

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

NOVEMBER 19, 2002

RE: Docket No. 020262-EI - Petition to determine need for an electrical power plant in Martin County by Florida Power & Light Company.  
Docket No. 020263-EI - Petition to determine need for an electrical power plant in Manatee County by Florida Power & Light Company.

ISSUE 1: Does Florida Power & Light company have a need for Martin Unit 8, taking into account the need for electric system reliability and integrity?  
RECOMMENDATION: In order to precisely meet a planning reserve margin criterion of 20.0%, FPL needs only 15 MW of capacity with the addition of Manatee Unit 3 in Summer, 2005. Therefore, FPL does not have a pressing reliability need for the entire 789 MW of capacity from Martin Unit 8 until Summer, 2006. ~~However, as discussed in Issue 14, it is more cost effective for FPL to place Martin Unit 8 into commercial service in 2005 rather than 2006.~~ Placing Martin Unit 8 into service in 2005 will enhance FPL's electric system reliability and integrity.

**MODIFIED**

*Approved with noted deletion of language.*

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

*Michael A. Palech*  
*Jerry Deason*  
*Michael B...*  
*John...*  
*Judy Bradley*

*J. Jerry Deason*  
*Judy Bradley*

REMARKS/DISSENTING COMMENTS:

*Commissioners Deason and Bradley dissented from majority vote on Issue 12*

DOCUMENT NUMBER-DATE  
12685 NOV 19 02  
FPSC-COMMISSION CLERK

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ISSUE 2: Does Florida Power & Light company have a need for Manatee Unit 3, taking into account the need for electric system reliability and integrity?

RECOMMENDATION: Yes. FPL has an estimated need for 1,122 MW of capacity for Summer, 2005. The 1,107 MW of summer capacity from Manatee Unit 3 is needed by FPL to ensure electric system reliability and integrity. With the addition of Manatee Unit 3 in Summer, 2005, FPL's projected reserve margin for Summer, 2005 is 19.92%.

**APPROVED**

ISSUE 3: Does Florida Power & Light have a need for Martin Unit 8, taking into account the need for adequate electricity at a reasonable cost?

RECOMMENDATION: Yes. FPL has chosen a proven technology and has experience with the construction and operation of combined cycle units. The estimated costs for Martin Unit 8 appear to be reasonable.

**APPROVED**

ISSUE 4: Does Florida Power & Light Company have a need for Manatee Unit 3, taking into account the need for adequate electricity at a reasonable cost?

RECOMMENDATION: Yes. FPL has chosen a proven technology and has experience with the construction and operation of combined cycle units. The estimated costs for Manatee Unit 3 appear to be reasonable.

**APPROVED**

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ISSUE 5: Are there any conservation measures taken by or reasonably available to Florida Power & Light Company that might mitigate the need for Martin Unit 8?

RECOMMENDATION: No. FPL appears to have implemented all available cost-effective conservation and demand-side management measures.

**APPROVED**

*Additionally, as discussed, the sentence beginning "Stated another way..." on page 18 of staff's recommendation will not be placed in the order.*

ISSUE 6: Are there any conservation measures taken by or reasonably available to Florida Power & Light Company that might mitigate the need for Manatee Unit 3?

RECOMMENDATION: No. FPL appears to have implemented all available cost-effective conservation and demand-side management measures.

**APPROVED**

ISSUE 7: Has Florida Power & Light Company adequately ensured the availability of fuel commodity and transportation to serve Martin Unit 8?

RECOMMENDATION: Yes. While FPL has yet to sign a contract to supply natural gas to the proposed unit, FPL will provide the Commission with a copy of the signed contract for commodity and transportation to serve Martin Unit 8 once signed.

**APPROVED**

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ISSUE 8: Has Florida Power & Light Company adequately ensured the availability of fuel commodity and transportation to serve Manatee Unit 3?

RECOMMENDATION: Yes. While FPL has yet to sign a contract to supply natural gas to the proposed unit, FPL will provide the Commission with a copy of the signed contract for commodity and transportation to serve Manatee Unit 3 once signed.

**APPROVED**

ISSUE 9: Did Florida Power & Light Company's Supplemental Request for Proposals, issued April 26, 2002, satisfy the requirements of Rule 25-22.082, Florida Administrative Code?

RECOMMENDATION: Yes. FPL properly issued and evaluated the supplemental RFP in accordance with Rule 25-22.082, Florida Administrative Code, and has therefore satisfied the requirements of the Rule.

**APPROVED**

ISSUE 10: Was the process used by Florida Power & Light Company to evaluate Martin Unit 8, Manatee Unit 3, and projects submitted in response to its Supplemental Request for Proposals, issued April 26, 2002, fair, reasonable, and appropriate?

RECOMMENDATION: Yes. FPL's analysis of its self-build options, individual responses to the Supplemental RFP, and grouping of proposals for purposes of the economic evaluation was appropriate. FPL's evaluation process reasonably resulted in the choice of the most cost-effective alternative required by statute.

**APPROVED**

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ISSUE 11: In its evaluation of Martin 8, Manatee 3, and projects filed in response to its Supplemental Request for Proposals, issued on April 26, 2002, did Florida Power & Light employ fair and reasonable assumptions and methodologies?

