

22 A That's correct.

23 Q And I asked you at your deposition with regard  
24 to the Page 6 of 6, operational flexibility, the  
25 significance box was omitted. Do you have a response for

1 that now?

2 A Yes, I do. I went back and asked. This was  
3 identified as an issue, but there was no attribute factor  
4 associated with this particular issue. We just identified  
5 it as an issue and didn't list it as a pro or a con.

6 Q Okay. So the fact that maintenance risk would  
7 be minimized because the contract was for five years was  
8 not given any ranking by you?

9 A No, it was not.

10 Q You don't consider it -- well, let me ask this  
11 question. Let's talk a little bit about what these  
12 rankings mean. What do you mean when you say critical?

13 A If something is listed as critical it is  
14 something that is extremely important. Look at that very  
15 carefully and evaluate it in terms of a very serious  
16 nature. Significant would be something that is very  
17 important, but not as important as critical. Moderate,  
18 just moderate of importance, and minimal is not very  
19 important. I think I can clarify your concern over  
20 operation and maintenance plans.

21 Q Please do.

22 A The commentary is written since this is a  
23 short-term proposal, five years or less, the operations  
24 and maintenance risk should be minimized given a  
25 reasonable package of performance guarantees. There are

1 many different speculative issues in this statement, so it  
2 was not used as a plus or a minus. It wasn't used against  
3 Panda in any way. We just made a note to ourselves that  
4 said this is something that is out there. It's an issue;  
5 it's not a plus, it's not a minus.

6 Q Okay. So it had no effect?

7 A No effect.

8 Q Okay. I want to start at the top on strategic  
9 factors, and I notice that you considered it extremely  
10 detrimental to Panda's case because Panda's proposal was  
11 an exempt wholesale generator, is that correct?

12 A That's not correct.

13 MR. SASSO: Objection. That is a  
14 mischaracterization of this.

15 COMMISSIONER JACOBS: Ms. Brownless. I'm sorry.  
16 The objection was that -- mischaracterization, that is  
17 different, but I assume what you are saying is it is not  
18 relevant?

19 MR. SASSO: She is mischaracterizing this  
20 document.

21 COMMISSIONER JACOBS: Okay.

22 MS. BROWNLESS: Well, I was trying to kind of  
23 speed up here, but we will go slower.

24 BY MS. BROWNLESS:

25 Q The language expressed here says based on the

1 terms of this proposal the proposed plants are prohibited  
2 under existing law, is that correct?

3 A That's what it says, yes.

4 Q Why were the proposed plants prohibited under  
5 existing law in terms of this comment?

6 MR. SASSO: Objection. This calls for a legal  
7 opinion.

8 MS. BROWNLESS: Well, Mr. Crisp is the witness  
9 who is here to explain these exhibits and explain the  
10 ranking. And I assume if he did the ranking he had the  
11 rationale for why he believes these proposed plants were  
12 prohibited.

13 COMMISSIONER JACOBS: To the extent that you  
14 asked about his rationale, I will allow the question, but  
15 I think the original question had to do with why he  
16 thought it was reasonable under present law. Which under  
17 the objection I will sustain that that will call for a  
18 legal opinion. But to the extent you want to ask about  
19 his rationale for the ranking that he did, I will allow  
20 the question.

21 BY MS. BROWNLESS:

22 Q What does this sentence mean to you, Mr. Crisp?

23 A Within the proposal Panda proposed a total of  
24 2,000 megawatts to be built. 500 megawatts -- 530  
25 megawatts was to be allocated to Florida Power

1 Corporation, so that Florida Power Corp could use those  
2 530 megawatts against our reserve margin criteria. That  
3 left approximately 1,500 megawatts. Within discussions  
4 with Panda, there was information that was shared, Panda  
5 did not wish to commit any more megawatts than 500 because  
6 they intended to use those megawatts for other sales.  
7 From the standpoint that those other sales were not  
8 secured, they were not under contract, those 1,500  
9 megawatts were classified as merchant megawatts. From the  
10 standpoint of the Supreme Court law, the merchant capacity  
11 associated with those plants was a concern to us.

12 Q And based on your comment it was extremely  
13 important to you?

14 A Yes, it was.

15 Q Okay. The next citation concerns litigation  
16 history, is that correct?

17 A That's correct.

18 Q Okay. And you have noted here that -- I just  
19 want to make sure it wasn't me -- that the bidder has  
20 previous litigation history with FPC involving  
21 questionable dealings in contract execution,  
22 interpretation, and implementation. To what are you  
23 referring in that comment?

24 A I am referring to a previous contract  
25 relationship between Panda and Florida Power Corporation

1 where Panda submitted a proposal under a standard offer.  
2 Once the proposal was submitted, several of the terms and  
3 conditions of the proposal were altered. The terms and  
4 conditions of the standard offer were very specific and  
5 following the submittal of the proposal the terms and  
6 conditions that Panda provided were altered.

7 Q Okay. Was that matter to your knowledge  
8 litigated before the Public Service Commission?

9 A I believe that that matter was litigated to the  
10 Supreme Court.

11 Q Let me ask my question again. Was that contract  
12 dispute first decided by the Public Service Commission and  
13 then taken up to the Supreme Court?

14 A That I don't know.

15 Q Okay. As a result of that litigation, are you  
16 aware of the fact that a \$750,000 penalty was paid by  
17 Panda to Florida Power Corporation?

18 A I had heard of that.

19 Q So you believe that is, in fact, correct?

20 A It would be subject to check. I had heard of a  
21 talk of some amount of money. I can't be specific to  
22 that.

23 Q Okay. Did you specifically ask for a statement  
24 from Panda concerning their litigation history?

25 A Yes, we did.



1 Q Okay. And is that included in the materials  
2 supplied pursuant to Production of Documents Request  
3 Number 1?

4 A There is documentation in the discovery  
5 documents of that conversation.

6 Q Was Panda forthcoming about their litigation  
7 history with Florida Power Corporation?

8 A I would have to go back and check the  
9 documentation.

10 Q Okay. But to the extent that it was provided in  
11 written form to FPC, that would be evidence that it was  
12 discussed by Panda, is that correct?

13 A The information was discussed between Florida  
14 Power Corporation and Panda.

15 Q Did Panda satisfy you with regard to that  
16 information?

17 A From my own standpoint I had to gather other  
18 information. The information provided by Panda was not  
19 suitable for my understanding of the issues.

20 Q So it didn't satisfy you?

21 A I needed to learn more.

22 Q Let's talk about corporate strategic factors.  
23 Let's see. You indicate here that you considered it  
24 significant that the bid was for only up to five years, is  
25 that correct?

1 A That's correct.

2 Q You indicate here that market prices of  
3 capacity, quote, have been trending up, is that correct?

4 A That's correct.

5 Q When you talk about market prices of capacity,  
6 are you talking about the Florida market?

7 A The two are interrelated. Market prices in  
8 general across the eastern interconnect are trending  
9 upwards. Florida does not stand alone by itself. As  
10 prices increase within the eastern interconnect, people  
11 within Florida have an opportunity to either sell outside  
12 of Florida at higher prices, so it forces by default  
13 Florida's market price upward.

14 Q Will the markets price trend to increase be  
15 mitigated as more generation is added within the State of  
16 Florida?

17 A Not necessarily.

18 Q And why would that be?

19 A You are asking a question concerning supply and  
20 demand. Electricity is not a commodity like a candy bar  
21 on a shelf. It can't be stored. It has to be matched to  
22 the load precisely. You can't have too much and you can't  
23 have not enough.

24 What I'm talking about is an issue of where  
25 electricity once it is -- once electricity prices are

1 established within a market, it becomes an issue of what  
2 the market will bear for electricity. If something  
3 happens, and something always does, the price for  
4 electricity skyrockets. It is what the market will bear.  
5 You don't necessarily have an option to go out and turn  
6 off switches and turn off refrigerators and things like  
7 that, or turn off life support systems, God forbid. So  
8 electricity markets tend to skyrocket when there become  
9 shortages.

10 Now, suppliers, whether they be -- well,  
11 suppliers that don't have an obligation to serve are very,  
12 very smart in their planning processes. They know how  
13 much to build. They know how much a load is within a  
14 given region. They are not going to throw down \$200  
15 million and just put in a plant that is not necessarily  
16 going to make the necessary return on investment. They  
17 are going to intend to capture that return investment.  
18 They are going to get their money out of that plant and  
19 the ratepayer is going to be the one that pays for it.

