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Sent: Friday, July 11, 2008 3:03 PM
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Cc: Katherine Fleming
Subject: Docket 080253 - FMPA's Prehearing Statement
Attachments: Docket 080253 - FMPA's Prehearing Statement.DOC

Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket No. 080253-EM

In re: Petition to Determine Need for Cane Island Power Park Unit 4 Electrical Power Plant in Osceola County, by Florida Municipal Power Agency

c. Document being filed on behalf of Florida Municipal Power Agency

d. There are a total of 9 pages.

e. The document attached for electronic filing is Florida Municipal Power Agency's Prehearing Statement.

Thank you for your cooperation.

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DOCUMENT NUMBER-DATE

06013 JUL 11 8

7/11/2008

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to determine need for Cane Island Power Park Unit 4 electrical power plant in Osceola County, by Florida Municipal Power Agency.

DOCKET NO. 080253-EM

DATED: JULY 11, 2008

**FLORIDA MUNICIPAL POWER AGENCY'S
PREHEARING STATEMENT**

Pursuant to the requirements of the Order Establishing Procedure (Order No. PSC-08-0322-PCO-EM) and First Order Revising Order Establishing Procedure (Order No. PSC-080369-PCO-EM), Florida Municipal Power Agency (FMPA) hereby submits its Prehearing Statement:

A. Known Witnesses - FMPA intends to offer the testimony of:

<u>Witness</u>	<u>Proffered By</u>	<u>Subject Matter</u>
<u>Direct</u>		
Roger A. Fontes	FMPA	Overview of FMPA and its All-Requirements Power Supply Project (ARP); and FMPA's ability to finance the construction of Cane Island Unit 4
Thomas E. Reedy	FMPA	FMPA's existing generation system, purchase power resources and transmission sytem; FMPA's participation in the Florida Municipal Power Pool; natural gas availability and transportation; transmission impacts of Cane Island Unit 4; FMPA's historical and planned conservation and DSM programs; and FMPA's potential solar photovoltaic project
Jonathan P. Nunes	FMPA	Forecast of electrical power demand and energy and forecast methodology
Myron R. Rollins	FMPA	Summary of Need for Power Application; economic parameters used in FMPA's economic analyses; overview of Cane Island Unit 4 project; fuel oil backup analysis; and FMPA reliability criteria

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Jason L. Wolfe	FMPA	FMPA's historical carbon footprint for the years 1990 and 2000
Nicholas P. Guarriello	FMPA	FMPA's recent RFPs related to purchase power, renewable energy, and demand-side management; FMPA's ongoing efforts to utilize renewable generation; FMPA's potential participation in future nuclear generating units; and FMPA's ongoing efforts to reduce carbon dioxide emissions
Bradley E. Kushner	FMPA	Fuel and emissions allowance price forecasts; supply-side alternatives; methodology and results of economic evaluations

B. Known Exhibits - The Applicants intend to offer the following exhibits:

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Roger A. Fontes	FMPA	_____ (RAF-1)	Map of ARP Members
		_____ (FMPA-1)	Section 22.0
Thomas E. Reedy	FMPA	_____ (TER-1)	ARP's Existing and Approved/Planned Resource Capacity
		_____ (TER-2)	Resumé of Thomas E. Reedy
		_____ (FMPA-1)	Sections 3.0, 6.0, 8.0, 11.0, 16.3, 17.0 (except 17.2) and Appendix C
Jonathan P. Nunes	FMPA	_____ (JPN-1)	Resumé of Jonathan P. Nunes
		_____ (FMPA-1)	Section 5.0

Myron R. Rollins	FMPA	(MRR-1)	Resumé of Myron R. Rollins
		(MRR-2)	Cane Island 4 In-Service Capital Cost Estimate
		(MRR-3)	Estimated 1x1 F Class Combined Cycle Performance
		(FMPA-1)	Sections 1.0, 2.0, 4.0, 9.0, 10.0, 12.0, 13.0
Jason L. Wolfe	FMPA	(JLF-1)	Resumé of Jason L. Wolfe
		(FMPA-1)	Section 18.2
Nicholas P. Guarriello	FMPA	(NPG-1)	Resumé of Nicholas P. Guarriello
		(FMPA-1)	Sections 15.0, 16.0 (except 16.3), 17.2, 18.0 (except for 18.2), 19.4, and Appendices A, B and D
Bradley E. Kushner	FMPA	(BEK-1)	Resumé of Bradley E. Kushner
		(BEK-2)	Reference Case Fuel Price Projections
		(BEK-3)	High Case Fuel Price Projections
		(BEK-4)	Low Case Fuel Price Projections
		(BEK-5)	Economic Analysis Summaries
		(FMPA-1)	Sections 7.0, 14.0, 19.0 (except 19.4), 20.0 and 21.0

FMPA reserves the right to identify additional exhibits for the purpose of cross-examination or rebuttal.

