

060220-EC

**SEMINOLE ELECTRIC COOPERATIVE, INC.**

**Petition to Determine Need for**

**Electric Power Plant**

**March 2006**

**Direct Testimony of:**

**Trudy Novak**



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1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                   **SEMINOLE ELECTRIC COOPERATIVE, INC.**

3                   **DIRECT TESTIMONY OF TRUDY S. NOVAK**

4                   **DOCKET NO. 06\_\_\_\_\_ EU**

5  
6                   **MARCH 10, 2006**

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

8   A.    My name is Trudy S. Novak, and my business address is 16313 North Dale Mabry  
9         Highway, Tampa, Florida 33618.

10  
11 **Q.    By whom and in what capacity are you employed?**

12 A.    I am the Director of Pricing and Bulk Power Contracts at Seminole Electric  
13         Cooperative, Inc. (Seminole).

14  
15 **Q.    Please describe your duties and responsibilities in that position.**

16 A.    The responsibilities of my present position include: overseeing the development and  
17         issuance of all of Seminole's requests for proposals for purchased power alternatives  
18         to meet Seminole's power supply requirements; direct participation in the negotiation  
19         and administration of Seminole's purchased power, transmission and interconnection  
20         arrangements with other utilities; coordination and direction of my department's  
21         activities in the areas of development, design and administration of Seminole's  
22         wholesale rates for sales of electricity; evaluation of wholesale filings by Seminole's  
23         power and transmission suppliers in the areas of cost of service and rate design, and

1 the provision of technical support during negotiations and/or hearings; and the  
2 coordination and direction of Seminole's power marketing activities.

3  
4 **Q. Please describe your educational background and business experience.**

5 A. I received a Bachelor of Science degree with honors in General Business and  
6 Management from the University of Maryland in 1978 and became a Certified Public  
7 Accountant in the State of Maryland in 1980. I was employed by Seminole in May  
8 1982 as a Rate Analyst II. In February 1984, I was promoted to a Senior Rate  
9 Analyst. I have held several supervisory roles in the rates and bulk power contracts  
10 area since June 1986, and I have been the Director of Pricing and Bulk Power  
11 Contracts since January 2000.

12  
13 **Q. Have you previously testified before the Florida Public Service Commission?**

14 A. Yes, I submitted testimony before the Florida Public Service Commission (FPSC) in  
15 FPSC Docket No. 981827-EC.

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

18 A. The purpose of my testimony is to describe: 1) Seminole's experience in purchased  
19 power capacity solicitations, 2) Seminole's Request for Proposals ("RFP") process  
20 which was utilized in soliciting purchased power alternatives to meet Seminole's base  
21 load capacity requirements beginning in the 2009-2012 time frame; 3) the purchased  
22 power offerings considered by Seminole; and 4) Seminole's commercial and  
23 technical screening of bids.

1 **Q. Are you sponsoring any exhibits in this case?**

2 A. Yes. I am sponsoring three exhibits, TSN-1 through TSN-3, which are attached to  
3 my testimony.

4 Exhibit TSN-1 is a history of Seminole's formal RFPs.

5 Exhibit TSN-2 is the list of potential bidders to whom Seminole directly provided a  
6 copy of its RFP.

7 Exhibit TSN-3 is a summary of the responses Seminole received to Seminole's RFP  
8 issued in April 2004.

9

10 **Q. Are you sponsoring any part of the Need Study in this proceeding?**

11 A. Yes. I am co-sponsoring Sections VII and VIII, and I sponsor Appendices H and I.

12

13 **I. SEMINOLE'S EXPERIENCE IN PURCHASED POWER CAPACITY**  
14 **SOLICITATIONS**

15 **Q. Please describe Seminole's philosophy in using purchased power RFPs.**

16 A. Seminole firmly believes that a competitive bidding process is an essential element of  
17 meeting the power supply needs of our ten Members at the lowest possible cost.

18 Seminole has, since 1988, consistently utilized an all-source competitive bidding  
19 process in every circumstance when Seminole has considered the option of building

20 its own generation facilities. As Seminole's primary mission is to provide reliable,  
21 competitively priced wholesale power to its Members, Seminole's key objective in

22 every RFP is to insure that we have chosen the best power supply alternative, taking

23 into consideration economics and strategic objectives (such as diversity of fuel supply

1 and reliability).

