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August 20, 2002

VIA HAND DELIVERY

Blanca S. Bayo, Director
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Re: Docket Nos.: 020262-EI and 020263-EI

Dear Ms. Bayo:

On behalf of The Florida Partnership for Affordable Competitive Energy, enclosed for filing and distribution are the original and 15 copies of the following:

- ▶ Direct Testimony and Exhibits of Kenneth J. Slater on behalf of The Florida Partnership for Affordable Competitive Energy

Please acknowledge receipt of the above on the extra copy and return the stamped copy to me. Thank you for your assistance.

Sincerely,

Joseph A. McGlothlin

JAM/mls
Enclosure

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power and Light
Company for a Determination of Need
For a power plant proposed to be located
In Martin County

Docket No. 020262-EI

In re: Petition of Florida Power and Light
Company for a Determination of Need
For a power plant proposed to be located
In Manatee County

Docket No. 020263-EI

Filed: August 20, 2002

Direct Testimony and Exhibits

of

Kenneth J. Slater

on behalf of

The Florida Partnership for Affordable Competitive Energy

DOCUMENT NUMBER-DATE

08784 AUG 20 02

FPSC-COMMISSION CLERK

1 I. INTRODUCTION AND QUALIFICATIONS

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Kenneth J. Slater. My business address is 3370 Habersham Road, Atlanta,
4 Georgia 30305.

5 Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

6 A. I am President of Slater Consulting, which I founded in August 1990. The firm is a small
7 engineering-economic and management consultancy with particular expertise in energy
8 and public utility matters. The services that my firm offers to various participants in the
9 utility business include analysis of the following: supply/demand options, reliability,
10 operating situations and events, new technologies and industry developments, strategic
11 decisions, public policy matters, and ratemaking issues.

12 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

13 A. I obtained a Bachelor of Science degree in Pure Mathematics and Physics in 1960 and a
14 Bachelor of Engineering degree in Electrical Engineering in 1962, both at the University
15 of Sydney, Australia. I also received a Master of Applied Science degree in Management
16 Sciences at the University of Waterloo in Ontario, Canada in 1974.

17 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR PROFESSIONAL
18 EXPERIENCE.

19 A. I have over forty years of experience in the energy and utility industries in the United
20 States, Canada and Australia. Prior to founding Slater Consulting, I was Senior Vice
21 President and Chief Engineer at Energy Management Associates, Inc. (EMA) in Atlanta,
22 where I worked from 1983 to 1990. At EMA, after initially contributing to the firm's
23 utility software development functions, I became the head of its consulting practice,

1 leading or making significant contributions to a number of consulting engagements related
2 to valuation or analysis of power supplies and power supply contracts, supply/demand
3 planning, damages assessments operating reserve requirements, replacement power cost
4 calculations, utility merger valuations, operational integration of utility systems, power
5 pooling, system reliability, ratemaking, power dispatching and gas supply studies. From
6 1969 until 1983, I worked in the Canadian utility industry, initially at Ontario Hydro,
7 where I headed the Production Development Section of the utility's Operating
8 Department. There I developed computer models, including one which, for more than 20
9 years, produced the daily generation schedules for the Ontario Hydro system, and another,
10 the original PROMOD, which was used for coordination and optimization of production
11 planning and resource management. Subsequently, I worked as Manager of Engineering
12 at the Ontario Energy Board (the utility regulatory commission) and as Research Director
13 for the Royal Commission on Electric Power Planning.

14 From 1976 to 1983, I ran my own firm, Slater Energy Consultants, Inc., in Toronto,
15 Canada and consulted widely in Canada and the United States for utilities, governments,
16 public enquiry commissions, utility customers and other consulting firms. It was during
17 this time and my time at EMA that I was a major developer of PROMOD III® (now
18 renamed PROMOD IV™), a widely recognized electric utility planning and reliability
19 model.

20 Prior to 1969, I was employed by the Electricity Commission of New South Wales, the
21 largest electric utility in Australia, where I was responsible for the day-to-day operation of
22 one of the six regions comprising that system. A copy of my resume is included as an
23 exhibit to this testimony. See Exhibit No. _____ (KJS-1).

1 Q. **HAVE YOU TESTIFIED AS AN EXPERT WITNESS IN THE PAST?**

2 A. Yes. I have provided expert testimony in regulatory proceedings in California, Florida,
3 Georgia, Idaho, Indiana, Iowa, Louisiana, New Mexico, New York, Nova Scotia, Ontario,
4 Pennsylvania, Prince Edward Island, South Carolina, Virginia, Wisconsin and Texas, and
5 at the Federal Energy Regulatory Commission. I have also appeared in Federal
6 Bankruptcy Court and state courts in Florida, Nebraska, Texas and Virginia, and in civil
7 arbitration proceedings in Louisiana, Nevada and Pennsylvania. I have also served on
8 many occasions as an expert examiner for a Royal Commission in Ontario, which was
9 inquiring into the electric power planning in the Province of Ontario. A list of my
10 testimony since 1983 is attached as an exhibit. See Exhibit No. ____ (KJS-2).

11 **II. PURPOSE OF TESTIMONY**

12 Q. **FOR WHOM DO YOU APPEAR IN THIS PROCEEDING?**

13 A. I appear on behalf of the Florida Partnership for Affordable Competitive Energy (PACE).

14 Q. **WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A. I will assess the manner in which Florida Power & Light Company (FP&L) evaluated
16 responses to its revised Request For Proposals. Specifically, I have been asked to opine as
17 to whether FPL's evaluation was fair, unbiased, and evenhanded, such that the
18 Commission and FPL's ratepayers could have confidence that FPL selected the most cost-
19 effective choices available for ratepayers; or whether instead FPL has biased the selection
20 process in favor of its self-build options. In the latter event, I was asked to assess the risk
21 to ratepayers of denying one or both of FPL's petitions and requiring a fair and unbiased
22 selection process.

1 FPL asserts that its proposed Martin-8 and Manatee-3 units should be deemed the most
2 cost-effective choices. However, FPL bases that claim on analyses which produces
3 differences in revenue requirements of only \$60 million between FPL's proposal and other
4 alternatives. This is a very small margin; one that could be influenced by poor or biased
5 assumptions or methodologies.

