

STEEL  
HECTOR  
& DAVIS

REGISTERED LIMITED LIABILITY PARTNERSHIP

ORIGINAL

Steel Hector & Davis LLP  
215 South Monroe, Suite 601  
Tallahassee, Florida 32301-1804  
850.222.2300  
850.222.8410 Fax  
www.steelhector.com

Charles A. Guyton  
850.222.3423

July 16, 2002

RECEIVED FPSC  
02 JUL 16 PM 4:09  
COMMISSION  
CLERK

**-VIA HAND DELIVERY-**

Ms. Blanca S. Bayó  
Division of the Commission Clerk  
and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: Docket Nos. 020262-EI and 020263-EI

Dear Ms. Bayó:

On March 22, 2002, Florida Power & Light Company ("FPL") filed a Petition for Determination of Need for an Electrical Power Plant - Martin Unit 8 and a Petition for Determination of Need for an Electrical Power Plant - Manatee Unit 3. FPL's two petitions were assigned Docket Nos. 020262-EI and 020263-EI, respectively.

On April 22, 2002, FPL moved to hold both proceedings in abeyance to allow FPL to undertake a Supplemental Request for Proposals (Supplemental RFP). On April 29, 2002, FPL filed an emergency motion for waiver of Rule 25-22.080(2), F.A.C., to allow deferral of the hearing schedule if, as a result of the Supplemental RFP, Martin Unit 8 and Manatee Unit 3 were determined to be the most cost-effective alternatives to meet FPL's 2005 and 2006 need. By Order No. PSC-02-0571-PCO-EI, Commissioner Deason, acting as prehearing officer, substantially granted FPL's emergency motion to hold both proceedings in abeyance, and by Order No. PSC-02-0703-PCO-EI, the Commission granted FPL's emergency waiver of Rule 25-22.080(2).

- AUS \_\_\_\_\_
- CAF \_\_\_\_\_
- CMP \_\_\_\_\_
- COM 5 + orig let
- CTR \_\_\_\_\_
- ECR 7
- GCL \_\_\_\_\_
- OFC \_\_\_\_\_
- MMS \_\_\_\_\_
- SEC 1
- OTH 1 to each file

FPL has completed its Supplemental RFP. FPL's analysis shows that Martin Unit 8 and Manatee Unit 3 are the most cost-effective options to meet FPL's 2005 and 2006 need for capacity. Consequently, FPL is now prepared, consistent with Order Nos. PSC-02-0571-PCO-EI

RECEIVED & FILED

*MW*

FPSC BUREAU OF RECORDS

07384-02 thru 07400-0

Miami

West Palm Beach

Tallahassee

Key West

London

Caracas

São Paulo

Rio de Janeiro

and PSC-02-0703-PCO-EI, for the Commission to proceed with its evaluation of the need for those two units in Docket Nos. 020262-EI and 020263-EI. The documents enclosed herewith, as described below, provide the information required for that evaluation.

Enclosed for filing on behalf of FPL in Docket Nos. 020262-EI and 020263-EI are the original and fifteen copies of:

- (1) FPL's Motion for Leave to Amend Petitions for Determination of Need
- (2) FPL's Amended Petition for Determination of Need for an Electrical Power Plant-Martin Unit 8
- (3) FPL's Amended Petition for Determination of Need for an Electrical Power Plant-Manatee Unit 3

Because the same analysis supported FPL's assessment of its 2005 and 2006 capacity needs and its determination that Martin Unit 8 and Manatee Unit 3 were the most cost-effective alternatives to meet the needs, FPL previously filed a motion to consolidate both dockets. Consistent with its motion to consolidate, FPL filed along with its original Need Determination petitions a single Need Study for Electrical Power Plant and a single set of Need Study Appendices, as well as a common set of testimony for both dockets. FPL continues to seek consolidation of these dockets for hearing.