20 Q Let me ask the question this way. Assuming that  
21 supply stays the same -- I'm sorry, assuming that demand  
22 stays the same, if more generation capacity is  
23 constructed, as you add more generation capacity in excess  
24 of that demand, does it force market prices down?

25 A Are you asking me that if my demand stays the

1 same that you would offer me a contract?

2 Q No, I am simply asking as a general economic  
3 proposition for market capacity and for electric capacity  
4 in the State of Florida, if supply stays the same --

5 A Uh-huh.

6 Q -- and the number of generating units, the  
7 number of megawatts available to meet that supply  
8 increases --

9 A Right.

10 Q -- would it tend to depress market prices?

11 A I don't believe so.

12 MR. SASSO: Excuse me. You said if supply stays  
13 the same and the number of generating units increases to  
14 meet that supply.

15 MS. BROWNLESS: I'm sorry. That is incorrect.  
16 Let me rephrase it. Thank you, Mr. Sasso.

17 BY MS. BROWNLESS:

18 Q If demand stays the same and the amount of  
19 installed capacity within the state increases, would that  
20 tend to depress market prices?

21 A I don't believe so. Here is why. Someone goes  
22 out and builds, for instance, a merchant plant above and  
23 beyond what is needed. They are going to sit back and  
24 relax. They are going to wait until something happens,  
25 whether it is a transmission line goes down or whatever,

1 and then they are going to offer their facility for sale  
2 to the highest bidder. That has been proven in ECAR,  
3 California, New York, Synergy, and other regions of the  
4 United States. That is what I meant by having situations  
5 where ratepayers are paying for plants time and time  
6 again. When power reaches \$10,000 a megawatt hour, it is  
7 for a reason. It is because the merchants are going after  
8 what they can get, not the best possible price for the  
9 ratepayer.

10 Q And has that scenario which you just indicated  
11 where a merchant plant does not sell capacity until the  
12 price is at a premium happened in the State of Florida?

13 A To the best of my knowledge there is only one  
14 merchant-owned facility in the state, and I couldn't  
15 speculate on what they have done.

16 Q So you don't know whether that has actually been  
17 materialized here?

18 A From my past experience as a merchant marketer,  
19 I know it is done.

20 Q But you don't know that it has been done in  
21 Florida?

22 A I don't know that it has been done in Florida.

23 Q Let's talk about the effect of the financing on  
24 FPC. And you indicate here that if you accepted Panda's  
25 proposal you would have to keep the Hines Unit 2 option

1 alive, I think is the way you put it. Is that correct?

2 A That's correct.

3 Q The dollar figure that is given there, and we  
4 won't mention it because I don't know if it is appropriate  
5 to. Does that relate to one or two pieces of that  
6 equipment?

7 A I'm sorry, someone coughed when you were  
8 finishing that statement.

9 Q There is a dollar figure given at the very  
10 bottom there?

11 A Yes, ma'am.

12 Q Okay. Does that relate to one of the pieces of  
13 equipment by the manufacturer listed or two of the pieces  
14 of equipment by the manufacturer listed?

15 A To the best of my knowledge that is one piece of  
16 equipment.

17 Q Okay. And do you know --

18 A Perhaps it would be better for Mr. Major to  
19 clarify that at a later point.

20 Q Thank you. And do you know when the payment  
21 mentioned here would have been due?

22 A That is for Mr. Major.

23 Q Sure. On the next page with regard to the  
24 qualifications and experience, which is the first bullet  
25 paragraph?

1 A Yes, ma'am.

2 Q Okay. You indicate that Panda has an aggressive  
3 development program, is that correct?

4 A Yes, ma'am.

5 Q And that you think it is, quote, likely to tax  
6 their ability to successfully finance and operate all of  
7 these new assets, is that correct?

8 A That is what it says, yes, ma'am.

9 Q Okay. Did you go to the financial market and  
10 specifically make inquiries as to whether Panda could, in  
11 fact, finance the proposed unit?

12 A No, we did not.

13 Q With regard to the potential impact of this  
14 plant on your cost of capital, is it fair to say that the  
15 imputed debt would be -- would have a minimum impact  
16 because it was only for a five-year period?

17 A It was because of the short duration of your  
18 project, that is correct.

19 Q And it obviously would have had more impact if  
20 it had been for the entire 25-year life?

21 A And if it had been a higher reflective of  
22 another type of capacity or something like that. There  
23 are many factors use in imputed debt.

24 Q Okay. I noticed that you deemed that not to be  
25 too significant?

1           A     In the case of the Panda -- yes. In the case of  
2 the Panda proposal, because of the shortness of the  
3 contract and the minimal amount of the overall capacity  
4 exposure, the net effect of imputed debt was not a  
5 significant issue.

6           Q     So it was a good thing on the part of Panda, but  
7 you didn't give that a lot of weight, is that correct?

8           A     Well, I think it was a minimal impact. Or,  
9 excuse me, of minimal significance from a standpoint that  
10 it had minimal impact to the overall financial dollar  
11 effect of the cost of the contract.

12          Q     I got it. Let's talk a little bit about the  
13 backup fuel supply. The Panda project did not propose an  
14 alternative fuel on site, is that correct?

15          A     That's correct.

16          Q     And Panda indicated that fuel issues would be  
17 dealt with by the fact that they would have two power  
18 plants with two sources of natural gas fuel, is that  
19 correct?

20          A     As I understand it, yes.

21          Q     And that Panda would have the ability to back  
22 haul fuel from power plant number one to power plant  
23 number two?

24          A     As I understand it, yes.

25          Q     Okay. You indicate that this was an unusual and



1 potentially tenuous arrangement?

2 A That's correct.

3 Q Did you make any inquiries as to whether this  
4 type of arrangement had actually been used by Panda in  
5 other states or been used by other suppliers?

6 A No, we did not because it was not material to  
7 the State of Florida. From our standpoint what we were  
8 looking at was fuel diversity. We were looking at it from  
9 a standpoint of exposure to natural gas spikes. When you  
10 have distillate oil in storage you can shift from one fuel  
11 to the next and protect the ratepayer from price exposure.  
12 You can also protect the ratepayer from potential  
13 disruptions in gas flow by having a specific dual fuel.

14 Q So with regard specifically to interruptions in  
15 gas flow you didn't believe that having access to two  
16 pipelines would mitigate that risk?

17 A There was minimal mitigation of the risk from a  
18 dual pipeline configuration. Back hauling gas from one  
19 plant to another may be something that is done in other  
20 states around the United States. It has not been done to  
21 my knowledge in Florida, and from our standpoint it was a  
22 concern.

23 Q Okay. And to the extent one of these potential  
24 natural gas suppliers would be -- would have a different  
25 pipeline configuration than FGT, that would not have

1 mitigated the risk of not being able to receive natural  
2 gas?

3 A We have not seen that level of a configuration  
4 within the State of Florida. That is our concern.

5 Q Okay. So basically the issue was that  
6 alternative gas supplier number two has not yet come into  
7 existence?

8 A That was part of the issue. And the other issue  
9 is exactly what is gas supplier number two. Where are  
10 they going to be located, how are they going to be  
11 structured within the state. And, once again, I am going  
12 to go back to the dual fuel issue. Distillate is a  
13 benefit for several pricing and reliability issues. I  
14 think that is the primary concern that we have to focus on  
15 is dual fuel capability.

16 Q So you were more concerned about having an  
17 alternative fuel actually on-site than about the  
18 availability of natural gas?

19 A I think it is a dual pronged issue.

20 Q Okay. With regard to having alternative fuel on  
21 site, how much alternative fuel does the Hines Energy  
22 Unit 2 have on-site?

23 A The Hines 2 unit on the site of the Hines Energy  
24 Complex is currently configured for seven full days of  
25 operation, 3-1/2 days on each unit, Hines 1 and Hines 2.

1 Q So to the extent that it provides fuel diversity  
2 for that unit or alternate fuel for that unit, it only  
3 does so to the extent of 3-1/2 days?

4 A That can be a tremendous value to the ratepayer  
5 in that it can avoid -- if there is an interruption to a  
6 natural gas flow on one pipeline, then the ratepayers  
7 would be exposed to spiking gas prices on another  
8 pipeline, so the distillate can be used to avoid price  
9 gouging from the other pipeline.

10 Q In the short term?

11 A Certainly. And that can add up to millions and  
12 millions of dollars. And that is millions and millions of  
13 dollars to the ratepayers that are very valuable to them.

14 Q Okay. With regard to the technology, is the  
15 GE-7FA technology roughly equivalent to the 501F  
16 technology of Siemens-Westinghouse?