6 **Q. WHAT INFORMATION HAVE YOU REVIEWED IN CONNECTION WITH**
7 **THE PREPARATION OF YOUR TESTIMONY?**

8 **A.** I have reviewed Commission Rule 25-22.082, Florida Administrative Code, FPL's prefiled
9 testimony and the Peninsular Florida 2002 Ten Year site plans. In addition, earlier in the
10 proceeding, at the time I was engaged by Reliant Energy, then a party to the proceeding, I
11 had access (under arrangements of confidentiality) to a disk showing the manner in which
12 FPL evaluated the responses that it received to the original August 2001 RFP. The disk
13 was disseminated to parties at the time to facilitate their analysis of FPL's computational
14 methodology during the extended or revised RFP. In addition to these items from this
15 case that I have reviewed, I have also relied on my knowledge of the EGEAS program,
16 and my knowledge of the operating characteristics and costs of combined cycle generating
17 units.

18 **III. CONCLUSIONS**

19 **Q. HAVE YOU REACHED ANY CONCLUSIONS REGARDING THE MANNER IN**
20 **WHICH FPL EVALUATED RESPONSES TO THE RFP?**

21 **A.** Yes. I have concluded that because of the assumptions and methodology that it
22 employed, FPL skewed the comparison of alternatives in favor of its self-build options.
23 As a result, in my opinion the Commission and ratepayers cannot place confidence in

1 FPL's assertion that it has chosen the most cost-effective alternatives. In fact, FPL's
2 studies, which show Martin 8 and Manatee 3 to be the best alternative for 2005 resource
3 additions, are so seriously flawed that the wrong result may have been produced.

4 **Q. ON WHAT DO YOU BASE THIS CONCLUSION?**

5 **A.** I base this conclusion on several specific factors:

- 6 (i) the use of production cost forecasts produced from simplistic modeling in
7 EGEAS,
8 (ii) differences in modeling non-FPL bids and FPL's self-build options,
9 (iii) the "equity penalty" applied to non-FPL bids,
10 (iv) FPL's choice of "filler units" with which to compare contracts of limited
11 duration with its self-build options,
12 (v) the overly optimistic performance characteristics used for FPL's self-build
13 proposals, for which the cost and performance estimates are non-binding,
14 and
15 (vi) the lower risks represented by the binding nature of the non-FPL bids.

16 **IV. DISCUSSION**

17 **Q. WHAT PROBLEMS HAVE YOU IDENTIFIED WITH FPL'S EGEAS**
18 **MODELING?**

19 **A.** First, in evaluating the economics of combined cycle units, I have found that it is
20 important to properly estimate the annual shutdown-startup cycling of a combined cycle
21 unit, in order to ensure that there is a proper determination of expected maintenance costs
22 which are heavily dependent on this operational aspect. However, EGEAS does not
23 model the shutdown-startup cycling of generating units, and users are forced to perform

1 crude "off-line" estimates. Second, combined cycle units have much more significant
2 variations in output and heat rate across the months of the year than other base load and
3 intermediate units, because of the seasonal variation in ambient conditions. FPL did not
4 attempt to include such variations in its EGEAS modeling. Because of the relatively
5 "thin" margin in favor of its own self-build options, these simplistic modeling efforts could
6 be significant.

7 **Q. WHAT DIFFERENCES IN MODELING DID FPL EMPLOY BETWEEN ITS**
8 **SELF-BUILD OPTIONS AND THE PROPOSALS OF RFP RESPONDENTS?**

9 **A.** A difference which was most striking was the application of variable O&M. Bids based on
10 combined cycle units, would have included, variable O&M charges based on variable
11 maintenance expenses as well as consumables involved in operation. FPL included such
12 bid charges in its modeling for non-FPL bids, but only included the very much smaller
13 consumables charges for its own units, choosing to use "off-line" estimates of the much
14 larger variable maintenance expense. This procedure introduces unnecessary variations
15 into the comparison of alternatives.

16 **Q. WHAT IS THE EQUITY PENALTY FPL APPLIED TO NON-FPL BIDS?**

17 **A.** In its analysis of alternatives, FPL calculated an adjustment to the revenue requirements
18 associated with power purchase contracts, based on its theory that rating agencies regard
19 the capacity payments as the equivalent of debt obligations that would increase financial
20 risk absent a rebalancing of the equity component of its capital structure. The impact of
21 the adjustment is very significant; it adds up to in excess of \$200 million to the net present
22 value of revenue requirements associated with competitive portfolios. In my testimony, I
23 do not intend to debate the merits of the details of FPL's calculations. My point instead

1 is that FPL has been extremely selective and self-serving in its recognition and
2 quantification of this single risk factor.

3 Q. PLEASE EXPLAIN.

4 A. There are a multitude of risks associated with the construction and operation of a large
5 power plant, of which financial risk is only one example. While FPL has proposed an
6 equity adjustment that penalizes all power purchase options, FPL has ignored other
7 significant risks, such as construction cost risk, operating cost and performance risk, and
8 risk of obsolescence that a contract with one or more of the RFP respondents *would shift*
9 *away* from FPL and its ratepayers. Even if, for the sake of argument only, one were to
10 accept FPL's proposition that power purchase contracts increase financial risk in the eyes
11 of rating agencies, (and assuming further that the PSC's job is to placate such entities), it
12 would be unfair and biased to recognize and quantify that individual factor while ignoring
13 other factors, including very significant ones, that if similarly recognized would favor non-
14 FPL bids. One can observe that some electric utilities purposely maintain a level of
15 diversity among owned and purchased resources. It would appear to me that, rather than
16 focusing solely on the "equity adjustment," on one hand, which would be extremely one-
17 sided and prejudicial, or attempting to identify and quantify the myriad of individual risks
18 that attend the construction and operation of power plants, which would be exceedingly
19 difficult, on the other, the Commission could more simply approach the risk issue in terms
20 of the desirability of an overall balance to the mixture of resources with which FPL serves
21 its ratepayers. In that regard, it is worth noting that FPL has a relatively small portion of
22 resources in the form of power purchase contracts, and that small portion is scheduled to
23 diminish significantly very soon. In any event, the comparison that FPL offers in support

1 of its petitions is grossly skewed by its proposed equity adjustments, and one need not
2 derive into the calculations in order to reach that conclusion.