RECOMMENDATION: Yes. Given the variation in the proposals with regard to term and megawatts proposed, the methodologies employed to evaluate supply-side options were fair and reasonable. As discussed in staff's recommendation for Issues 11(a) through 11(g), FPL used fair and reasonable assumptions in evaluating all supply-side options.

**APPROVED**

ISSUE 11(a): Were the assumptions regarding parameters that FPL assigned to its own proposed units reasonable and appropriate?

RECOMMENDATION: Yes. FPL's heat rate and availability assumptions for Martin Unit 8 and Manatee Unit 3 are reasonable and appropriate.

**APPROVED**

ISSUE 11(b): Did FPL appropriately model variable O&M costs in its analysis?

RECOMMENDATION: Yes. FPL used the variable O&M costs contained in its supplemental RFP for the self-build projects. FPL modeled variable O&M costs for the bidders as they were bid.

**APPROVED**

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ISSUE 11(c): When modeling and quantifying the costs of all options, did FPL fairly and appropriately compare the costs of projects having different durations?

RECOMMENDATION: Yes. FPL's use of greenfield filler units in its expansion plan studies was appropriate.

**APPROVED**

ISSUE 11(d): When modeling and quantifying the costs of all options, did FPL employ assumptions regarding the gas transportation costs applicable to "filler units" that were fair, reasonable and appropriate?

RECOMMENDATION: Yes. FPL used identical gas transportation cost assumptions for filler units for generation expansion plans containing both FPL's self-build units and the RFP projects.

**APPROVED**

ISSUE 11(e): When modeling and quantifying the costs of all options, including its own, did FPL appropriately and adequately take cycling and start-up costs into account?

RECOMMENDATION: Yes. Further, FPL modeled cycling and start-up costs identically for its self-build units and the RFP projects.

**APPROVED**

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ISSUE 11(f): When modeling and quantifying the costs of all options, did FPL appropriately and adequately take into account the impact of seasonal variations on heat rate and unit output?

RECOMMENDATION: Yes. Using greater precision to model seasonal variations on heat rate and unit output was unnecessary and would have affected both the FPL self-build units and the RFP projects virtually the same.

**APPROVED**

ISSUE 11(g): Did FPL act in a fair, reasonable and appropriate manner in not considering for the short list portfolios that included TECO and other bidders, in part, because TECO's reserve margin requirement might be impaired?

RECOMMENDATION: Yes. FPL considered, but appropriately did not include, TECO on its short list.

**NO VOTE**

ISSUE 12: Was Florida Power & Light Company's decision to apply an equity penalty cost to projects filed in response to its Supplemental Request for Proposals appropriate? If so, was the amount properly calculated?

RECOMMENDATION: No. The application of the equity penalty in FPL's evaluation of outside supply options is not appropriate in this case. The Commission should determine the appropriateness of an equity penalty on a case-by-case basis. Even without the implementation of the equity penalty, FPL's self-build option still appears to be the most cost-effective method of adding capacity.

**MODIFIED**

*Approved with modification  
discussed at conference.*

*Commissioners Deason and Bradley dissented.*

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ISSUE 13: In its evaluation of Martin Unit 8, Manatee Unit 3, and projects filed in response to its Supplemental Request for Proposals, issued on April 26, 2002, did Florida Power & Light Company properly and accurately evaluate transmission interconnection and integration costs?

RECOMMENDATION: Yes. FPL properly and accurately evaluated transmission-related costs for the RFP projects and FPL's self-build options.

**APPROVED**

ISSUE 14: Is Florida Power & Light Company's Martin Unit 8 the most cost-effective alternative available?

RECOMMENDATION: FPL's base-case self-build plan, in which both Martin Unit 8 and Manatee Unit 3 enter service in Summer, 2005, appears to be the most cost-effective alternative. Deferring Martin Unit 8 by one year is more costly than FPL's base-case self-build plan. The Commission's decision on Issue 12 (equity penalty) will affect the level of the cost-effectiveness of FPL's base-case self-build plan.

**APPROVED**

ISSUE 15: Is Florida Power & Light Company's Manatee Unit 3 the most cost-effective alternative available?

RECOMMENDATION: See staff recommendation on Issue 14.

**APPROVED**



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ISSUE 16: Based on the resolution of the foregoing issues, should the Commission grant Florida Power & Light Company's petition for determination of need for Martin Unit 8?

RECOMMENDATION: Yes. FPL's Petition for Determination of Need for Martin Unit 8 satisfies the statutory requirements of Section 403.519, Florida Statutes, and, therefore, should be approved.

**APPROVED**

ISSUE 17: Based on the resolution of the foregoing issues, should the Commission grant Florida Power & Light Company's petition for determination of need for Manatee Unit 3?

RECOMMENDATION: Yes. FPL's Petition for Determination of Need for Manatee Unit 3 satisfies the statutory requirements of Section 403.519, Florida Statutes, and, therefore, should be approved.

**APPROVED**

ISSUE 18: Should Docket Nos. 020262-EI and 020263-EI be closed?

RECOMMENDATION: Yes. These dockets should be closed after the time for filing an appeal has run.

**APPROVED**