17 A I would say that it is roughly equivalent to the  
18 501FD technology.

19 Q Okay. Do you have any reason to believe that --  
20 or do you have any -- did you have any reason to believe  
21 that Panda could not get adequate service from FGT or an  
22 alternative pipeline to supply the plant?

23 A Can you please restate that.

24 Q Yes. I'm looking at firmness of fuel supply  
25 here?

1 A Yes, ma'am.

2 Q Did you have any reason to believe that Panda  
3 could not get an adequate amount of natural gas to power  
4 these plants?

5 A We were understanding that Panda was leaning on  
6 the alternate gas supplier, and that was an issue of  
7 firmness.

8 Q Okay. On firmness and reliability, for power  
9 firmness you have indicated as a pro the fact that Panda  
10 would commit that it would supply your 530 megawatts of  
11 capacity from both of its proposed facilities, is that  
12 correct?

13 A That is an -- it was identified as a pro, but we  
14 had, once again, concerns about the way that Panda was  
15 going to be able to provide that level of firmness in  
16 power because of the status of the other plants being  
17 dedicated to merchant activity.

18 Q Well, are two plants better than one?

19 A Certainly.

20 Q Okay. With regard to supplier performance  
21 assurances, did you have those same concerns about  
22 Bidder B?

23 A We had concerns of a similar nature with  
24 Bidder B.

25 Q Okay. How significant did you consider the

1 ability of Power Corp to buy the proposed units from  
2 either Panda or Bidder B?

3 A I'm sorry, where are you?

4 Q I am on Page 4, purchase options.

5 A Thank you. We didn't consider it to be a big  
6 consideration. It was minimal.

7 Q Okay. Did either alternative allow you to do  
8 that?

9 A I would have to check on Bidder B. Bidder B, in  
10 fact, offered a right of first refusal to purchase the  
11 project assets at the end of the 25-year term.

12 Q With regard to power deliverability you indicate  
13 that there would need to be additional transmission  
14 network upgrades, is that correct?

15 A That's correct.

16 Q Okay. Did you make any independent analysis or  
17 inquiry from your own transmission department as to the  
18 status of Panda's negotiations with you for those  
19 upgrades?

20 A Ma'am, we have a concrete wall. I am in  
21 generation planning and we have a concrete wall between us  
22 and transmission planning because we don't share that  
23 information. For instance, if you go to transmission and  
24 ask them for a study and give them a lot details about  
25 yourself, then if we were communicating with transmission

1 information on you might inadvertently come to us. So, I  
2 don't know the answer to that. You would have to speak  
3 with someone in transmission.

4 Q I am looking, again, at the next page where it  
5 says FPC system reliability, pro, power deliverability.  
6 Where it says Panda has made a good faith effort to pursue  
7 the study agreements needed to support development of  
8 these facilities. When you say these facilities, are you  
9 talking about transmission facilities?

10 A I believe that would be correct. This  
11 information was provided by our transmission people.

12 Q All right. So, it is a transmission constraint  
13 or the need for additional transmission is considered as a  
14 con under system reliability, but a pro under system --  
15 I'm sorry. As a con on Page 4 under power deliverability,  
16 and then a pro on Page 5 under power deliverability?

17 A I think the reason that that was listed as a pro  
18 is because Panda has made a good faith effort. We were  
19 trying to give you the benefit of the doubt of going after  
20 something to try to resolve it.

21 Q Are you aware of whether Power currently has a  
22 request for a generation interconnection study?

23 A With who?

24 Q With you, Florida Power Corporation?

25 A I'm sorry, did you say that Panda has a

1 generation interconnection request?

2 Q Yes.

3 A This is part of the things that I would not know  
4 about. This gets back to generation queuing and things  
5 like that. And when we are planning our generation assets  
6 for the Commission's benefit, it is not equitable for the  
7 generation planning side to know about things because that  
8 is considered confidential to the transmission part of the  
9 company.

10 Q Okay. If, in fact, Panda had such a generation  
11 interconnection study agreement, had paid \$20,000 in order  
12 to have Power Corp complete a generation interconnection  
13 study, had gotten a generation interconnection study from  
14 Florida Power Corporation, would you deem that to be a  
15 good faith effort on Panda's part to work out any  
16 interconnection or transmission problems?

17 MR. SASSO: I would like to object, Mr.  
18 Chairman, about the relevance of this. I think we are  
19 going way afield of the issues in this case. We are now  
20 talking about what Panda may or may have done after the  
21 selection decision was made. We have spent quite a little  
22 while on this. We are consuming the better part of the  
23 afternoon with a lot of stuff which is of marginal  
24 interest at most, and I would object to this going any  
25 further in this area.

1 COMMISSIONER JACOBS: Ms. Brownless.

2 MS. BROWNLESS: Let me ask it this way. Is that  
3 the basis for which the statement is made that Panda has  
4 made a good faith effort to --

5 COMMISSIONER JACOBS: I am assuming you are  
6 restating your question?

7 MS. BROWNLESS: Yes.

8 BY MS. BROWNLESS:

9 Q Is that the basis for that statement or do you  
10 know?

11 A I don't know. I would assume that would be the  
12 basis for it.

13 Q Okay. On dispatch flexibility, did Panda  
14 indicate that it would consider connecting to Power Corp's  
15 economic dispatch center?

16 A After additional questions, answers, and  
17 dialogue, Panda had said that they would consider.

18 Q Would this have turned from a con into a pro if  
19 Panda, in fact, agreed to that?

20 A I believe it depends on a number of criteria  
21 including how the connection was made and the flexibility  
22 for dispatch was actually achieved with Panda.

23 Q If you could dispatch Panda's unit just as any  
24 other generating unit of your system, would you consider  
25 that to be a pro?



1 A That would be beneficial, yes.

2 MS. BROWNLESS: Thank you.

3 Mr. Sasso, I didn't record here whether your  
4 exhibits had been not only offered, but moved into  
5 evidence. Have they been?

6 MR. SASSO: They have not been moved in yet.  
7 After the conclusion of cross and redirect then I will  
8 move them in.

9 MS. BROWNLESS: Thank you.

10 BY MS. BROWNLESS:

11 Q When did you notify Panda Energy that its  
12 proposal had been denied?

13 A A telephone call was made on May 30th followed  
14 up with a letter on May 31st.

15 MS. BROWNLESS: Okay. I am going to let Mr.  
16 Sasso look at this next block of material and see if he  
17 has some confidentiality concerns with regard to it. And  
18 if he does, then I will request the Commission's  
19 permission to place it in the appropriate packages for  
20 consideration. Can I do that? These are portions of  
21 responses to the staff's first production of documents.

22 COMMISSIONER JACOBS: First, let's see if staff  
23 already has it.

24 MS. BROWNLESS: This is basically correspondence  
25 between Power Corp and Panda that was provided to the

1 staff.

2 COMMISSIONER JACOBS: You don't have it?

3 MS. BROWNLESS: It does not concern any other  
4 correspondence.

5 MS. HART: That is not part of our exhibit  
6 package.

7 COMMISSIONER JACOBS: Okay. Let's let Mr. Sasso  
8 review it then.

9 MR. SASSO: If it is Florida Power Corporation's  
10 correspondence with Panda, we would have no problem with  
11 that. No objection to the confidentiality of this.

12 MS. BROWNLESS: Then I can just pass it out like  
13 I would a regular exhibit?

14 MR. SASSO: Yes.

15 BY MS. BROWNLESS:

16 Q Mr. Crisp, do you recognize this as a portion of  
17 the materials which were provided by Power Corporation in  
18 response to Staff's Production of Documents Request Number  
19 1?

20 A Yes, ma'am.

21 Q Okay. Are the answers contained herein true and  
22 correct to the best of your knowledge and belief? These  
23 are accurate copies?

24 A They appear to be. To the best of my knowledge  
25 they appear to be the similar documents, yes.

1 MS. BROWNLESS: We would like to mark this for  
2 identification as Exhibit Number 8.

3 COMMISSIONER JACOBS: Yes, show it marked as  
4 Exhibit Number 8.

5 MS. BROWNLESS: And we would like to move this  
6 into evidence at this time.

7 COMMISSIONER JACOBS: Without objection, show it  
8 admitted.

9 (Exhibit 8 marked for identification and  
10 admitted into the record.)

11 COMMISSIONER JACOBS: Do we have any particular  
12 title? You said Power Corp's responses to Staff's  
13 Interrogatory Number -- I missed the number.

14 MS. BROWNLESS: Production of Documents Request  
15 Number 1. This is just a portion of that response. A  
16 selected portion that applies to information between Power  
17 Corp and Panda.