3 Q. PLEASE ADDRESS THE MANNER IN WHICH FPL COMPARED ITS SELF-
4 BUILD OPTIONS WITH CONTRACTS OF SHORTER DURATION.

5 A. FPL assumed that an expiring contract would be replaced by a greenfield combined cycle
6 plant that would be served by Florida Gas Transmission for gas delivery. There are at
7 least two problems with its assumptions, both of which further skew FPL's analysis in
8 favor of its self-build options. First, FPL itself states that the "greenfield" "filler" plant
9 carries with it assumptions of higher construction costs and higher O&M expense than
10 FPL's self-build "brownfield" options. FPL attributes the higher costs of the "greenfield
11 fillers" to the respondents' bids, and this biases comparisons with the self-build options.
12 Second, FPL's assumes that the "filler" will be served by the more expensive FGT only,
13 further biasing comparisons with the self-build options.

14 Q. WHY IS THE GREENFIELD ASSUMPTION PREJUDICIAL TO
15 RESPONDENTS?

16 A. The proper and logical assumption to be used in this comparison should be that, in the
17 event the respondent's proposal is chosen, it will have the effect of deferring the FPL unit;
18 and that the deferred FPL unit would be built at the end of the contract unless something
19 more cost-effective materializes at that time. In short, the FPL self-build unit should be
20 the "filler." In disregard of that logic, FPL assigns to the respondent a "greenfield"
21 replacement, which assumes the replacement capacity would be provided by an entity
22 other than FPL. Again, of necessity that would occur only if the outside entity improves

1 on the economics of FPL's own construction alternative. Accordingly, the "greenfield
2 filler" assumption is as illogical as it is prejudicial.

3 **Q. PLEASE ADDRESS THE ASSUMPTION THAT THE FILLER WOULD BE**
4 **SERVED BY FGT.**

5 **A.** The flaw in this assumption flows from the earlier discussion. In testimony, FPL says it
6 had to assume the filler would be served by FGT because its location is unknown and
7 Gulfstream has less reach. However, it appears that FPL used the availability of
8 Gulfstream to its own sites as an advantage when evaluating its own proposals. Again, if
9 the respondent's proposed unit is selected, it will defer the FPL unit, which becomes the
10 "filler" unless something outside beats its economics during the deferral. Therefore, the
11 "filler" should receive the benefit of the lower Gulfstream fuel transportation as well. In
12 other words, FPL has inflated the construction costs and the fuel costs of the power
13 purchase alternatives that have durations of less than 25 years.

14 **Q. PLEASE ELABORATE ON THE OVERLY OPTIMISTIC PERFORMANCE**
15 **CHARACTERISTICS USED FOR FPL'S SELF-BUILD OPTIONS.**

16 **A.** FPL has used operating capacity and heat rate assumptions for its Martin 8 and Manatee 3
17 units which appear to describe the units operating in "new and clean" condition. It is
18 usual to recognize actual performance over the life of a unit by discounting the capacity by
19 2% to 3% and raising the heat rate by about 2%. In addition, the one week per year
20 maintenance coupled with an equivalent forced outage rate of 1% is a most aggressive
21 availability assumption.

22 **Q. WHO WOULD BEAR THE RISK OF THESE OPTIMISTIC AND AGGRESSIVE**
23 **ASSUMPTIONS?**

1 A. The FPL ratepayers would bear these very significant risks, just as they would bear the
2 risk of prudently incurred construction cost overruns, and of O&M costs which escalate
3 due to actual operating conditions.

4 Q. **WOULD NON-FPL BIDS HAVE THESE SAME RISKS?**

5 A. The same risks exist for all generating units. However, when the services of a unit have
6 been included in a binding bid in response to FPL's RFP, the bidder assumes these risks.

7 Q. **WHAT CAN THE COMMISSION DO IN THIS PROCEEDING TO ASSURE
8 THAT THE PROPOSALS ARE VIEWED ON EQUAL TERMS?**

9 A. I believe that either FPL should commit to a binding proposal, including all cost and
10 performance items or the Commission should take into account the almost certain
11 probability that FPL's assumptions will not be realized.

12 Q. **HOW SIGNIFICANT IS THIS ISSUE?**

13 A. It is very significant. When the one-sided equity penalty is ignored, about a dozen of the
14 plans combining both FPL and competitor resources are less costly than the all-FPL plan,
15 while a further handful are within \$30 million NPV. See Exhibit to the Testimony of
16 Steven R. Sim, Exhibit _____ (SRS-8). I believe that the lack of certainty associated with
17 the non-binding nature of FPL's proposal is enough in and of itself to cast doubt on FPL's
18 claim that its proposal is the most cost-effective.

19 Q: **WHAT DO YOU CONCLUDE ABOUT FPL'S ANALYSIS OF ALTERNATIVES?**

20 A. In my opinion, the issues discussed above, that are derived from a review that was less
21 than exhaustive, demonstrate that FPL has skewed the comparison in favor of its self-build
22 units to the extent that the Commission, parties, and ratepayers cannot rely on its assertion
23 that FPL has identified the most cost-effective alternatives for its ratepayers.

1 I also believe that the situation in which the Commission finds itself is a function of a
2 process that allows a utility to control the outcome of an RFP process through self-serving
3 assumptions and non-binding proposals. I recommend that the Commission deny FPL's
4 petitions and take whatever measures are needed to ensure that the next procurement
5 process is designed to ensure a fair and even-handed comparison of alternatives.

6 V. IMPACT OF RESOURCE DELAY

7 Q: WOULD A DENIAL OF FPL'S PETITIONS ADVERSELY AFFECT
8 RATEPAYERS?

9 A. A consideration of potential benefits and potential harm that would be associated with
10 spending the time necessary to "get it right" must take into account the likely impact on
11 customers of a delay in the in-service date of the proposed capacity that would be
12 attended by a complete or partial denial of FPL's petitions, on the one hand, and the
13 adverse impact that would be occasioned by an increase in costs beyond those projected
14 by FPL in the event its non-binding proposal is accepted, on the other. To assist in this
15 consideration, I have performed an exercise that I believe examines these scenarios in a
16 reasonable fashion. The analysis leads me to conclude that the time spent in ensuring that
17 the most cost-effective alternatives are chosen would serve ratepayers' best interests.

