

**BEFORE THE FLORIDA  
PUBLIC SERVICE COMMISSION**

**DOCKET NO. 04<sup>0206</sup>-EI  
FLORIDA POWER & LIGHT COMPANY**

**IN RE: FLORIDA POWER & LIGHT COMPANY'S  
PETITION TO DETERMINE NEED FOR  
TURKEY POINT UNIT 5  
ELECTRICAL POWER PLANT**

**DIRECT TESTIMONY OF:**

**GERARD YUPP**

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5                                   **MARCH 8, 2004**

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

8           A.     My name is Gerard Yupp. My business address is 700 Universe Boulevard,  
9                    Juno 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.

1 At that time, I rejoined FPL as a real-time power trader in the Energy Marketing  
2 and Trading Division. I moved from real-time trading to short-term power  
3 trading and assumed my current position in February of 1999.

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

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

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

18 A. The purpose of my testimony is to present and explain: (1) the proposed fuel  
19 types for the Turkey Point Unit 5 project; (2) the availability of fuel to the  
20 Turkey Point Unit 5 project; (3) the long-term fossil fuel price forecast used in  
21 the evaluation of the proposals received in response to FPL's Request for  
22 Proposal (RFP) process; and (4) the long-term firm natural gas transportation  
23 cost assumptions used by FPL in its RFP evaluation for FPL project options and

1 outside proposals.

2

3 **Q. Are you sponsoring any sections of the Need Study document?**

4 A. Yes. I sponsor Section V.A.2. and co-sponsor Section V.B. of the Need Study  
5 document. In addition, I sponsor Appendix F.

6

7 **Q. What are the proposed fuel types that will be utilized at Turkey Point Unit  
8 5?**

9 A. Turkey Point Unit 5 will use natural gas as its primary fuel source. The  
10 proposed unit will also be capable of burning light oil. Light oil will provide the  
11 project with a back-up fuel that can be used in case of a natural gas supply  
12 disruption.

13

14 **Q. How will natural gas be supplied to the Turkey Point Unit 5 project?**

15 A. A natural gas interstate pipeline owned and operated by Florida Gas  
16 Transmission System (FGT) currently serves the Turkey Point site. The existing  
17 natural gas infrastructure will need to be upgraded to ensure the adequate,  
18 reliable delivery of natural gas to the Turkey Point site. Upgrading the existing  
19 natural gas infrastructure will include the installation of additional pipeline  
20 compression. FGT would independently undertake the necessary permitting and  
21 construction activities for the necessary upgrades to the existing infrastructure.  
22 Costs for upgrades to the existing natural gas infrastructure are included in  
23 FPL's total cost estimate for Turkey Point Unit 5.

1       **Q.     How will light oil be supplied to the Turkey Point Unit 5 project?**

2       A.     Light oil will be trucked to the site and stored in a new four million gallon tank  
3             that would be built as part of the project. The four million gallons of storage  
4             represents approximately three days of light oil burn at baseload operation of  
5             Turkey Point Unit 5.

6  
7       **Q.     In your opinion, is it reasonable for FPL to rely principally upon natural**  
8             **gas to fuel the Turkey Point Unit 5 project?**

9       A.     Yes. The arrangements FPL proposes for delivering natural gas to the Turkey  
10            Point Unit 5 project, as discussed above, will provide adequate, reliable, and  
11            redundant capability.

12  
13            Additionally, FPL has had many years of experience procuring and burning  
14            natural gas in its power plants and has found the supply of natural gas to be  
15            reliable and adequate to meet the needs of FPL. Currently, there are significant  
16            quantities of proven natural gas reserves in the United States to ensure a  
17            continuing long-term supply of natural gas from U.S. production. To  
18            supplement this supply, FPL's and other energy consultant's long-term natural  
19            gas supply and demand balances show adequate Canadian and Liquefied Natural  
20            Gas (LNG) imports to sufficiently meet the projected growth in natural gas  
21            demand of the United States. According to recent data from the Department of  
22            Energy (DOE-EIA), there is adequate supply and projected natural gas reserves  
23            available in the United States to meet the natural gas demand for at least the next

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25 years.

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

A. On a monthly basis, FPL updates its thirty-year, long-term fossil fuel price forecast for oil, natural gas, coal, and petroleum coke, as well as the long-term availability of natural gas to Florida. Consistent with this practice, the September 2003 update of the FPL long-term fossil fuel price forecast was used to evaluate the FPL construction option and proposals received under the RFP process. The September 2003 long-term fossil fuel price forecast was made available to all interested participants before proposals were submitted. The September 2003 fuel price forecast is provided in Appendix F of the Need Study document.

**Q. What is the long-term firm natural gas transportation cost assumed by FPL in its RFP evaluation for FPL construction options and outside proposals?**

A. FPL assumed a demand charge for long-term firm transportation on the Gulfstream Natural Gas System (Gulfstream) of \$0.55/MMBtu. FPL assumed delivery on the Gulfstream system because there is currently sufficient capacity available on Gulfstream to transport natural gas into Florida to meet FPL's 2007 need. The FGT system is currently fully subscribed, and it is expected that it will be fully subscribed in 2007 and several years beyond. Therefore, additional gas coming into the state via existing delivery systems in 2007 will likely be on

1 the Gulfstream system.

2

3 **Q. Why did FPL assume the Gulfstream firm transportation cost when the**  
4 **pipeline that will deliver natural gas to Turkey Point Unit 5 is FGT?**

5 A. Turkey Point Unit 5 will incrementally add to the firm supply of natural gas  
6 imported into Florida. Because that incremental amount will be imported on  
7 Gulfstream, it is appropriate to use the Gulfstream firm transportation cost. FPL  
8 will use the capacity on Gulfstream to deliver natural gas to existing FPL units  
9 that currently are served by FGT under firm transportation. The displaced firm  
10 transportation capacity on FGT will be used to deliver natural gas to Turkey  
11 Point Unit 5. Therefore, although natural gas will be delivered to Turkey Point  
12 Unit 5 via FGT, the incremental long-term firm transportation would be added  
13 on Gulfstream. This same principle was applied to outside proposals that  
14 required FPL to provide natural gas under firm transportation.

15

16 **Q. Were the long-term natural gas transportation assumptions discussed**  
17 **above used by the evaluators for their analyses in evaluating the FPL**  
18 **projects and the projects received from the RFP bidders?**

19 A. Yes. They were used for both the FPL and Sedway Consulting evaluations.

20

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

23 A. Yes, these assumptions are reasonable. They are based on FPL's extensive

1           experience in procurement and transportation of natural gas to our existing units  
2           and the best information available in the industry.

3

4       **Q.    Does this conclude your testimony?**

5       **A.    Yes, it does.**