18 MR. SASSO: Just as a clarification, the last  
19 two pages of this composite exhibit are not part of the  
20 correspondence between Florida Power and Panda.

21 MS. BROWNLESS: That was included in that same  
22 POD as part of it.

23 MR. SASSO: That's fine. But these are -- I  
24 just want to be clear that these aren't --

25 COMMISSIONER JACOBS: These are part of your

1 petition, aren't they?

2 MR. SASSO: This is part of our site plan.

3 MS. HART: It might be well to identify this by  
4 the page numbers.

5 MS. BROWNLESS: Okay. It is FPC -- I'm just  
6 looking at the little stamps at the bottom -- FPC 012,  
7 013, 015, 016, 017, 018, 019, 023, and 024.

8 MR. SASSO: I'm sorry, what numbers --

9 MS. BROWNLESS: I'm looking on the right-hand  
10 corner here.

11 COMMISSIONER JACOBS: Bottom of the page.

12 MS. BROWNLESS: You've got numbers?

13 MR. SASSO: We have different numbers.

14 MS. HART: It starts with FPC?

15 MR. SASSO: Yes.

16 MS. BROWNLESS: It starts with FPC.

17 MR. SASSO: We think we have figured it out.

18 MS. BROWNLESS: Okay. I just want to make sure  
19 you don't have any problem with regard to 023 and 024, is  
20 that all right, is that correct?

21 MR. SASSO: That's correct.

22 MS. BROWNLESS: Thank you.

23 BY MS. BROWNLESS:

24 Q Does your May 30th, 2000 memo report what  
25 happened when you called Panda?

1           A     It reports what happened when an employee for  
2 who I am responsible, Michael Rib and Rebecca Jensen  
3 (phonetic), called Mr. Sam Doaks of Panda.

4           Q     Okay. Did Power Corporation at that time reveal  
5 the type of analysis that were done to compare the bids?

6           A     According to the memo, FPC discussed it and  
7 completed an in-depth review of the pricing and terms and  
8 the decision not to pursue further discussion was based on  
9 a fairly detailed analysis of both price and nonprice  
10 factors. Were you asking did we go into a detailed  
11 explanation of all of the modeling techniques?

12          Q     Or just an analysis of the fact that you did a  
13 PWRR analysis; we did this, we did that, here is what we  
14 found about your nonprice attributes that we didn't  
15 appreciate or that we thought were detrimental?

16          A     I don't know if the conversation went into that  
17 level of detail or not.

18          Q     Okay. Did you indicate at that time that Power  
19 Corp was going to build Hines Unit 2?

20          A     At that point we indicated that as a result of  
21 this decision and as a result of other decisions that we  
22 were leaning towards a self-build option, but we did not  
23 indicate that we would be pursuing a self-build option.

24          Q     The last bullet point indicates that you were  
25 asked if FPC was going to develop a short list, is that

1 correct?

2 A That question was asked.

3 Q And how did you answer that?

4 A We had a short list to begin with, ma'am. We  
5 only had two bidders. We went into a great degree of  
6 detail in the initial screening and the supplemental  
7 screening. So when we reached this point in this decision  
8 we said that based on the fact that we only had two  
9 bidders to go with, we would not be going any further. We  
10 did not plan on publishing a short list.

11 Q Would it have been fair for Mr. Doaks to  
12 conclude from this that the solicitation process was at an  
13 end?

14 A Yes.

15 Q I will just pass out a letter dated May 31st,  
16 2000. Do you recognize this letter, Mr. Crisp?

17 A Yes, I do.

18 Q And what is it?

19 A This is a confirmation that we had not selected  
20 the Panda proposal.

21 Q Was a similar letter sent to Bidder B?

22 A I believe it was.

23 Q Also sent on the same date?

24 A I believe so.

25 Q So as of May 31st, 2000, for all practical

1 purposes the RFP was closed?

2 A That's correct.

3 Q We would like to mark this -- let me ask this  
4 question. Is this letter true and correct to the best of  
5 your knowledge and belief?

6 A Yes, it is.

7 MS. BROWNLESS: We would like to mark this as  
8 Exhibit Number 9.

9 COMMISSIONER JACOBS: Show it marked as Exhibit  
10 Number 9.

11 MS. BROWNLESS: And ask that it be admitted into  
12 evidence.

13 COMMISSIONER JACOBS: Without objection, show it  
14 admitted.

15 (Exhibit 9 marked for identification and entered  
16 into the record.)

17 MS. BROWNLESS: That is all I have, sir. Thank  
18 you.

19 THE WITNESS: Thank you.

20 COMMISSIONER JACOBS: Staff.

21 MS. HART: Mr. Crisp, we are going to be  
22 bringing you staff's confidential and nonconfidential  
23 exhibits. Mr. Chairman, I ask that the nonconfidential  
24 version be identified as Exhibit 10.

25 COMMISSIONER JACOBS: Very well. And do you

1 have a short title for that?

2 MS. HART: Staff Composite Exhibit --

3 COMMISSIONER JACOBS: Power Corp's Composite  
4 Exhibit 1?

5 MS. HART: I'm sorry, I was looking at the wrong  
6 one. Responses to Staff Interrogatories 1 through 3, 6,  
7 11 through 14, 16 through 18, 21 through 23, 30, 36  
8 through 38, as well as answers to POD Numbers 4 and 5, and  
9 a late-filed exhibit from the deposition of John Crisp.

10 COMMISSIONER JACOBS: Very well. You are just  
11 doing the deposition exhibit, not the deposition  
12 transcript?

13 MS. HART: That's correct.

14 COMMISSIONER JACOBS: Okay. Very well.  
15 Proceed. I'm sorry, the confidential, is that marked  
16 separately? Is this the same one? This is the same  
17 exhibit that we just marked.

18 MR. ELIAS: That was previously marked as  
19 Exhibit Number 6 along with the redacted.

20 (Exhibit 10 marked for identification.)

21 CROSS EXAMINATION

22 BY MS. HART:

23 Q Mr. Crisp, were these documents produced under  
24 your supervision?

25 A In checking through these documents and making



1 sure that all the interrogatories match, yes. To the best  
2 of my knowledge, yes.

3 Q Okay. We are going to start with the need  
4 study, which was previously identified as Exhibit 5.  
5 Looking at Exhibit C, would you confirm that this is a  
6 copy of Commission Order Number PSC-99-2507-S-EU?

7 A Yes, ma'am.

8 Q Are you familiar with this order?

9 A Yes, I am.

10 Q Did this order require Florida Power Corporation  
11 to achieve a minimum 20 percent reserve margin by the  
12 summer of 2004?

13 MR. SASSO: I have an objection to the question  
14 as asked. This is a stipulation. Mr. Crisp is not an  
15 attorney, of course, and may not appreciate the  
16 distinction between an order mandating action and a  
17 stipulation by which parties agree to take action which is  
18 reviewed and approved by the Commission.

19 COMMISSIONER JACOBS: I understood your question  
20 to be his awareness of it, is that correct?

21 MS. HART: That is correct.

22 COMMISSIONER JACOBS: I will allow the question  
23 as to his awareness.

24 THE WITNESS: I am aware of the stipulation.

25 BY MS. HART:

1 Q Did Florida Power pursuant to this stipulation  
2 agree to have a 20 percent reserve margin by the summer of  
3 2004?

4 A Prior to this stipulation?

5 Q No, as a result of this stipulation.

6 A As a result of this stipulation, yes, ma'am.

7 MR. SASSO: Excuse me, I would like to note  
8 another objection. The stipulation is in the need study,  
9 it is in the record, will be in the record. It is  
10 certainly in the Commission's files and it speaks for  
11 itself. And I don't mean to be an obstructionist,  
12 Ms. Hart, if you don't mean anything by your question, but  
13 you are using shorthand which abbreviates the terms of the  
14 stipulation and may not fairly represent it. I'm not sure  
15 it is necessary to restate or recharacterize terms of the  
16 document which will be part of the record.

17 MS. HART: I don't know what the objection is,  
18 but --

19 COMMISSIONER JACOBS: Well, the question has  
20 been asked and answered -- that question has been asked  
21 and answered anyway. But I understand the concern is that  
22 if you are going to refer to the stipulation you may want  
23 to just read into the record that part of the stipulation  
24 that you are referring to and I think that will cover that  
25 concern.