18 Q. PLEASE DESCRIBE YOUR ANALYSIS.

19 A. It is possible to quantify the risk to ratepayers of the delay associated with rejection of
20 FPL's petitions. The appropriate measure, I believe, would be the value of the "expected
21 energy not served" because of the delay. I have developed the value that would be
22 associated with a delay of one year of capacity equivalent to one of FPL's units and the
23 value that would correspond to a delay of the entire 1900 MW proposed by FPL. I then

1 compared these values of "expected energy not served" to the impact on ratepayers of
2 even a modest increment in costs beyond FPL's non-binding representation of costs. The
3 results of the analysis are shown in Exhibit No. _____ (KJS-3), which is attached to my
4 testimony.

5 **Q. WHAT DATA BASE DID YOU USE FOR THIS DETERMINATION OF**
6 **"EXPECTED UNSUPPLIED ENERGY?"**

7 **A.** I have prepared a data base consisting of all of the generation that would be available in
8 peninsular Florida during the time frame involved, together with the total forecast
9 peninsular Florida load during the same period.

10 **Q. WHY IS THIS IMPORTANT?**

11 **A.** From a reliability standpoint, Peninsula Florida is a single entity within which all of the
12 resources can be used to serve the composite load. The actual ownership of generation or
13 the existence or absence of contractual arrangements is of little importance in the
14 determination of how much load can be served. My data base captures all of the
15 generating resources that Peninsula Florida load could call on to maintain reliable service,
16 including merchant peaking capacity that is not included in any utility's calculation of its
17 individual reserve margin and resources which exceed a utility's target reserve margin..

18 **Q. WHAT VALUE DID YOU ATTRIBUTE TO THE INCREASE IN PENINSULA**
19 **FLORIDA EXPECTED UNSUPPLIED ENERGY?**

20 **A.** I used a value which is generally recognized in the utility industry as an energy price which
21 should not be exceeded. That value is \$1000 / MWh.

22 **Q. WHAT RISK HAVE YOU ASSOCIATED WITH THE ACCEPTANCE OF FPL'S**
23 **PRESENTLY OFFERED SELF BUILD OPTIONS?**

1 A. I have combined three separate sums for each of FPL's self-build options, the impact on
2 the operating costs of a 2% increase in heat rate, the impact on capacity value of a 2.5%
3 drop in capacity and the impact of a 5 % increase in fixed costs.

4 Q. PLEASE SUMMARIZE THE RESULTS OF YOUR ANALYSIS.

5 A. I have calculated that if Martin 8 is delayed one year, the increase in value of expected
6 unsupplied energy would be \$0, while the avoided risk would be \$94 million. If both
7 Martin 8 and Manatee 3 are delayed one year, the increase in value of expected unsupplied
8 energy would be \$3,000, while the avoided risk would be \$188 million.

9 Q. DO YOU REGARD THE INCREMENT OF EXPECTED UNSERVED ENERGY
10 TO BE SIGNIFICANT?

11 A. No. To the contrary, at forecast load levels there is insignificant expected unsupplied
12 energy.

13 Q. WHAT DO YOU CONCLUDE FROM YOUR ANALYSIS?

14 A. I conclude that the impact on ratepayers of a delay necessary to reach a decision
15 uninfluenced by opportunities for biased and self-serving assumptions and/or infirm
16 numbers is more than outweighed by the risk of even a modest, (or even expected),
17 missing of targets by FPL.

18 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

19 A. I have demonstrated that FPL has repeatedly biased the needs analysis towards its own
20 self-build options. In the original Integrated Resource Plan (IRP) analysis and the
21 subsequent RFP analysis, FPL consistently adopted assumptions that would favor the self-
22 build options by:

23 (i) including an "equity penalty" for purchase power options,

- 1 (ii) using greenfield combined cycle units served by FGT as spacer units,
2 (iii) using extremely optimistic cost and performance assumptions for is self-build
3 options, and,
4 (iv) through simplistic EGEAS modeling of start-up/shutdown costs and O&M
5 costs.

6 Since FPL does not offer ratepayers a "binding bid" type guarantee on the construction of
7 the new units, ratepayers could be asked to pay costs in excess of those presented by FPL
8 in this docket. I have demonstrated that a delay in approving FPL's plans for the self-
9 build option will not harm ratepayers, and in fact will allow the Commission the
10 opportunity to assess the process wherein utilities in the State of Florida, in their own self-
11 interest, choose supply alternatives that may in fact not be the least-cost alternatives to
12 ratepayers. Therefore, I am requesting on behalf of PACE, that the Commission deny
13 FPL's request at this time and take whatever measures are needed to ensure that the next
14 procurement process is designed to ensure that alternatives are fairly assessed, resulting in
15 the least-cost option for ratepayers.

16
17 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

18 **A.** Yes, it does.
19

Technical Qualifications
and
Professional Experience

Kenneth John Slater

EDUCATION

B.Sc.,	Pure Mathematics and Physics,	Sydney University, 1960
B.E.,	Electrical Engineering,	Sydney University, 1962
M.A.Sc.,	Management Sciences,	University of Waterloo, 1974

PROFESSIONAL AFFILIATIONS

- Association of Professional Engineers of Ontario
 - Registered Professional Engineer
- Institute of Electrical and Electronics Engineers
 - Member of Power Engineering Society
 - Past member of Power System Engineering Committee
 - Past member of System Economics subcommittee and working group

EXPERIENCE

- 1957-62 Mr. Slater was a Junior Professional Officer at the Electricity Commission of New South Wales attending university and undergoing on-the-job training in power station and substation design, construction, protection, maintenance, and operation.
- 1962-67 Mr. Slater was a Professional Engineer Grades 1 and 2 at The Electricity Commission of New South Wales, engaged in a variety of functions within the areas of Power Station Construction, Generation Planning, System Operation and Load Dispatch.
- 1967-69 As Assistant Engineer Area Operation/Sydney West (Professional Engineer, Grade 3) with the Electricity Commission of New South Wales, Mr. Slater was responsible for the day-to-day operation of the Sydney West Area (approximately 20% of the State System).