2  
3 In addition, Seminole strongly believes that it is critical to maintain a balanced and  
4 diversified generation portfolio that includes owned generating units as well as both  
5 long and short term purchased power arrangements with differing technologies and  
6 fuel types. As such, Seminole has executed purchased power agreements with  
7 entities such as Progress Energy Florida, Oleander Power Project, Limited  
8 Partnership (a subsidiary of Southern Power Company), Reliant Energy Florida, LLC  
9 (a subsidiary of Reliant Energy, Inc.), Calpine Construction Finance Company, L.P.  
10 (a subsidiary of Calpine Corporation), Hardee Power Partners Limited (a subsidiary  
11 of Invenergy LLC), Lee County Florida, Bio-Energy Partners, and DG Telogia  
12 Power, LLC. These purchased power arrangements serve the entire power supply  
13 spectrum, including base load, intermediate and peaking capacity needs. In 2006,  
14 Seminole's purchased power resources comprise approximately 60% of Seminole's  
15 total generating capacity. Mr. Woodbury describes these purchased power resources  
16 more fully in his direct testimony.

17  
18 **Q. Please describe Seminole's previous experience with RFPs.**

19 A. Seminole was the first wholesale power supplier in Florida to use a competitive  
20 bidding process to fulfill its power supply needs. Seminole's first RFP was issued in  
21 1988 and resulted in the execution of a purchased power agreement with Hardee  
22 Power Partners ("HPP") for capacity and energy from Hardee Power Station and  
23 Tampa Electric Company's Big Bend Unit 4. Since 1988, Seminole has issued seven

1 additional formal RFPs as well as an RFP soliciting renewable resources. In  
2 aggregate, Seminole's formal competitive bidding program has resulted in seven  
3 purchased power arrangements and three self-build projects (including the current  
4 decision to build SGS Unit 3). Exhibit TSN-1 provides a summary of Seminole's  
5 major RFP issuances and awards for the period 1988 through 2004. As shown on  
6 Exhibit TSN-1, as a result of its RFPs, Seminole has executed purchase power  
7 agreements with both investor owned utilities (IOUs) and independent power  
8 producers (IPPs). These agreements currently provide more than 2,371 MW of  
9 capacity with various terms and technology.

10  
11 **Q. Does Seminole restrict its consideration of purchased power alternatives to the**  
12 **issuance of formal RFPs?**

13 A. No. Seminole enters into purchased power commitments outside of the formal RFP  
14 process when such commitments are clearly in Seminole's best interest, taking into  
15 consideration economics and strategic considerations. In some cases, these  
16 arrangements result from unsolicited offerings from potential counterparties. In other  
17 cases, Seminole's formal RFPs become a preface for discussions relating to  
18 generating capacity needs outside of the needs specified in the then-current RFP. In  
19 addition, Seminole's common practice in all of its formal RFPs is to reserve its rights  
20 to make purchased power commitments outside the RFP which result from: 1)  
21 negotiated amendments with its current power suppliers, 2) negotiated arrangements  
22 with parties with which Seminole was engaged in negotiations prior to the issuance of  
23 the RFP, and 3) negotiated arrangements for small power resources (e.g., 50 MW or

1 less).

2  
3 **Q. Please describe Seminole's experience in contracting for small power resources.**

4 A. During the last several years, Seminole has been committed to seeking cost-effective  
5 contractual arrangements with third party power suppliers from small base load  
6 power resources, especially when such resources provide renewable energy.  
7 Seminole currently has three purchased power agreements from renewable energy  
8 resources with varying terms and fuel supply. The energy from these renewable  
9 resources serves 2-3% of Seminole's annual energy requirements. These agreements  
10 are discussed more fully in Mr. Woodbury's testimony.

11  
12 **II. SEMINOLE'S APRIL 2004 REQUEST FOR FIRM BASE LOAD CAPACITY**

13 **Q. Please describe Seminole's RFP issued in April 2004.**

14 A. On April 19, 2004 Seminole issued an "all-source" RFP (Request for Firm Base Load  
15 Capacity, RFP No. BL 2012) seeking capacity offerings to meet up to 600 MW of  
16 Seminole's base load capacity and energy needs beginning as early as the summer of  
17 2009 but no later than December 2012 with terms from one to twenty years. All  
18 proposals were due back to Seminole by September 1, 2004. The April 2004 RFP  
19 and the addenda to the RFP are provided in Appendix H of the Need Study.

20  
21 **Q. What do you mean by an "all source" RFP?**

22 A. Seminole's April 2004 RFP was open to all parties, including, but not limited to:  
23 IPPs, IOUs, exempt wholesale generators, power marketers, qualifying facilities

1 (“QFs”), and renewable energy providers, etc. As described above, renewable energy  
2 providers are typically small base load resources and as such, had the option of  
3 bidding on the RFP or negotiating separately in parallel with the process.