1 MS. HART: That's all right, we can move on.

2 COMMISSIONER JACOBS: Okay.

3 BY MS. HART:

4 Q Moving along to Appendix D in the need study,  
5 Page 69?

6 A I'm there.

7 Q Is this document from FPC's ten-year site plan  
8 filed in April of 2000?

9 A Yes, it is.

10 Q And does it show FPC's capacity, demand, and  
11 reserve margins at the time of winter peak?

12 A Yes, it does.

13 Q Does this table assume that Hines Unit 2 is  
14 brought into service in November of 2003?

15 A That's correct.

16 Q And that is the proposal, is that right?

17 A That's correct.

18 Q What is the projected reserve margin for winter  
19 2003?

20 A 26 -- excuse me, 25 percent.

21 Q Okay. And that is with Hines 2 on-line?

22 A Yes. And I would like to add that the reserve  
23 margin in the winter of 2000/2001 of 16 percent is  
24 composed almost entirely of DSM, demand-side management  
25 options. So an increase from 16 to 25 percent shows the

1 net generation that we need to add to compliment the fleet  
2 to keep ourselves from being exposed to DSM cancellations.

3 Q On the next page, Page 70, I believe, could you  
4 explain what is shown on this page?

5 A I would be happy to, ma'am. Schedule 8 shows  
6 all of the planned changes, whether they be additions or  
7 retirements, to the Florida Power Corporation fleet across  
8 a ten-year time frame.

9 Q And is Hines 2 reflected there?

10 A Yes, it is.

11 Q Okay.

12 A It is Hines Energy Complex about midway down the  
13 column, Number 2.

14 Q I see it. What is the number for the winter  
15 megawatt net capability?

16 A 567 megawatts. And summer capability is 495  
17 megawatts. For our proposal we are stating that it is a  
18 nominal 530-megawatt plant.

19 Q Okay. If Hines 2 were not brought into service  
20 as proposed, looking back at the analysis done on Page 69,  
21 if a similar analysis was done without Hines 2, would you  
22 agree that FPC's winter reserve margin for 2003 and 4  
23 would be approximately 18 percent?

24 A Ma'am, I believe that that was a part of some  
25 additional questions that staff asked, so I would like to

1 have a moment to dig that up.

2 Q Certainly.

3 A I believe I'm ready now.

4 Q Okay. Have you found a calculation of that  
5 figure?

6 A The third question that staff asked us to  
7 provide at the end of the deposition was provide a  
8 tabulation of system reserve margins and the base  
9 expansion plan that removes Hines 2 and accommodates a  
10 50-megawatt capacity divestiture.

11 Q Right.

12 A For the purposes of this discussion, the  
13 50-megawatt divestiture makes such a small impact on the  
14 reserve margins, I think we can say that the bulk of the  
15 impact is Hines 2 in these tables. Well, we have got it  
16 without the divestiture, with the divestiture. We can  
17 look at both columns.

18 Q Okay. Is that what you are referring to, is  
19 that Exhibit 10 that we have identified, Bate stamps  
20 00065?

21 A Yes, ma'am.

22 Q And it does indeed show for the winter of 2003  
23 and 2004 with Hines 2 removed a reserve margin of 18.4  
24 percent?

25 A Yes, ma'am. And that is a considerable exposure

1 of DSM, as I might add.

2 Q Would an 18.4 percent reserve margin in the  
3 winter of 2003 or 4 violate the Commission's order on  
4 reserve margin?

5 MR. SASSO: Again, objection as to the  
6 characterization of that order. Just to be clear, I don't  
7 want to be cute about it, but it is not an order. It was  
8 an agreement by the utilities voluntarily to increase  
9 their reserve margin planning criterion from 15 to 20  
10 percent.

11 COMMISSIONER JACOBS: No less binding though.

12 MR. SASSO: A minimum of 20 percent.

13 MS. HART: I will try to refer to it as an  
14 agreement or the stipulation.

15 COMMISSIONER JACOBS: Okay.

16 MS. HART: Do you need me to restate the  
17 question?

18 COMMISSIONER JACOBS: No, I think we can  
19 proceed, with the proviso that it will be referred to as  
20 an agreement more so than a Commission order.

21 THE WITNESS: I will answer your question if you  
22 would please restate it.

23 MS. HART: Okay.

24 BY MS. HART:

25 Q Would an 18.4 percent reserve margin in the

1 winter of 2003/4 violate that stipulated agreement as to  
2 reserve margins?

3 A No, it would not. But from the standpoint of  
4 our planning judgment, we determine that we needed to move  
5 forward the 20 percent that was agreed to in the summer of  
6 '04 up to the winter of '03/'04, but specifically because  
7 of the DSM exposure and our increasing loads.

8 Q What is the projected winter net capability of  
9 Hines 2?

10 A 567 megawatts.

11 Q And how much of that capability is necessary to  
12 reach a 20 percent reserve margin as you have agreed?

13 A In what year?

14 Q 2003 and 4?

15 A I would estimate that -- let me answer it this  
16 way, the accurate way, which is all of Hines 2 is needed  
17 to keep us from losing our demand-side management  
18 customers. Now, in order to achieve a 20 percent reserve  
19 margin, which is a minimum, which is a number that is a  
20 baseline, approximately 120, 125 megawatts subject to  
21 check. But the important thing here is that the full 530  
22 megawatts is needed.

23 COMMISSIONER JACOBS: Have you projected an  
24 attrition rate?

25 THE WITNESS: We lost 80 megawatts worth of DSM

1 customers over the past two years. As we have studied the  
2 impact and we have seen our loads increasing and we see  
3 the correlation between forced outages during the  
4 summertime and the increased dependence on DSM, that is  
5 why we are projecting our concern. And I think staff  
6 concurs with us because of the write-up that we received  
7 in a recent ten-year site plan summary where staff said,  
8 yes, we are very concerned about this.

9 COMMISSIONER JACOBS: Very well.

10 BY MS. HART:

11 Q Given your answer to the previous question that  
12 it is about 130 megawatts to come up to 20 percent, would  
13 you then agree that the 2003/4 winter reserve is projected  
14 to be approximately 440 megawatts above a 20 percent  
15 reserve margin?

16 A Yes. And that will be 440 megawatts of concrete  
17 and steel in the ground versus approximately 1,000  
18 megawatts worth of DSM capability. So that 400-some-odd  
19 megawatts worth of concrete and steel if you look at a  
20 reserve stack, it will be at the bottom and the DSM will  
21 be at the top. We will immediately go into that  
22 generation if we have a forced outage, which that happens.  
23 So, does that -- is that clear?

24 Q Yes.

25 A From a standpoint of above and beyond, it is not



1 an above and beyond, it is exactly what we have got to  
2 have to meet forced outage rates and increases in weather.

3 Q Thank you. That is clear. Again, the 20  
4 percent reserve margin must be met by the summer of 2004  
5 and not the winter of 2003/2004, is that correct?

6 A According to the stipulation, it was agreed to  
7 in the summer of 2004. But our planning judgment, because  
8 of the issues we have talked about, we have decided it was  
9 very important to move it backwards to the winter, to  
10 cover the winter of '03/'04.

11 Q What was the basis for that planning judgment,  
12 can you describe some of the considerations of that?

13 A I would be happy to. Throughout the year, and  
14 this was concurrent with the generic reserve margin  
15 docket. Actually it started off prior to the generic  
16 reserve margin docket. We were doing several operations  
17 and sensitivity analyses. We gathered information from  
18 the DSM programs to see what the cancellations were and  
19 how much we were using the DSM programs, and we also  
20 correlated that or compared that to our forced outages of  
21 our larger units. And we found that we have -- we have  
22 four or five large units. And as we lose a large unit  
23 during a peaking period we were going into DSM very  
24 quickly and were leaning on DSM very hard.

25 So these sensitivity analyses were showing us

1 that we did not have the robustness of concrete and steel  
2 to keep us away from that overburdened use of DSM that was  
3 causing us the cancellations. What happens when we get  
4 into the cancellations is that takes megawatts out of the  
5 reserves, so it is kind of like a death spiral. The more  
6 cancellations there are the more you lean on DSM. And  
7 then the more you lean on DSM the more cancellations there  
8 are.

9 Q Thank you. Couldn't this additional amount  
10 needed to reach 20 percent have been met by installing  
11 either a combustion turbine or purchasing power from  
12 another source in order to more closely match capacity  
13 with demand?

14 A Should I handle those as individual -- should I  
15 address them one-by-one?

16 Q Sure.

17 A As far as a combustion turbine, to consider  
18 that, that might solve the problem for one year, but then  
19 we would have a less cost-effective plant on the ground to  
20 serve for a 25-year life span. In other words, yes, you  
21 can get yourself up to some rate of 20 percent, but what  
22 have you done to help yourself in avoiding the problems  
23 with DSM? Nothing. And, in addition, you have added a  
24 fleet to your component -- or a component to your fleet,  
25 your peaking fleet where you have already got a good solid

1 peaking fleet. So the net effect of that was a pretty  
2 significant increase in cost, production cost, when you  
3 took a look at what would happen if we forced a peaker  
4 onto our fleet at that point in time.