He supervised the day-to-day work of more than 18 operators as they provided safe working conditions for Commission staff and others on system apparatus, and as they provided safe, secure, reliable and economic operation of this portion of the State System.

He performed the liaison function with head office staff, other divisions and customers on all operating activities, directed the performance of complicated operating procedures and trained both regular and emergency operators.

While he was in this and his previous position, Mr. Slater was responsible for the design and manufacture of the live line testing devices used by the Commissions' operators and linemen.

As well, he assumed responsibility for the preparation and execution of "black start" exercises and for the arrangement and detailing of complicated switching for major rearrangements and commissionings on the State System. He also developed original computer applications.

1969-74

As Engineer, and then Senior Engineer, heading the Production Development Section of Ontario Hydro's Operating Department, Mr. Slater was engaged in developing computational procedures and computer programs for Production Economics and Resource Management.

Major contributions included (1) the development and implementation of the computer program which, for more than 20 years, produced the daily generation schedule for the Ontario Hydro System, (2) the formulation of a Stochastic System Model to coordinate and optimize the production planning, maintenance planning, interchange planning and resource management of the Ontario Hydro System, and (3) the development of PROMOD, a Probabilistic Production Cost and Reliability model, the first version of the "core" of the Stochastic Model in (2) above.

As a member of the project group implementing the Operating Department's Data Acquisition and Computer System, he headed a work unit responsible for providing the application programs related to generation scheduling, power interchange and resource management. Also, he held responsibilities in the areas of policy determination, analytical techniques and the planning of future applications.

1974-75

As Manager of Engineering at the Ontario Energy Board, Mr. Slater was heavily involved in public hearings into Ontario Hydro's System Expansion Plans and Financial Policies, and into Ontario Hydro's Bulk Power Rates.

During this time, he provided much of the power system engineering input necessary for the start-up and formulation of the public hearing process related to Ontario Hydro. He also provided the engineering input for the regulation of Ontario's three major investor owned gas utilities.

1975-76 For 12 months, Mr. Slater was a private consultant contracted to the Royal Commission on Electric Power Planning, in Ontario, as its Research Director. During this time, he directed and participated in various studies of different aspects of electricity supply. He was also a member of the panel of expert examiners in a number of the Royal Commission's public hearings.

1976-83 As President of Slater Energy Consultants, Inc., in Toronto, Mr. Slater performed or made major contributions to a number of important assignments at the forefront of the electrical energy industry. These included:

- The Export of Electrical Power
....a study for the Ontario Ministry of Industry and Tourism.
- Load Management Studies
....for the Detroit Edison Company.
- California Utilities Increased Integration Study
....for San Diego Gas & Electric Company, Southern California Edison Company, Los Angeles Department of Water and Power, and Pacific Gas and Electric Company.
- Bradley-Milton 500kV Transmission Lines
....a study for the Ontario Ministry of Energy and the Interested Citizens Group (Halton Hills).
- Solar Energy and the Conventional Energy Industries
....a study for the Canadian Ministry of Energy, Mines and Resources.
- The Expert Examiner for the Ontario Royal Commission on Electric Power Planning during hearings into Priority Projects.
- Various Studies into Unconventional Electrical Resources
....for the P.E.I. Institute of Man and Resources and the P.E.I. Energy Corporation.

- Analysis and Expert Testimony in Support of Lower Demand Rates for Lake Ontario Steel Company, Ivaco Industries Limited and Atlas Steels.
- Claims for Consequential Damages of the Roseton Boiler Implosions
...for Consolidated Edison Company, Central Hudson Power Company and Niagara Mohawk Power Corporation.
- A study of the Potential for Megawatt Scale Wind Power Plants in Electrical Utilities
...for the Canadian Ministry of Energy, Mines and Resources.

These studies have included the need to create special and unique power system models and solution techniques and have addressed significant issues of major importance in the electrical supply industry. Mr. Slater also has carried out assignments for the following clients:

Nova Scotia Power Corporation.
The Government of Prince Edward Island.
The New Brunswick Electric Power Commission.
Ontario Energy Corporation.
Ontario Energy Board.
Go-Home Lake Cottagers Associations.
Saskatchewan Power Corporation.
FMC Corporation.
FMC of Canada Limited.
ERCO Industries Limited.
Canadian Occidental Petroleum Ltd.
State Energy Commission (Western Australia).
Toronto District Heating Corporation.

In connection with his consulting activities, Mr. Slater gave expert testimony in the state of Idaho and in the provinces of Ontario and Prince Edward Island.

Mr. Slater also was a principal developer of PROMOD III[®], a proprietary electric utility production cost and reliability model owned by Energy Management Associates, Inc. This model was used by over seventy utilities in Canada, the United States, Japan and Australia. Its wide acceptance made it the "Industry Standard" in the U.S.

1983-90

As Vice President and Chief Engineer for Energy Management Associates, Inc., Mr. Slater was responsible for giving technical direction for the development and maintenance of Energy Management Associates, Inc.'s state-of-the-art software products. As Senior Vice President and Chief Engineer, Mr. Slater was head of Energy Management Associates, Inc.'s utility consulting practice. He led or made significant contributions to a number of important consulting engagements, including:

- Study and regulatory testimony concerning the value to the Idaho Power Company system of the interruptibility provisions in F.M.C.'s supply contract.
- Generation planning studies for Cincinnati Gas and Electric Company, San Diego Gas & Electric Company and the City of Austin Electric Utility Department.
- Assistance to legal counsel during regulatory litigation regarding the hostile takeover of a major Canadian gas utility holding company (union Enterprises), including definition and examination of issues, selection of witnesses, and analysis of the opposing case.
- Development and demonstration of a method for the allocation of Inland Power Pool's operating reserve requirement among its members.
- Analysis of replacement power costs during the outage of Niagara Mohawk Power Corporation's Nine Mile Point #1 nuclear unit.
- Reserve margin assessments for Public Service Company of Indiana, Alleghany Power System Inc., Iowa Electric Light & Power Company, San Diego Gas & Electric Company, and El Paso Electric Company.
- Examination of the gas supply situation in Southern California and regulatory testimony regarding "unbundling" of storage service.
- Evaluation of the operational, planning and financial impacts of merging two large Eastern U.S. electric utilities.