4  
5 **Q. Please describe more fully Seminole's identified power supply need in its April  
6 2004 RFP.**

7 A. As explained more fully in Mr. Mahaffey's testimony, in early 2004 Seminole had  
8 determined that it had a significant requirement for additional capacity beginning in  
9 the 2009 – 2012 time frame, with at least 600 MW expected to operate as a base load  
10 resource. Since much of Seminole's capacity need in the targeted time frame would  
11 be base load and therefore energy-intensive, Seminole's April 2004 RFP expressed a  
12 preference for responses which could provide fuel price stability. The RFP suggested  
13 a preference for either coal fired generation or alternatively non-coal capacity  
14 resources structured to provide long term energy price stability.

15  
16 **Q. Please describe the key components of Seminole's April 2004 RFP.**

17 A. Seminole's April 2004 RFP was developed by in-house staff from a template largely  
18 based on the previously issued Seminole RFPs. The April 2004 RFP detailed a  
19 variety of information for potential bidders. It included sections on items such as  
20 purpose, a description of Seminole and its system, means of communicating with  
21 Seminole staff for questions (via fax or e-mail), a summary schedule, procedures for  
22 providing a response to Seminole with bid forms, and information on how the  
23 response would be evaluated. The April 2004 RFP is Appendix H to the Need Study.



1 Seminole's RFPs are purposely designed to be flexible, with a minimum of detail and  
2 requirements. The goal is to allow potential bidders as much flexibility as possible to  
3 develop proposals to meet Seminole's identified need(s). For example, in the April  
4 2004 RFP, Seminole offered flexibility to the bidders in regards to the term of the  
5 purchase power agreement as well as the type of technology proposed. In addition, in  
6 the April 2004 RFP Seminole stated it would consider market energy offerings as  
7 long as the bidder provided adequate firm and verifiable backup capacity.

8  
9 **Q. Please describe the process by which the April 2004 RFP was issued to potential**  
10 **market counterparties.**

11 A. Seminole makes all of its formal RFPs available to the wholesale market in three  
12 ways. These are: 1) a general press release on an electronically distributed news  
13 release service; 2) posting of the RFP on Seminole's public website; and 3) an e-mail  
14 with the RFP attached which is sent directly to potential counterparties known to  
15 Seminole (Seminole sent its April 2004 RFP to over forty such counterparties).  
16 Seminole maintains an ongoing list of potential counterparties that have been  
17 involved in previous Seminole RFPs, have expressed an interest in responding to  
18 Seminole RFPs, or with which Seminole has a significant relationship in regards to  
19 wholesale energy including current or prior purchase power agreements. Seminole  
20 used all three vehicles to generate awareness of and solicit responses to the April  
21 2004 RFP. The press release utilized to announce the April 2004 RFP is provided in  
22 Appendix I of the Need Study, and the contact list for the direct mailing is provided  
23 in Exhibit TSN-2.

1 **Q. Did Seminole hold any pre bid or bidder conferences for the April 2004 RFP?**

2 A. No. Seminole has held pre bid conferences on previous RFPs but has found this tool  
3 to be of little incremental value. Consequently, these conferences were not held for  
4 the April 2004 RFP. Seminole did provide a business contact for any questions that  
5 might arise and encouraged all potential bidders to pose questions. Any critical  
6 information that resulted from these inquiries was communicated to all potential  
7 bidders via a posting on Seminole's public website as well as e-mailed directly to all  
8 the potential bidders on our contact list.

9

10 **Q. Did Seminole receive any questions from potential bidders on the April 2004**  
11 **RFP?**

12 A. Yes. Seminole received several questions from potential bidders. Seminole deemed  
13 these questions and responses to be of interest to all potential bidders and as such  
14 responded to these questions in the form of three Addenda to the April 2004 RFP.  
15 The Addenda are included as part of the RFP in Appendix H of the Need Study. As  
16 mentioned previously, these Addenda were e-mailed directly to all potential bidders  
17 on our contact list and posted on Seminole's public website.

18

19 **III. PURCHASED POWER OFFERINGS IN RESPONSE TO SEMINOLE'S**  
20 **APRIL 2004 RFP.**

21 **Q. Did Seminole receive any bids in response to its April 2004 RFP?**

22 A. Yes. On September 1, 2004, Seminole received a total of fourteen different proposals  
23 from five bidders. In Seminole's view, the number of responses was deemed to be

1 fairly strong in light of the future timeframe and the base load capacity need. The  
2 bidders were IPPs and IOUs with capacity amounts ranging from 100 MW to 750  
3 MW and terms ranging from ten to forty years.