In support of its amended Petitions for Determination of Need for Martin Unit 8 and Manatee Unit 3, FPL is filing the original and 15 copies of the following documents:

- (1) Need Study For Electrical Power Plant, 2005-2006
- (2) Need Study Appendices A - D
- (3) Need Study Appendices E - J
- (4) Need Study Appendices K - O
- (5) Direct Testimony of Dr. William E. Avera
- (6) Direct Testimony of C. Dennis Brandt
- (7) Direct Testimony of Moray P. Dewhurst
- (8) Direct Testimony of Leonardo E. Green
- (9) Direct Testimony of Rene Silva
- (10) Direct Testimony of Dr. Steven R. Sim

- (11) Direct Testimony of Donald R. Stillwagon
- (12) Direct Testimony of Alan S. Taylor
- (13) Direct Testimony of William L. Yeager
- (14) Direct Testimony of Gerard Yupp

These documents reflect the results of FPL's Supplemental RFP and supercede the Need Study and Appendices and its Direct Testimony filed on March 22, 2002, in support of its initial Petitions for Determination of Need. Therefore, FPL hereby withdraws the March 22 Need Study and Appendices and the March 22 Direct Testimony.

Copies of the enclosed documents, are being provided to counsel for all parties of record. Under separate cover letter, FPL is filing its confidential appendices to the Need Study and a Request for Confidential Classification for the confidential appendices.

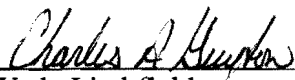
With the interruption of these proceedings for the Supplemental RFP, it is important that FPL's need determination proceedings be heard expeditiously. Prior to the Commission's granting of FPL's Emergency Motion To Hold The Proceedings In Abeyance, the parties had agreed to a schedule that would result in a hearing on October 2-4, 2002, a Commission decision on November 19, 2002, and a final order no later than December 4, 2002. FPL needs to preserve this schedule in order to meet its scheduled in-service date of June 2005 for both Martin Unit 8 and Manatee Unit 3. To facilitate this schedule, FPL has: (a) included more detailed data in the enclosed Need Study and Appendices than is required by Commission rule; (b) filed its direct testimony along with its amended petitions; (c) worked out with the intervenors free access to the primary analytical tools used in conducting the economic analysis of the Supplemental RFP; (d) agreed to a Confidentiality Agreement and process to allow intervenor access to most confidential data; and (e) agreed to expedited discovery. FPL will continue to work with the Commission and the parties to facilitate the Commission's prompt consideration of these proceedings.

Any delay in these proceedings would place at risk the in-service dates of Martin Unit 8 and Manatee Unit 3. In the event of delay, FPL would not achieve its 20 percent reserve margin criteria (or even a 15 percent reserve margin) in the summer of 2005. Without purchases of capacity to replace these facilities, an option which may not be available for the full capacity of these units, the reliability of FPL's system could be significantly adversely impacted to the detriment of FPL's customers. In the event of a delay, if FPL were to attempt to purchase capacity and energy to replace these units, FPL likely would pay higher costs than the costs it would incur if these units had met their in-service dates. Thus, delay also would adversely impact the costs paid by FPL's customers.

Because a delay would cause adverse impacts upon FPL's customers, FPL respectfully requests that these proceedings be processed according to the previously agreed schedule and that an Order on Procedure be issued. Such an order should place reasonable limits on discovery, encourage intervenors to coordinate discovery as they have previously agreed to do,

expedite discovery as previously agreed and set forth the agreed-to schedule, thereby facilitating the administration of these proceedings.

Respectfully submitted,

  
\_\_\_\_\_  
R. Wade Litchfield  
Charles A. Guyton

Attorneys for Florida Power  
& Light Company

CAG/gc  
Enclosures

cc: Counsel for Parties of Record

MIA2001 122447v1

**BEFORE THE FLORIDA  
PUBLIC SERVICE COMMISSION**

**DOCKET NOS. 020262-EI, 020263-EI  
FLORIDA POWER & LIGHT COMPANY**

**JULY 16, 2002**

**IN RE: PETITION FOR DETERMINATION OF NEED FOR  
PROPOSED ELECTRICAL POWER PLANT  
IN MARTIN COUNTY  
OF FLORIDA POWER & LIGHT COMPANY**