- Study and regulatory testimony regarding the value and appropriate level of interruptible demand for the Union Gas system.
- Evaluation of the benefits of increased operational integration of a group of electric utilities.
- Assistance for Tucson Electric Power Co. and its legal counsel during arbitration of its dispute with San Diego Gas and Electric Company regarding the operation of a large power sale agreement.
- Analysis of the economics of a third A/C transmission line linking California and Oregon.
- A seminar on "Power Pooling and Inter-Utility Interconnections" for the management of the Central Electricity Generating Board and other parties involved in U.K. privatisation.
- Determination of the benefits of pool membership for two electric utilities in the Northeast U.S..
- Assistance for Riley Stoker Corporation and its legal counsel with the arbitration of direct and consequential damages arising out of the late completion and early poor performance of two major coal-fired generating units. The work included case examination and development, detailed reconstruction of events, analysis of all financial and economic consequences of project delay and performance with separation of fault, analysis of opponent's case and assistance with cross-examination, direct and rebuttal testimony, and assistance with oral and written argument.

Mr. Slater's consulting assignments included the areas of power system planning, operations, reliability, economics, ratemaking and assessment of the worth of unconventional resources. He appeared as an expert witness in regulatory hearings in Idaho, Iowa, Indiana, Florida, California, Texas, Ontario and Nova Scotia and in civil arbitration proceedings in Louisiana and Pennsylvania.

Mr. Slater continued to contribute to the development of E.M.A.'s utility software products. His contributions included being a principal developer of SENDOUT[®], E.M.A.'s proprietary supply model for gas utilities.

1990-

In August 1990, Mr. Slater returned to working in his own practice, in Atlanta, where he heads a small corporation, Slater Consulting, which provides consulting services and expert testimony for various different participants in the utility industry.

Slater Consulting assignments, led by Mr. Slater, have included:

- Assistance to legal counsel for creditors of a bankrupt utility.
- Analysis and testimony for Texas - New Mexico Power Company regarding prudent alternatives to their decision to build TNP ONE Unit 2.
- Assistance and analysis for a utility and its legal counsel during litigation regarding damages sustained because of interference in a proposed merger of that utility with another utility.
- Analyses and testimony before the New York PSC for Sithe Energies, Inc., in certification proceedings and in numerous avoided cost and buy-back rate proceedings.
- Analyses and testimony for the Independent Power Producers of New York in QF curtailment, buy-back rate and back-up rate proceedings before the New York PSC.
- Analysis and testimony for Southwestern Public Service Co. at FERC and before the New Mexico Public Service Commission regarding the lack of production cost savings from the proposed merger of Central & South West Utilities with El Paso Electric Company.
- Analyses and testimony before the Public Service Commission for Independent Power Producers in Florida regarding QF curtailment.
- Analyses and testimony in Civil Court cases for Independent Power Producers in Florida regarding the correct implementation of contractual dispatchability provisions.
- Testimony before regulatory commissions in New York, Pennsylvania, Texas, Florida and Louisiana regarding various aspects of emerging competition.

- Analyses and testimony before the Georgia Public Service Commission on behalf of Mid-Georgia Co-gen and others regarding avoided costs on the Georgia Power / Southern Company system.
- Analysis and testimony before the Georgia Public Service Commission on behalf of Georgia Power Company regarding the Prudence of Georgia Power's 1978-1980 investment in the Rocky Mountain pumped storage plant.
- Testimony before the regulatory commissions of Texas, Virginia and Wisconsin regarding the fair allocation of utility revenue requirements to individual customer classes.
- Testimony before the United States Bankruptcy Court regarding the value of the non-nuclear assets of Cajun Electric Power Co-operative, Inc.
- Analyses for Sithe Energies, Inc. of the future dispatch and associated energy revenues for numerous generating resources in the Northeast United States.
- Operational planning analyses for Sithe Energies, Inc. regarding numerous existing and new generating resources in the Northeast United States.
- Analyses and testimony in Courts and before arbitrators for the non-operating owners of the South Texas Nuclear Project, the Cooper nuclear unit in Nebraska, and the Millstone 3 nuclear unit in Connecticut concerning the replacement power costs during extended outages.

In connection with these and other assignments, Mr. Slater has appeared as an expert in regulatory proceedings in Florida, Georgia, Louisiana, New Mexico, New York, Pennsylvania, South Carolina, Virginia, Wisconsin and Texas, and at the Federal Energy Regulatory Commission. He has also appeared in Federal

Bankruptcy Court, state courts in Virginia, Nebraska, Texas and Florida, and civil arbitration proceedings in Nevada and Pennsylvania.

PUBLICATIONS & PRESENTATIONS

“Meeting System Demand”

Canada-USSR Electric Power Working Group Electrical Seminar,
Montreal, March, 1973.

“Stochastic Model for Use in Determining Optimal Power System Operating Strategies.”

Power Devices and Systems Group, Electrical Engineering Department,
University of Toronto – 1973.

“Economy-Security Functions in Power System Operations”

IEEE Power System Economic Subcommittee Work Group Paper
IEEE T.P.A.S. Sept/Oct 1975 p. 1618.

“A Large Hydro-Thermal Scheduling Model”

TIMS/ORSA
Miami, November 1976.

“Generation System Modeling for Planning and Operations”

Atlantic Regional Thermal Conference
Charlottetown, June 1978.

“The Feasibility of Electricity Export from CANDU Nuclear Generation”

Canadian Nuclear Association
Ottawa, June 1978.

“Evaluation of the Worth of System Scale Wind Generation to the Prince Edward Island Electrical Grid.”

IEEE Canadian Conference
Toronto, Ontario 1979.

“The Results of a Study Examining the Possible Impact of Solar Space Heating on the Electrical Utility in New Brunswick.”

The Potential Impacts of the Deployment of Solar Heating on Electrical Utilities – A workshop sponsored by the Canadian Department of Energy, Mines and Resources
Ottawa, May 1980.

“Reliability Indices: Their Meaning and Differences”

Planmetrics/Energy Management Associates, Inc. 8th Annual National Utilities Conference
Chicago, May 1980.

"Description and Bibliography of Major Economy-Security Functions

Part I - Description

Part II - Bibliography (1959-1972)

Part III- Bibliography (1973-1979)"

IEEE Power System Economics Subcommittee Working Group
Papers (3).