5 Purchased power contracts, we are constantly in  
6 the market working with other marketers, other companies  
7 to try to find out what we can gather from the open market  
8 in terms of maybe one-year, or two-year, or three-year  
9 agreements. The market is continuing to rise as far as  
10 purchased power prices are concerned. And if you add up  
11 the total amount of dollars that you would have to pay for  
12 seasonal blocks of capacity call options to cover this, it  
13 greatly exceeds the amount you would have to pay for a  
14 generating unit.

15 So the ranking is a combined cycle gets you the  
16 megawatts you need at the best possible cost, and then  
17 behind that along with the bidder options are other  
18 options such as peakers and short-term blocks of purchased  
19 power, if you will. Simply not cost-effective and they  
20 don't cover our concerns with DSM exposure.

21 Q With that said, would the installation of the  
22 combustion turbine result in lower capital costs compared  
23 to Hines 2 in the first five years?

24 A I'm sorry, please restate.

25 Q Repeat or restate?

1 A Restate.

2 Q Wouldn't the installation of a combustion  
3 turbine result in lower capital costs compared to the  
4 Hines 2 self-build unit in the first five years?

5 A If you did it at a later point in time? I'm  
6 missing something.

7 Q No, in the first five years as an alternative?

8 A As an alternative to the Hines 2 option?

9 Q Uh-huh.

10 A It would cost more.

11 Q Capital costs would be more?

12 A Well, the option is worth 25 to 30 million or a  
13 significant amount of money on the Hines 2 option. So to  
14 gather that option and bring the value of that option back  
15 to the ratepayer, the Hines 2 option gives you the net  
16 total cost that is less for the ratepayer. So the revenue  
17 requirements for the ratepayer are considerably less with  
18 the Hines 2 option.

19 Q So you are talking about the option on the  
20 equipment?

21 A Correct.

22 Q Okay.

23 A The variable O&M and the operating costs, if you  
24 compare two units side-by-side, are roughly the same.

25 Q Okay. So let me make sure I'm clear here. You

1 are talking about total revenue requirements, is that  
2 right?

3 A Yes, ma'am.

4 Q Okay. Just on the capital costs alone, wouldn't  
5 the combustion turbine be more cost-effective than the  
6 Hines 2 unit in the first five years?

7 A What do you include in the capital costs, ma'am?

8 Q Installed costs.

9 A Well, the Hines 2 unit, the total installed cost  
10 for the Hines 2 unit is approximately \$198 million. That  
11 is 25 to \$30 million less than an equivalent combined  
12 cycle unit. Now, that is installed cost. It is  
13 considerably less expensive.

14 Q I'm sorry, I appreciate your indulgence. We are  
15 talking about comparing a combustion turbine to Hines 2,  
16 not another combined cycle?

17 A I understand. The cost of a combined cycle, the  
18 capital cost on a megawatt-for-megawatt basis, let's say  
19 you had 500 megawatts worth of simple cycle combustion  
20 turbines compared to 500 megawatts worth of combined  
21 cycle. I believe I can look that up for you. Because one  
22 of the interesting things that we are seeing is that the  
23 options alone bring the value of that combined cycle down  
24 pretty significantly and make it a pretty exceptional  
25 deal. Let's say you replaced -- and I'm working from Page

1 34 of the need study. Let's say that Hines 2 -- nominal  
2 capacity of 530 megawatts, the total capital cost.

3 Q I'm sorry, which page are you on?

4 A I'm on Page 34.

5 Q Of?

6 A Of the need study. I apologize.

7 MS. BROWNLESS: Is this the page that says Table  
8 7 and Table 8?

9 THE WITNESS: Yes, ma'am, that's it.

10 MS. HART: Thank you.

11 THE WITNESS: Are you there?

12 MS. HART: Yes, I'm sorry.

13 THE WITNESS: Okay. If we are looking at,  
14 according to this table, Hines 2 at \$165 million, and if  
15 we were to purchase three advanced combustion turbine F  
16 machines at 165 megawatts each, that would be three times  
17 165. That is roughly 495 megawatts. So you are in the  
18 ballpark compared to the Hines unit for a total number of  
19 megawatts. Three times roughly \$45,000, unless my math  
20 fails me, is approximately \$135 million.

21 So you have got about a \$30 million reduction,  
22 yet the total cost of energy from those peaking units is  
23 going to be considerably higher. So when you run the  
24 costs of that through your production model, you are going  
25 to wind up with a net significant increase in overall cost

1 to the ratepayer.

2 Q Okay. I understand your explanation, and that  
3 is comparing 500 to 500?

4 A Trying to.

5 Q Right.

6 A Roughly.

7 Q Why would you need to buy three combustion  
8 turbines to create 500 megawatts when all you need is 130?

9 A We don't need 130, ma'am. We need 530  
10 megawatts, as specified by our concerns over the overall  
11 growth rates, our DSM program, our exposure to DSM  
12 cancellations. We explained this in the ten-year site  
13 plan workshop, Commissioners, where we are almost totally  
14 exposed to DSM in our reserves and we are trying to get up  
15 to a point to where we have got some concrete and steel we  
16 can lean on. That is why we need the 500 megawatts, not  
17 100 megawatts. 100 megawatts, we would go buy that in a  
18 heartbeat. I'm sorry, when you lose a coal unit or  
19 something like that, you would go past that 100 megawatts  
20 very quickly.

21 Q Okay. Let's move to Page 68 of the ten-year  
22 site plan, which is Appendix D. Are you with me?

23 A Yes, ma'am. I'm sorry.

24 Q That's okay. Does this provide FPC's capacity,  
25 demand, and reserve margins at the time of summer peak?

1 A Yes, ma'am.

2 Q Okay. I'm going to go through a similar  
3 examination as we did awhile ago talking about the winter.  
4 For the year 2004, would you agree that FPC's summer  
5 reserve margin without Hines 2 would be 22 percent? And  
6 that may require us to go back to Exhibit 10.

7 A Yes, ma'am, I would agree with that.

8 Q Page 65, 00065.

9 A And, once again, we are talking about  
10 approximately 1500 megawatts worth of reserves of which  
11 the vast majority of that is DSM.

12 Q Would you agree that the need for Hines 2 at  
13 this time is an economic one and not a reliability need?

14 A I don't believe so. It is a reliability need,  
15 it is augmented by superb economics. That is what I have  
16 been talking about with relationship to these factors in  
17 the ten-year site plan. Reliability comes first and then  
18 the economics provide the best possible solution to the  
19 ratepayer.

20 Q Okay. Would Hines 2 and the corresponding  
21 increase in FPC's reserve margin allow the company a  
22 greater opportunity to make wholesale sales?

23 A I don't believe so, ma'am, and here is the  
24 reason why. We may go into the market on occasion to make  
25 very, very short-term non-firm system sales, but they are



1 just that. They are from the system and we do that as a  
2 means of bringing value back to the ratepayer. For  
3 instance, if this goes out to a contract, they are going  
4 to be the ones taking the revenues back to them. We will  
5 be bringing the value back to the ratepayer if we have  
6 that opportunity.

7 Now, from our standpoint, as I explained before,  
8 when we are in a situation of having, say, 1,500 megawatts  
9 worth of reserves and the bulk of that is DSMs,  
10 demand-side management, what we would like to do is have  
11 the ability to go straight into that additional 500  
12 megawatts of concrete and steel. If we lose a coal unit  
13 for a forced outage rate, guess what, that is right where  
14 we are going to go. We are going to run that Hines 2  
15 plant -- not the Hines 2 plant, but what is next in the  
16 stack for 500 megawatts to augment the DSM program. That  
17 means we have got the flexibility to stay off the DSM  
18 program as much as possible through these periods where we  
19 have got long-term exposure to increased peaks in demands.

20 So from a standpoint of making sales, you are  
21 kind of asking me are you going to go out and sell those  
22 DSM megawatts? No, ma'am. Now, when we have excess  
23 physical megawatts, excess generation megawatts, for  
24 instance, in the shoulder months of the year, in September  
25 and October when it is not very hot and we have an

1 opportunity to go out and do day-in, day-out system  
2 nonfirm sales, sales that we can go back and bring back in  
3 case we have a catastrophe on the system, then, yes, it is  
4 our obligation, it is our fiduciary responsibility to  
5 bring those megawatts back to the ratepayer and to bring  
6 those dollars back to the ratepayer.