**IN RE: PETITION FOR DETERMINATION OF NEED FOR  
PROPOSED ELECTRICAL POWER PLANT  
IN MANATEE COUNTY  
OF FLORIDA POWER & LIGHT COMPANY**

**DIRECT TESTIMONY OF:**

**GERARD YUPP**

DOCUMENT NUMBER-DATE

07400 JUL 16 2002

FPSC-COMMISSION CLERK

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **DIRECT TESTIMONY OF GERARD YUPP**

4 **DOCKET NOS. 020262-EI, 020263-EI**

5 **JULY 16, 2002**

6  
7 **Q. Please state your name and address.**

8 A. My name is Gerard Yupp. My business address is 11770 U. S. Highway One,  
9 North Palm Beach, Florida, 33408.

10  
11 **Q. By whom are you employed and what is your position?**

12 A. I am employed by Florida Power & Light Company (FPL) as Manager of  
13 Regulated Wholesale Power Trading in the Energy Marketing and Trading  
14 Division.

15  
16 **Q. Please summarize your educational background and professional  
17 experience.**

18 A. I graduated from Drexel University with a Bachelor of Science Degree in  
19 Electrical Engineering in 1989. I joined the Protection and Control Department  
20 of FPL in 1989 as a Field Engineer and worked in the area of relay engineering.  
21 While employed by FPL, I earned a Masters of Business Administration degree  
22 from Florida Atlantic University in 1994. In May of 1995, I joined Cytec  
23 Industries as a plant electrical engineer where I worked until October of 1996.

24 At that time, I rejoined FPL as a real-time power trader in the Energy Marketing

DOCUMENT NUMBER-DATE

07400 JUL 16 2002

FPSC-COMMISSION CLERK

1 and Trading Division. I moved from real-time trading to short-term power  
2 trading and assumed my current position in February of 1999.

3

4 **Q. Please describe your duties and responsibilities in that position as they**  
5 **relate to this docket.**

6 A. I am responsible for supervising the daily operations of wholesale power trading  
7 as well as developing longer term power and fuel strategies. Daily operations  
8 include: fuel allocation and fuel burn management for FPL's oil and/or natural  
9 gas burning plants, coordination of plant outages with wholesale power needs,  
10 real-time power trading, short term power trading, transmission procurement and  
11 scheduling. Longer term initiatives include conducting monthly fuel planning  
12 and evaluating opportunities within the wholesale power markets based on  
13 forward market conditions, FPL's outage schedule, fuel prices and transmission  
14 availability.

15

16 **Q. What is the purpose of your testimony?**

17 A. The purpose of my testimony is to present and explain: (1) the transportation  
18 alternatives to supply the proposed Martin Unit 8 and Manatee Unit 3 projects  
19 with fuel; (2) the reasons why Manatee Unit 3 does not need to be designed with  
20 the capability to utilize low sulfur light oil; (3) the availability of gas supply to  
21 the proposed Martin Unit 8 and Manatee Unit 3 projects; (4) the long-term fossil  
22 fuel price forecast used in the evaluation of the proposals received under the  
23 Supplemental Request for Proposal (Supplemental RFP) process; and (5) the

1 long-term firm natural gas transportation cost assumptions used by FPL in its  
2 Supplemental RFP evaluation for FPL project options and outside proposals that  
3 did not provide a guaranteed natural gas transportation cost.

4  
5 **Q. Are you sponsoring any portion of the Need Study document or appendices**  
6 **for this proceeding?**

7 A. Yes. I sponsor Section V.B.2. and Appendix H of the Need Study (FPL's Fuel  
8 Cost and Availability Forecast) plus any portion of the Need Study discussing  
9 long-term natural gas supply alternatives and firm natural gas transportation  
10 costs.