IEEE TPAS January 1981, p.211, p.214, p. 224.

"PROMOD III[®] Evaluation of the Worth of Grid Connected WECS."

Fifth Annual Wind Energy Symposium, Ryerson Polytechnical Institute
Toronto, December 1982.

"Probabilistic Simulation in Power System Production Models"

China-U.S.A. Power System Meeting, Electrical Power Research Institute
of China

Tianjin, China, June 1985.

"Computer Modeling of Wheeling Arrangements"

Electricity Consumers Resource Council Seminar
Washington, D.C., September 1985.

"Power Systems Reliability Improvement Benefits - A Framework for Analysis"

ASME Energy-Sources Technology Conference
Dallas, February 1987.

Kenneth J. Slater**List of Expert Testimony (1983-2002)**

1. Idaho Public Utilities Commission Case No. U-10006-185
Re: Value of Interruptibility Provisions in FMC Power Supply Contract
For: FMC Corporation
2. Idaho Public Utilities Commission Case No. U-10006-197
Re: Idaho Power Company Generation Planning
For: FMC Corporation
3. Iowa State Commerce Commission Docket No. RPU-83-23
Re: Appropriate Generation Reserve Margin for Iowa Electric Light and Power Company
For: Iowa Electric Light and Power Company
4. Idaho Public Utilities Commission Case No. U-10006-265
Re: Usefulness of Power Supply Models
For: FMC Corporation
5. Idaho Public Utilities Commission Case No. U-10006-265A
Re: Value of Interruptibility of FMC Load
For: FMC Corporation
6. Florida Public Service Commission Case No. 830470-EI
Re: Ratemaking Treatment for New Generation Asset (Crystal River 5) and Reasonableness of Certain FPC PROMOD III® Analyses
For: Florida Power Corporation
7. Indiana Public Service Commission Cause No. 37414
Re: Appropriate Reserve Margin
For: Public Service Company of Indiana
8. American Arbitration Association Case 71 199 0072 84
Cajun Electric Power Cooperative, Inc., and Riley Stoker Corporation
Re: Project delay, Operational Problems and Replacement Power Costs
For: Riley Stoker Corporation
9. Ontario Energy Board
Takeover of Union Gas Corporation by Unicorp Canada Corporation
Re: Utility Management
For: Unicorp Canada Corporation

10. Florida Public Service Commission Case No. 870220-EI
Re: Ratemaking Treatment for Nuclear Generation Asset,
(Crystal River 3)
For: Florida Power Corporation
11. California Public Utilities Commission Docket No. I 87-03-036
Re: Unbundling of Gas Storage Service
For: San Diego Gas & Electric Company
12. Texas Public Utility Commission Docket No. 8363
Re: Generation Reliability
For: El Paso Electric Company
13. Nova Scotia Board of Commissioners of Public Utilities
- Application of Nova Scotia Power Corporation for Approval to Change Rates.
{Approximately 1989}
Re: Rate Design Issues
For: Nova Scotia Power Corporation
14. Texas Public Utility Commission Docket No. 8702 et al
Re: "Used and Useful" & Generation Planning
For: Gulf States Utilities Company
15. Ontario Energy Board
Re: Value of Interruptible Customers
For: Union Gas Corporation
16. Texas Public Utility Commission No. 9945
Re: Generation Reliability
For: El Paso Electric Company
17. Texas Public Utility Commission Docket No. 10200
Re: Generation Alternatives to TNP One Unit 2
For: Texas - New Mexico Power Company
18. American Arbitration Association Case 55 110 0044 91
P. J. Dick Contracting Company vs D/R Hydro Company and Voith Hydro, Inc.
Re: Performance of Hydro-Electric Turbines
For: P. J. Dick Contracting Company
19. New York Public Service Commission Case No. 92-E-0814 et al
Re: Need to Curtail Qualifying Facilities
For: Independent Power Producers of New York

20. New York Public Service Commission Case No. 92-T-0114
Re: Avoided Production Costs
For: Sithe Energies, Inc.
21. New York Public Service Commission Cases 93-E-0376 and 93-E-0378.
Re: Calculation of Avoided Energy Costs
For: Sithe Energies, Inc.
22. New York Public Service Commission Case No. 94-E-0098 et al
Re: Setting of Buyback Rate
For: Independent Power Producers of New York
23. New York Public Service Commission Case No. 94-E-0334
Re: Calculation of Avoided Energy Costs
For: Sithe Energies, Inc.
24. Texas Public Utility Commission Docket No. 11735
Re: Revenue Requirement Allocation
For: Association for Equitable Rates
25. Florida Public Service Commission Case No. 930548-BG et al
Re: Integrated Resource Planning
For: Competitive Energy Producers Association
26. Georgia Public Service Commission Docket No. 4900-U
Re: Avoided Costs
For: Mid-Georgia Cogen L.P.
27. Georgia Public Service Commission Docket No. 4822-U
Re: Avoided Costs
For: North Canadian Power Corporation and International Power Systems Incorporated
28. FERC Docket No. BC94-7-000
Re: CSW/EI Paso Electric merger related system production savings
For: Southwestern Public Service Company
29. Texas Public Utility Commission Docket No. 12065
Re: Backup power rates
For: Texas - New Mexico Power Company
30. New Mexico Public Service Commission Case No. 2575
Re: CSW/EI Paso Electric merger related system production savings
For: Southwestern Public Service Company

31. New York Public Service Commission Cases 93-E-0912 and 93-E-1075
Re: Calculation of Fuel Targets and Avoided Energy Costs
For: Sithe Energies, Inc.

32. New York Public Service Commission Cases 94-E-0614 & 95-E-0172
Re: Backup power rates
For: Independent Power Producers of New York

33. Florida Public Service Commission Docket No. 941101-EQ
Re: Need to Curtail Qualifying Facilities
For: Orlando CoGen Limited, L.P.

34. District Court of Harris County, Texas, 11th Judicial District, Case No. 94-007946
City of Austin and City of San Antonio v's Houston Lighting & Power Company
Re: Replacement Power Cost Damages
For: The City of Austin

35. South Carolina Public Service Commission Docket No. 95-1192-E
Re: Avoided Costs
For: Consolidated Hydro Southeast, Inc.