4  
5 **Q. What generation technologies were offered to Seminole?**

6 A. The technologies offered to Seminole in response to the RFP were pulverized coal  
7 and gas combined cycle. Seminole was offered capacity from three proposed new  
8 pulverized coal units, one located within Florida, one in Southwest Georgia, and one  
9 in Kentucky. Seminole was offered capacity from both existing and new gas  
10 combined cycle units, all located in Florida. The proposals are displayed in summary  
11 fashion in Exhibit TSN-3.

12  
13 **Q. Please describe the screening process Seminole followed upon receipt of the bids.**

14 A. Seminole initially reviewed the offers for completeness and responsiveness. On  
15 September 16, 2004 each bidder was forwarded a list of clarifying questions via e-  
16 mail to ensure that the responses were being interpreted correctly.

17  
18 **Q. What technical evaluation was done by Seminole on the received proposals?**

19 A. Seminole reviewed the offerings involving construction of new capacity to determine  
20 if the proposed equipment was technically viable and whether the performance data  
21 seemed reasonable.

1 **Q. Were any of the proposals eliminated from further consideration as a result of**  
2 **the technical evaluation?**

3 A. No. Since all of the proposals for new construction were based upon proven  
4 technology (i.e., gas combined cycle and pulverized coal), none of the bids were  
5 excluded from further consideration as a result of this technical screening.

6

7 **Q. What was the next step in Seminole's RFP evaluation?**

8 A. As Mr. Mahaffey explains in his testimony, his group performed an initial economic  
9 evaluation comparing the purchased power offerings with the costs associated with  
10 Seminole's self build alternatives. The results of this initial economic evaluation  
11 revealed a significant economic advantage for the self build coal-based alternative  
12 over any of the purchased power alternatives submitted in response to the April 2004  
13 RFP.

14

15 **Q. What did Seminole do upon the completion of this initial economic evaluation?**

16 A. In an effort to ensure that all possibilities to find an economic purchased power  
17 alternative were investigated, on October 28, 2004, two bidders submitting pulverized  
18 coal-based offers (the two lowest cost bidders) were asked to refresh and revise their  
19 pricing and other applicable terms and conditions by November 10, 2004. Only one  
20 of the bidders chose to refresh its pricing, and as Mr. Mahaffey explains in his  
21 testimony, the initial economic analysis was updated using this new pricing  
22 information.

1 **Q. Did Seminole compile a short list of bidders from the received responses?**

2 A. No. Based upon the results of Seminole's updated economic evaluation, which is  
3 described by Mr. Mahaffey, a recommendation to eliminate from further  
4 consideration all the purchased power proposals submitted in response to the April  
5 2004 RFP was approved by Seminole's Board of Trustees in December 2004.

6

7 **Q. Please summarize Seminole's overall view of the April 2004 RFP process and**  
8 **results.**

9 A. The April 2004 RFP was a success. The process worked, resulting in Seminole  
10 choosing the lowest cost, most reliable option for Seminole, its Members and their  
11 member/consumers. Seminole received an adequate number of responses to the April  
12 2004 RFP to assure Seminole that the self build option in this case was the most cost-  
13 effective alternative for Seminole. I would also note that, although Seminole  
14 eliminated all of the purchased power alternatives in response to the April 2004 RFP  
15 from further consideration for this 2012 base load capacity need, Seminole did  
16 continue discussions with two of the bidders to potentially meet other, more  
17 intermediate type needs in the 2009 through 2012 time frame.

18

19 **Q. Did Seminole obtain any feedback from any of the bidders relating to Seminole's**  
20 **RFP process?**

21 A. Seminole did not receive criticism from any of the bidders or potential bidders in the  
22 RFP process. In fact, one potential bidder personally told me that Seminole's RFPs  
23 and the process followed for making power supply decisions is a model that should be

1 followed by others.