7           COMMISSIONER JACOBS: You may have said this  
8 already, and if you did forgive me. But is there some  
9 kind of analysis which balances the economics of DSM  
10 versus the build option? Where you have done that, but at  
11 the time of dispatch?

12           THE WITNESS: Yes, sir, we do that, and we  
13 continue to do it on a regular basis as far as the value  
14 of the DSM programs. We are continually looking at the  
15 cost-effectiveness of the DSM programs.

16           COMMISSIONER JACOBS: So here is my concern, if  
17 someone buys onto the DSM program, I would hate that we  
18 would pursue building options to avoid them having to  
19 encounter the risk of being on the DSM program. Do you  
20 understand? If you are going to get rid of DSM, then you  
21 get rid of it and you don't sign up customers for it. If  
22 you sign up customers for it, then they ought to have to  
23 incur the risk, and we ought not to be building the load.

24           THE WITNESS: Yes, sir, absolutely. And our DSM  
25 program, in fact, supports exactly what you are saying.

1 We are lowering our exposure through attrition. People  
2 who want to leave the summertime DSM program, we are  
3 lowering those numbers, and as people move out of their  
4 houses, and we are lowering our exposure that way. The  
5 winter program is cost-effective and we are continuing  
6 with the winter program. But the summer program, we are  
7 allowing it to attrit downward.

8 COMMISSIONER JACOBS: Very well.

9 BY MS. HART:

10 Q Mr. Crisp, how long have you been with FPC?

11 A About a year and a half.

12 Q Sometime in '99?

13 A Yes, ma'am.

14 Q Okay. Do you know if during that time in  
15 various management decisions has FPC assumed deregulation  
16 would occur at some time in the future?

17 A Ma'am, I don't think that we assumed  
18 deregulation is going to happen at a certain point in  
19 time. What we do is we look at, for instance, from our  
20 IRP program, we look at that purely from a regulated  
21 standpoint. Now, from a financial arena, they may take  
22 decisions from asset additions and do financial  
23 sensitivities according to what they might think might  
24 happen out at a point in time. But that is just trying to  
25 balance the effect of we are in a regulated environment,

1 what if we go into a deregulated environment.

2 Q So is your answer yes?

3 A Yes, ma'am.

4 Q Bear with me a moment. I want to go on to  
5 clarify the record a little bit about some answers,  
6 different answers to interrogatories and things that there  
7 have been some confusion about. In staff's  
8 nonconfidential exhibits, it is Bates Number 15, that is  
9 Exhibit 10. Okay. This is asking for a present worth  
10 revenue requirement for four different alternatives  
11 including the proposed Hines 2.

12 A Once again, I'm confused with the documents.

13 Q I understand.

14 A Can you help me?

15 Q It is Exhibit 10, staff's composite exhibit.

16 MR. SASSO: Do we have a page number, please?

17 MS. HART: Page Number 00015.

18 MS. BROWNLESS: It is response to staff  
19 Interrogatory 13.

20 THE WITNESS: Staff Interrogatory 13?

21 MS. HART: Right.

22 THE WITNESS: I'm there.

23 BY MS. HART:

24 Q Okay. Again, we asked for a present worth  
25 revenue requirements analysis for four different combined

1 cycle -- four different alternatives, including Hines 1.

2 I mean, Hines 2, excuse me.

3 A Yes, ma'am.

4 Q Okay. Do you recall that the analysis of  
5 Hines 2 was not included in the answer to this?

6 A Yes, ma'am. I believe as we discussed at the  
7 deposition I referred you to interrogatory -- I believe it  
8 is Interrogatory Number 16.

9 Q Right.

10 A Which says provide a PWRP analysis for the base  
11 expansion plan.

12 Q Okay. And is that Bates Numbers 00023 and 24?

13 A Yes, ma'am.

14 Q Okay. Good. I wanted to clarify that for  
15 everybody. If you will turn to Page Number 29.

16 A I'm there.

17 Q Which is Interrogatory 21. And also to the  
18 confidential exhibit, Bates Number 5 for Staff  
19 Interrogatory 21. We're trying to get to them over here,  
20 too. Okay. Are the dollars reflected in these charts,  
21 are those in billions?

22 A Let me explain something. Yes, they are. This  
23 is the total effect of the entire Florida Power  
24 Corporation production fleet. So what you are looking at  
25 is a production cost -- do you remember how we talked

1 about how you put one unit into the overall stack and you  
2 see what the final number comes out at the bottom is how  
3 much it costs to run the fleet for the year? That is what  
4 these numbers reflect.

5 Q Okay. I think that answered my next question,  
6 which was how these were derived.

7 A That's it.

8 Q Were these analyses performed on a total system  
9 basis?

10 A For the total Florida Power Corporation system,  
11 yes, ma'am.

12 Q And did they assume the inclusion of future  
13 units to meet demand?

14 A Yes, ma'am.

15 Q Do these analyses assume the cost for the  
16 Hines 2 site, the HEC site actually is sunk and is not  
17 included in these?

18 A I will have to check on that, ma'am. I would --  
19 anything I would say would be speculation on that part.  
20 Let me find out that.

21 Q Okay. Would you agree that in the first five  
22 years of these analyses the differences in revenue  
23 requirements between Hines 2 and Bidders A and B are less  
24 than one-half percent in some of the years shown?

25 A I would agree with that, and I would also -- I

1 would like to state that in some cases one-half of 1  
2 percent can be 20 or \$30 million over a two-year time  
3 frame up in the front of a contract. That is 20 or \$30  
4 million that is very valuable to the ratepayer.

5 Q I understand that. Do have you any concerns  
6 that the differences are so narrow?

7 A We ran initial screenings, we also ran  
8 supplemental screenings to confirm and give us a sense of  
9 confidence in the results of both sets of runs.

10 Q Okay. And could a slight change in fuel cost  
11 effect the cost-effectiveness of Hines 2?

12 A Since these are baseline -- It could change the  
13 cost-effectiveness of all of the -- it could certainly  
14 change the cost-effectiveness of Bidder A compared to  
15 Hines. I think the change in a cost of a fuel or natural  
16 gas would affect both the units, I guess that is the point  
17 I'm trying to make. And the relative comparison would  
18 stay the same.

19 Q Okay. Referring to Confidential Bates Number 6,  
20 it is response to Interrogatory Number 21, Page 2 of 4,  
21 and I think since it refers to Panda we can talk about it,  
22 is that right, Ms. Brownless?

23 MS. BROWNLESS: Anything having to do with Panda  
24 you are welcome to talk about in public.

25 BY MS. HART:

1 Q Are you with me?

2 A Page 00006?

3 Q Right.

4 A Yes, ma'am.

5 Q Annual and cumulative revenue requirement for  
6 Panda?

7 A Yes, ma'am.

8 Q Does this provide the system revenue  
9 requirements associated with Panda's proposal?

10 A Yes, it does.

11 Q Would you agree that the difference between the  
12 system revenue requirements for Hines 2 and Panda is less  
13 than 4/10ths of 1 percent over a 25-year horizon?

14 A Where is the number for Hines 2?

15 Q It's on Page 00030 we were open to a moment ago  
16 of the confidential. Oh, excuse me, the nonconfidential.

17 A If that is what \$60 million is, yes.

18 Q Given your experience in the electric industry,  
19 have you known of a fuel forecast to vary by more than  
20 4/10ths of a percent?

21 A Fuel forecast -- come again, please.

22 Q Have you ever known of a fuel forecast to vary  
23 by more than 4/10ths of a percent?

24 A Yes, ma'am.

25 Q Have you known of an electric generation



1 equipment price forecast to vary by more than 4/10ths of 1  
2 percent?

3 A From what standpoint? As far as an estimate of  
4 construction cost, or what?

5 Q Equipment price.

6 A An equipment price? Yes, I have. But as far as  
7 the concern here, what you are talking about is a  
8 confirmed price from a contractor for an option. And what  
9 we are talking about here is a comparison of fuel costs.  
10 As I said before, if you have got two very, very similar  
11 heat rates, you are going to have the same impact to the  
12 two plants if fuel costs jump up. So that mitigates the  
13 effect of any changes in fuel forecast. If you are  
14 comparing Hines to Panda, fuel is almost a moot point. If  
15 you are comparing a construction cost, the fact that we  
16 have a 25 to \$30 million net benefit option compared to  
17 Panda is what makes up the significant difference here.

18 Q Would you say that the comparison between these  
19 two analyses was the determining factor in determining  
20 that Hines 2 was more cost-effective?