36. Circuit Court of the City of Richmond, Virginia Case No. LA 2266-4
Gordonsville Energy, L.P. v's Virginia Electric and Power Company
Re: Virginia Power Damages due to NUG outage.
For: Gordonsville Energy, L.P.

37. United States Bankruptcy Court, District of New Jersey, Case No. 95-28703
Kamine/Besicorp Allegany, L.P. v's Rochester Gas & Electric Corporation
Re: Value of Plant Output
For: Kamine/Besicorp Allegany, L.P.

38. Texas Public Utility Commission Docket No. 15638
Re: Texas Utilities' Transmission and Ancillary Service Rates
For: Texas-New Mexico Power Company

39. Texas Public Utility Commission Docket No. 15639
Re: H L & P's Transmission and Ancillary Service Rates
For: Texas-New Mexico Power Company

40. New York Public Service Commission Case 96-E-0891
Re: Retail Service Competition
For: Independent Power Producers of New York

41. United States District Court, Western District of Pennsylvania,
Civil Action No. 95-0658
Washington Power Company, L.P. v's Allegheny Power System, Inc. et al.
Champion Processing, Inc., et al v's Allegheny Power System, Inc. et al.
Re: Non-performance of contract terms and associated damages
For: Washington Power Company, LP- Champion Processing, Inc., et al
42. American Arbitration Association, Case 79 Y 199 00070 95
Las Vegas Cogeneration L.P. v's Nevada Power Co.
Re: Curtailment of contract deliveries and associated damages
For: Las Vegas Cogeneration L.P.
43. United States Bankruptcy Court, Middle District of Louisiana, Case No. 94-11474
United States District Court, Middle District of Louisiana, Case No. 94-2763
Cajun Electric Power Co-operative, Inc. Debtor
Re: Value of non-nuclear assets of Cajun Electric Power Co-operative
For: Enron Capital & Trade Resources
44. Louisiana Public Service Commission Docket U-21453
Re: Retail Service Competition
For: Alliance for Lower Electric Rates Today
45. Georgia Public Service Commission Docket No. 6739-U
Re: Prudence of investment in Rocky Mountain pumped storage
plant
For: Georgia Power Company
46. Pennsylvania Public Utility Commission Docket No. P-00971265
Re: Market prices for retail generation services
For: Enron Energy Services Power Inc.
47. State Corporation Commission of Virginia Case No. PUE960296
Re: Revenue Requirement Allocation
For: Coalition for Equitable Rates
48. Public Service Commission of Wisconsin Docket 6630-UR-110
Re: Revenue Requirement Allocation
For: Coalition for Equitable Rates
49. District Court of Lancaster County, Nebraska, Docket 528, Page 69
City of Lincoln d/b/a Lincoln Electric System v's Nebraska Public Power District
Re: Replacement Power Cost Damages
For: Lincoln Electric System

50. District Court of Lake County, Florida, (1999)
NCP Lake Power/Lake Cogen, Ltd. v's Florida Power Corporation
Re: Breach of Contract and associated damages
For: NCP Lake Power/Lake Cogen, Ltd.
51. Fourth Judicial Circuit Court, in and for Duval County, Florida, Case 97-07037-CA
Cedar Bay Generating Company, L.P. v's Florida Power & Light Company
Re: Breach of Contract and associated damages
For: Cedar Bay Generating Company, L.P.
52. Arbitration
Massachusetts Municipal Wholesale Electric Company, et al
v's The Connecticut Light and Power Company
and Western Massachusetts Electric Company
New England Power Company v's The Connecticut Light and Power Company
and Western Massachusetts Electric Company
Re: Replacement power costs for the outage of Millstone 3 nuclear unit
For: The Non-operating Co-owners of Millstone 3
53. Florida Public Service Commission Docket No. 981890-EU
Re: Peninsula Florida Generation Reserve Margins
For: Duke Energy
54. United States District Court For The District Of Nebraska, Case 9:98CV345
Entergy Services, Inc. and Entergy Arkansas, Inc.
vs Union Pacific Railroad Company
Re: Replacement Power Costs
For: Union Pacific Railroad
55. Florida Public Service Commission Docket No. 001748-EC
Re: Petition for Determination of Need for the Osprey Energy Center
For: Calpine Construction Finance Company, L.P.
56. New Orleans City Council No. UD99-2
Re: Customer Complaints of Overcharging by Entergy New Orleans
For: Reverend C. S. Gordon, Jr. et al
57. United States District Court for The Northern District of California, San Jose Division
Case Number C 99-21242 SW PVT ENE
ABB Power T&D Company v. Alstom Esca Corporation
Re: Intellectual Property Dispute
For: Alstom Esca Corp.

58. United States District Court For The District Of Kansas, Civil Action 00-2043CM
Western Resources, Inc. v. Union Pacific Railroad Company and The Burlington
Northern And Santa FE Railway Company

Re: Replacement Power Costs and other damages
For: Union Pacific Railroad

59. New York Public Service Commission Case 01-E-1847

Re: NMPC Standby Service Rates
For: Independent Power Producers of New York

60. Wisconsin Public Service Commission Docket Nos. 05-AE-109, 05-CE-117,
05-CE-130, 6650-CG-211, 137-CE-104

Re: CPCN for Port Washington CC's
For: PGE National Energy Group

COMPARISON OF RISKS

Value of Expected Unserved Energy

	Change in EUE MWh	Value @ \$1000/MWh \$M
1 year delay in Martin 8	0	0
1 year delay in Martin 8 & Manatee 3	3	0.003

FPL Cost & Performance Risk

	Approximate Cost \$M
1 year delay in Martin 8	
2% increase in Heat Rate	32
2.5% decrease in capacity	12
5% increase in fixed costs	50
Total	94
1 year delay in both Martin 8 & Manatee 3	
2% increase in Heat Rate	64
2.5% decrease in capacity	24
5% increase in fixed costs	100
Total	188

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the Direct Testimony and Exhibits of Kenneth J. Slater on behalf of The Florida Partnership for Affordable Competitive Energy, was on this 20th day of August 2002, served via (*) Hand delivery and U.S. Mail to the following:

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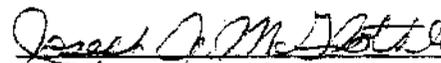
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