2

3 **Q. Does that conclude your testimony?**

4 **A. Yes.**

5

## Seminole Electric Cooperative, Inc. History of Seminole's Formal Request for Proposals

Date Issued	RFP	Award	Term	Final Award	Source	Number of Bidders	Number of Proposals
2/22/1988	Bid No. 88-19 Reserve Capacity	Hardee Power Partners Limited	Jan. 1993 thru Dec. 2012 (Hardee Power Station) Jan. 1993 thru Dec. 2002 (Big Bend #4)	356 MW * 145 MW *	1 CT and 1 CC Existing Unit	8	9
7/30/1990	Reserves and Displace FPC PR	Turnkey Facility: Black & Veatch/ Westinghouse	HPS #3 Project - to be in-svc. Jan. 1999 (project delayed in 1995 after unsolicited offer from FPC)			8	10
7/15/1996	RFP No. PP2000-02 Firm Capacity: 150 MW in 2000, additional 350 MW in 2001, additional 500 MW in 2002	FPC (Progress Energy) FPC (Progress Energy) Turnkey Facility: Black & Veatch/ Westinghouse	2000-2002	150 MW	System Purchase	19	52
			2001-2002 (additional MW)	150 MW	System Purchase		
3/2/1999	RFP No. SP 2002-03 Firm Peaking Capacity: 300 MW beg. Dec. 2001, add'l 600 MW beg. Dec. 2002 (up to 7 years; 2002-2008)	Reliant Energy Florida, LLC Oleander Power Project, Limited Partnership	Dec. 2001 thru Dec. 2006	364 MW *	2 CTs	11	12
			Dec. 2002 thru May 2003 (364 MW/ 2 units), increasing to 546 MW (3 units) in June 2003 thru Dec. 2009	546 MW*	2 CTs; then 3 CTs		
7/6/2000	RFP No. IP 2004 Firm Year-round Intermediate and Peaking Capacity	Calpine Construction Finance Company, L.P.	June 2004 thru May 2020, with price re-openers/ early termination option every 5 years	360 MW *	Combined Cycle	9	14
3/4/2002	RFP 2006 50% Base/Intermediate 50% Peaking (between 375 - 525 MW)	Progress Energy Self-Build: Aero- derivatives	Dec. 2006 thru 2013	150 MW	System Purchase	17	24
			In-svc. Dec. 2006 at Payne Creek site	310 MW *	5 Peaking Units		
3/31/2003	RFP No. FRS 2010 Full Requirements (Specified Delivery Points)	Progress Energy	Jan. 1, 2010 thru July 30, 2020 (Load Following PPA)	150 MW	System Purchase	6	16
4/19/2004	RFP No. BL 2012 Base Load Capacity (up to 600 MW)	Self-Build: Coal (Unit 3)	In-svc. May 2012 at SGS site	750 MW *	Coal Unit	5	14

\* denotes winter rating of unit

**Seminole Electric Cooperative, Inc.**  
**April 2004 Request for Proposals**  
**Direct Contact List**

ACES Power Marketing	Louisville Energy Marketing
Alabama Electric Cooperative	Mirant
Calpine	Municipal Electric Authority of Georgia
Central Power & Lime	Morgan Stanley (Atlanta)
Cinergy Services	North Carolina EMC
Cogentrix/Goldman Sachs	New Hope Power Partnership
Competitive Power Ventures, LLP	New Smyrna Beach
Constellation Power Development	Nordic Energy
Decker International	Oglethorpe
Dominion Generation	Orlando Utilities
Duke Power Company	Peabody Energy
Eagle Energy Partners	Progress Energy
Entergy	Progress Ventures
Entergy-Koch Trading, LP	Reedy Creek
Florida Municipal Power Assoc.	Reliant Energy
Florida Power & Light	Southern Company Gen & Marketing
City of Gainesville	Tallahassee
Georgia Energy Cooperatives	Tampa Electric
Invenergy	Tenaska Power Services Co.
JEA	The Energy Authority
Kissimmee Utility Authority	Tractebel USA
Lakeland Electric	



**Seminole Electric Cooperative, Inc.**  
**April 2004 Request for Proposals**  
**Summary of Pulverized Coal Capacity Responses**

<u>Name</u>	<u>Capacity Amount MW</u>	<u>Term/Yrs</u>
Invenergy, LLC	650	30
Longleaf Energy Associates, LLC	400-600	20 or 30
Peabody Generating Co., LLC	100-750	10 – 40

**Seminole Electric Cooperative, Inc.**  
**April 2004 Request for Proposals**  
**Summary of Gas Combined Cycle Capacity Responses**

<u>Name</u>	<u>Capacity Amount MW</u>	<u>Term/Yrs</u>
Invenergy, LLC	520-550	20
Pasco Cogen, LTD	104	20
Pasco Cogen, LTD	115	20
Southern Power Company***	493	20
Southern Power Company***	635	20

\*\*\* Southern Power Company offered a total of eight offers (two capacity amounts at two different sites with two pricing proposals for each capacity amount at each site)