11  
12 **Q. How will fuel be supplied for the Martin Unit 8 project?**

13 A. The Martin Unit 8 project is capable of burning both natural gas and low sulfur  
14 light oil. Two natural gas pipeline laterals, both tied to the Florida Gas  
15 Transmission System (FGT) interstate pipeline, currently serve the Martin site.  
16 One of these laterals serves as both a residual fuel oil and natural gas pipeline for  
17 the existing Martin Units 1 and 2. This dual service pipeline (south) lateral is  
18 not utilized for natural gas transport to the existing Martin Units 3 and 4, nor  
19 would it be used for the new Unit 8, due to potential fuel contamination issues  
20 caused by oil residue in the pipeline. The other existing natural gas pipeline  
21 (north) lateral is not adequate to supply the entire natural gas demand, during  
22 peak periods, of Martin Units 3, 4 and 8. Therefore, an additional lateral or  
23 additional compression will be required to ensure sufficient supply of natural gas  
24 to the Martin site.



1 Potential natural gas suppliers with permitted mainlines running adjacent to  
2 FPL's property, such as Gulfstream Natural Gas Systems (Gulfstream) and FGT,  
3 would independently undertake the necessary permitting and construction  
4 activities for any new lateral. Alternatively, FGT would independently  
5 undertake the necessary permitting and construction activities to add  
6 compression on the existing north lateral pipeline to the Martin site.

7  
8 Low sulfur light oil would be trucked to the site and stored in both the existing  
9 two million gallon tank and a new two million gallon tank that would be built as  
10 part of the project. The four million gallons of storage represents about three  
11 days of light oil burn at continuous full-capacity operation of Martin Unit 8.

12  
13 While no final determination has been made regarding which pipeline(s) may be  
14 constructed, or whether compression will be added to supply natural gas for the  
15 Martin Unit 8 project, or which firms may truck low sulfur light oil to the site, I  
16 am confident that there will be adequate resources available to transport both  
17 fuels to Martin Unit 8. There are multiple potential pipeline alternatives for  
18 natural gas and several trucking firms available to move low sulfur light oil as  
19 needed.

20  
21 **Q. How will fuel be supplied for the Manatee Unit 3 project?**

22 A. The proposed Manatee Unit 3 project will burn natural gas. FPL has executed  
23 an interruptible transportation agreement with Gulfstream to deliver natural gas

1 for the existing Manatee Units 1 and 2 through a recently installed lateral from  
2 the Gulfstream mainline. This new lateral from the Gulfstream mainline is  
3 sufficient in size to deliver natural gas to Manatee Units 1, 2 and 3 during peak  
4 periods.

5  
6 Natural gas for Manatee Unit 3 will be delivered via this new lateral or from  
7 another natural gas supplier that would independently undertake the necessary  
8 permitting and construction activities. FPL does not presently intend to provide  
9 the capability for Manatee Unit 3 to burn low sulfur light oil.

10  
11 **Q. Why is the proposed Manatee Unit 3 project designed without the**  
12 **capability to utilize low sulfur light oil?**

13 A. FPL does not believe that a backup fuel supply is needed for the Manatee Unit 3  
14 project at this time, because natural gas transportation alternatives will be  
15 available for the Manatee site. The Manatee site is connected to the Gulfstream  
16 mainline. In addition, with the completion of Phase I of the Gulfstream system  
17 in June of 2002, Gulfstream will have two interconnections with FGT. One  
18 interconnection is in Hardee County, with a design capacity of 300,000  
19 MMBtu/day, and the other interconnection, expected to be complete by August  
20 of 2002, is in Osceola County, with a design capacity of 200,000 MMBtu/day.  
21 Under normal conditions, these two interconnections will flow natural gas from  
22 Gulfstream into FGT. However, under unusual situations, if Gulfstream is  
23 unable to serve the State of Florida, the flow from these two interconnections

1 can be reversed, and natural gas can flow from FGT into Gulfstream to the  
2 Manatee Site. With the Hardee County interconnect only 29 miles from the  
3 Manatee plant, FPL will have the capability to receive natural gas from FGT,  
4 from either the Hardee County or Osceola County interconnects, should  
5 Gulfstream be unable to receive natural gas from its source into Florida.  
6 Therefore, the Manatee site will have the ability to receive natural gas from two  
7 interstate pipeline systems.