21 A In using both the PROSCREEN runs and the PROSYM  
22 runs were what led us to the conclusion that Hines 2 was  
23 the most cost-beneficial, cost-effective, and best  
24 performing of all of the different options.

25 Q Did you assume in any of the analyses of Bidders

1 A and B that Hines 2 would be constructed at a time later  
2 than November -- not constructed, but on-line at a time  
3 later than November of 2003?

4 A Well, in looking at the Panda option, yes.

5 Q At what point?

6 A As I stated before, if we were to go with the  
7 Panda option then what we would do is take the Panda  
8 option for two years and then Hines 2 would be constructed  
9 at the end of that along with another combined cycle  
10 simultaneously to handle our load growth.

11 COMMISSIONER JACOBS: Staff, are you at a break  
12 point?

13 MS. HART: We are close to being done.

14 COMMISSIONER JACOBS: Okay. You can finish.

15 MS. HART: I would say ten minutes.

16 COMMISSIONER JACOBS: Okay.

17 BY MS. HART:

18 Q Referring to the Nonconfidential Exhibit Bates  
19 Number 00022, which is your response to Staff  
20 Interrogatory 22. Wrong page. 32, not 22. Bates Number  
21 32.

22 A I'm there.

23 MS. BROWNLESS: On the nonconfidential one?

24 MS. HART: On the nonconfidential one. It is

25 Page 32.

1 THE WITNESS: Annual and cumulative revenue  
2 requirement for Hines 2?

3 MS. HART: Right.

4 THE WITNESS: Page 1 of 4.

5 BY MS. HART:

6 Q And then the corresponding one in the  
7 confidential exhibit is Bates Number 9. It is Page 3 of  
8 4, where we were just a moment ago. Not Panda, it is  
9 Bidder B.

10 A I'm with you.

11 Q Could you describe what information these two  
12 analyses provide?

13 A The nonconfidential is a look at Hines 2, annual  
14 and cumulative revenue requirements, and it shows the  
15 overall impact of the production fleet of 16,721,956. On  
16 the confidential Bidder B analysis it shows without  
17 imputed debt a factor of 16,701,168. We have also proven  
18 that imputed debt throughout the course of the information  
19 that we have provided, that imputed debt is, in fact, an  
20 expense. So from a standpoint of looking at a table of  
21 without imputed death versus Hines 2 which includes all of  
22 the debt structure that we are required to handle, this is  
23 an apples to bananas comparison. A more appropriate  
24 comparison might be to look at Hines 2 financed on a 100  
25 percent debt basis, in which Hines 2 would beat this by

1 approximately 50 to \$60 million.

2 Q Okay. And you talk about imputed debt in your  
3 confidential testimony at Page 13. Could you explain to  
4 me the impact that imputed debt has?

5 A Yes, ma'am. Imputed debt is a penalty that goes  
6 to our off-balance sheet debt columns. And that penalty  
7 is associated with any contractual obligation. For  
8 instance, our UPS agreements, our QFs. All of those have  
9 an associated imputed debt penalty rated against them  
10 according to a factor, a penalty factor that is determined  
11 by Standard & Poors. That imputed debt affects our  
12 debt-to-equity ratio. And when it affects our  
13 debt-to-equity ratio, we have to take means to bring the  
14 debt-to-equity ratio back into line. That is where the  
15 impact is actually felt to the ratepayer. It costs the  
16 ratepayer that amount of penalty.

17 Q Thank you. Talking about the bidding process,  
18 were you surprised that you only got two bids?

19 A Disappointed somewhat, yes. But I had a few  
20 calls in from some folks that I used to work with back in  
21 the past out in the unregulated side. And they said,  
22 "Ben, you got a great project. Good luck, and I hope we  
23 can do business next time."

24 Q Did anybody talk about the Duke decision that  
25 was pending at the time and whether that was having any

1 impact on them?

2 A No. Because this was very much a firm fixed --  
3 we were looking for contract options, and it really was --  
4 we, from our standpoint, had set the whole Duke issue  
5 aside because it was a legal and regulatory issue. We  
6 were looking at this purely from somebody give us the best  
7 possible option you can. Beat Hines if you can. Come on,  
8 bring it on, and we will take the best possible solution.

9 Q Did you consider rebidding it when you only got  
10 two bids?

11 A No, we did not because of the feedback that we  
12 received from some of the other bidders. The fact is that  
13 the Hines 2 option priced those folks -- they determined  
14 that they could take their plants and their plants  
15 options, their combined cycle options and go elsewhere in  
16 the nation and, in fact, make more money.

17 COMMISSIONER JACOBS: If you can say so -- well,  
18 we have touched on this before in a line of questioning,  
19 but was there any particular factor that stood out -- and  
20 I know you talked about the idea of the site being  
21 already certified, and you talked about the idea -- we  
22 have talked about the idea of the favorable terms you had  
23 on the equipment. Can you point to a factor that really  
24 stood out in terms of shifting the economics to your  
25 favor?

1           THE WITNESS: Yes, sir. And to do this I've got  
2 to refer on past job experience. When an IPP or a  
3 merchant looks to propose a bid, they look at two things.  
4 They look at, okay, how much do I have to go underneath  
5 this cost of this Hines unit to win the bid; and then they  
6 look at how much -- where is the market at. Because they  
7 know they can get that market line. So if the cost to  
8 beat Hines is so great it takes away their incentive,  
9 their profit incentive, that was one of the things that  
10 was referred to me as a major criterion in the IPPs and  
11 merchants not moving forward.

12           COMMISSIONER JACOBS: Okay. Thank you.

13           MS. HART: That's all the questions I have at  
14 this point.

15           COMMISSIONER JACOBS: Very well. Can we hold  
16 redirect until the morning unless it real brief?

17           MR. SASSO: No, we will need some time.

18           COMMISSIONER JACOBS: I thought so.

19           MS. HART: Do we want to go ahead and move the  
20 exhibits?

21           COMMISSIONER JACOBS: Yes. Well, we can do it  
22 now or in the morning. It doesn't matter. If you would  
23 like to --

24           MS. HART: Let's do it now.

25           COMMISSIONER JACOBS: Okay. I have Exhibit 5 is

1 your exhibit.

2 MR. SASSO: That's correct.

3 COMMISSIONER JACOBS: Without objection, show  
4 Exhibit 5 admitted.

5 (Exhibit 5 admitted into the record.)

6 COMMISSIONER JACOBS: Exhibit 6 is staff's  
7 exhibit, and you wanted to move that?

8 MS. HART: Yes.

9 COMMISSIONER JACOBS: Without objection, show  
10 Exhibit 6 admitted.

11 (Exhibit 6 admitted into the record.)

12 MS. HART: And also move Exhibit 10.

13 COMMISSIONER JACOBS: And without objection show  
14 Exhibit 10 admitted.

15 (Exhibit 10 admitted into the record.)

16 COMMISSIONER JACOBS: And you may have  
17 requested, but I didn't note it, but just to be certain  
18 Exhibit 4, the affidavit, let's show that admitted. And  
19 we have already admitted 7 and 8, which were Panda's  
20 exhibits.

21 MS. HART: Right.

22 (Exhibit 4 admitted into evidence.)

23 COMMISSIONER JACOBS: Very well. That being  
24 the case, we will adjourn. We will begin at 8:30 in  
25 the morning and we will go until we finish. See you

1 then.

2 MS. HART: We need to collect all the red  
3 folders.

4 (The hearing adjourned at 6:20 p.m.)  
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2 STATE OF FLORIDA)

3 : CERTIFICATE OF REPORTER


4 COUNTY OF LEON )

5  
6 I, JANE FAUROT, RPR, Chief, FPSC Bureau of Reporting  
7 FPSC Commission Reporter, do hereby certify that the  
8 Hearing in Docket No. 001064-EI was heard by the Florida  
9 Public Service Commission at the time and place herein  
10 stated.

11 It is further certified that I stenographically  
12 reported the said proceedings; that the same has been  
13 transcribed under my direct supervision; and that this  
14 transcript, consisting of 137 pages, Volume 3 constitutes  
15 a true transcription of my notes of said proceedings and  
16 the and the insertion of the prescribed prefiled testimony  
17 of the witness(s).

18 I FURTHER CERTIFY that I am not a relative, employee,  
19 attorney or counsel of any of the parties, nor am I a  
20 relative or employee of any of the parties' attorney or  
21 counsel connected with the action, nor am I financially  
22 interested in the action.

23 DATED THIS 1ST DAY OF NOVEMBER, 2000.

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