8  
9 In the event of an interruption of natural gas supply on both the Gulfstream and  
10 FGT pipeline systems coming into Florida, Manatee Unit 3 would be removed  
11 from service until supply was restored from either system. However, it is very  
12 unlikely that both pipeline systems would be out of service at the same time.

13  
14 **Q. In your opinion, is it reasonable for FPL to rely principally upon natural**  
15 **gas to fuel the Martin Unit 8 and Manatee Unit 3 projects?**

16 **A.** Yes. The arrangements FPL proposes for delivering natural gas to the Martin  
17 Unit 8 and Manatee Unit 3 projects, as discussed above, will provide  
18 adequate, reliable, and redundant capability.

19  
20 Additionally, FPL has had many years of experience with procuring and  
21 burning natural gas in its power plants and has found the supply of natural gas  
22 to be reliable and adequate to meet the needs of FPL. Currently, there are  
23 significant quantities of proven natural gas reserves in the United States, as

1 well as supply from U.S. production, Canadian imports and Liquefied Natural  
2 Gas (LNG) imports, to sufficiently meet the growing natural gas demand of  
3 the United States. According to recent data from the Department of Energy  
4 (DOE-EIA), there is adequate supply and projected natural gas reserves  
5 available in the United States to meet the natural gas demand for at least the  
6 next 25 years.

7  
8 Also, it is my understanding, that the majority of proposals that were  
9 submitted to FPL in response to the Supplemental RFP would have natural gas  
10 as their principal or sole fuel source, indicating that FPL is not alone in its  
11 assessment of the availability of reliable and economic sources of natural gas  
12 supply.

13  
14 **Q. What fuel forecast was used in the evaluation of the FPL construction**  
15 **options and outside proposals received in response to the Supplemental**  
16 **RFP process?**

17 A. On a monthly basis, FPL updates its thirty year monthly long-term fossil fuel  
18 price forecast for oil, natural gas, coal, and petroleum coke, as well as the long-  
19 term availability of natural gas to Florida. Consistent with this practice, the  
20 May, 2002, update of the FPL long-term fossil fuel price and natural gas  
21 availability forecast was used to evaluate the proposals received under the  
22 Supplemental RFP process. The May, 2002 fuel price forecast is provided in  
23 Appendix H of the Need Study document.

1       **Q.     What are the long-term firm natural gas transportation costs assumed by**  
2       **FPL in its Supplemental RFP evaluation for FPL construction options and**  
3       **outside proposals that did not provide a guaranteed natural gas**  
4       **transportation cost?**

5       A.     FPL assumed that the long-term FTS-2 demand charge on FGT is about  
6       \$0.76/MMBTU. This assumption is based on FPL's current experience with the  
7       Phase III, IV, and V expansions of the FGT system and FPL's understanding,  
8       based on discussions with FGT, of future expansions on the FGT system. FPL  
9       assumed that the long-term firm demand charge on Gulfstream would be  
10      \$0.60/MMBTU. This assumption is based an understanding in the industry of  
11      the current proposed firm demand charge on the Gulfstream pipeline system.

12  
13      **Q.     Does FPL believe that there would be a continuing difference in FGT's and**  
14      **Gulfsteam's firm natural gas transportation costs as discussed above?**

15      A.     Yes, FPL has assumed that this difference in FGT's and Gulfstream's firm  
16      natural gas transportation costs will continue through the planning horizon.

17  
18      **Q.     Were the long-term natural gas transportation assumptions discussed**  
19      **above provided to Dr. Sim and Mr. Taylor for their analyses in evaluating**  
20      **the FPL projects and the projects received from the Supplemental RFP**  
21      **bidders?**

22      A.     Yes, these assumptions were provided to Dr. Sim, who then provided them to  
23      Mr. Taylor. They were used for both the FPL and Sedway Consulting

1 evaluations.

2

3 **Q. Are the assumptions on the firm natural gas transportation costs identified**  
4 **above reasonable?**

5 A. Yes, these assumptions are reasonable. They are based on FPL's extensive  
6 experience in the procurement and transportation of natural gas to our existing  
7 units and the best information available in the industry.

8

9 **Q Does this conclude your testimony?**

10 A. Yes, it does.