C. Statement of Basic Position –

FMPA: Cane Island Unit 4 is the most cost-effective option available to meet FMPA's needs beginning in 2011. There are no cost-effective conservation or demand-side measures available to offset the need. Cane Island Unit 4 will provide FMPA adequate electricity at a reasonable cost and it will contribute to the reliability and integrity of FMPA's system. In addition, FMPA and the ARP members have utilized renewable energy sources and technologies as well as conservation measures to the extent reasonably available. (All FMPA Witnesses)

D.-F. Issues and Positions

The Applicants' positions on the issues identified in this proceeding are as follows:

ISSUE 1: Is there a need for Cane Island Unit 4, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?

Yes. FMPA needs Cane Island Unit 4 to meet the growing capacity requirements of the All-Requirements Power Supply Project (ARP). For planning purposes, FMPA has established a 15 percent minimum planned reserve margin criterion for the winter period and an 18 percent planned reserve margin criterion for the summer period. Because FMPA's forecast annual peak demands are projected to occur in the summer of each year, capacity additions necessary to maintain forecast capacity requirements are driven by projected summer peak demands. FMPA's summer reserve margins are forecast to fall slightly below the 18 percent level in the summer of 2010. By the following summer of 2011, FMPA's reserve margin is projected to decrease to -1.3 percent, or 286 MW below the required capacity. With the negative -1.3 percent reserve margin, FMPA is projected to be unable to meet peak loads in the summer of 2011. By the summer of 2012, 363 MW is needed to maintain an 18 percent reserve margin. By providing approximately 300MW of capacity, Cane Island Unit 4 will help to meet the ARP's growing needs and contribute to the reliability and integrity of the FMPA/ARP electric system. (Fontes, Nunes, Rollins)

ISSUE 2: Is there a need for Cane Island Unit 4, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes?

As stated above, Cane Island Unit 4 is needed to maintain FMPA's reserve margin criteria. FMPA evaluated several supply side technologies, either as alternatives to Cane Island Unit 4 or as capacity resource options for installation following the proposed unit. As part of that analysis, FMPA evaluated renewable technologies, conventional technologies, and emerging technologies. Based on the results of production cost modeling of multiple economic scenarios, FMPA identified a new nominal 300 MW combined cycle generating facility as the most cost-effective alternative to meet the ARP's capacity needs. Although FMPA, a joint action agency of municipal utilities, is not subject to the Commission's "Bid Rule," the agency issued a competitive request for proposals (RFP) for purchase power options, as well as separate RFPs for renewable and solar energy resources. Based on FMPA's evaluation, none of the responses to the RFPs were cost-effective as compared to the self-build alternative. As FMPA's most cost-effective means of meeting the ARP's growing needs, Cane Island Unit 4 will help FMPA and the ARP members provide adequate electricity at a reasonable cost. Cane Island Unit 4 is highly efficient and takes advantage of existing electric, natural gas, and other infrastructure to lower the cost of installation. (Fontes, Nunes, Rollins, Kushner)

ISSUE 3: Is there a need for Cane Island Unit 4, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519, Florida Statutes?

Yes. FMPA's capacity resources consist of a diversified mix of generation ownership and purchase power, including fossil-fueled (natural gas, oil and coal), nuclear and renewable resources. Due to projected increases in natural gas production and the importation of liquefied natural gas, natural gas supplies are projected to meet growing demand in the United States. There also are several new natural gas storage and pipeline projects that should increase the supply of natural gas to the Southeast region. Moreover, the Cane Island Site is served by two independent suppliers of natural gas: Florida Gas Transmission Company (FGT) and Gulfstream Natural Gas System, LLC. For these reasons, Cane Island Unit 4 will have a reliable fuel supply. (Reedy)

ISSUE 4: Are there any conservation measures taken by or reasonably available to the Florida Municipal Power Agency which might mitigate the need for the proposed Cane Island Unit 4?

No. As a wholesale supplier of electric energy to the ARP, FMPA is not directly responsible for conservation and DSM programs. However, ARP members offer a variety of conservation and DSM programs to their

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consumers. The impact of these existing conservation and DSM programs are reflected in the ARP's load forecast. As part of its commitment to conservation, in July 2007, FMPA issued an RFP for DSM activities. Discussions are proceeding with the two vendors for the potential implementation of load control measures designed to reduce peak load demand and one vendor providing ESCO services. Additionally, FMPA is developing a program to assist ARP Members in implementing energy conservation measures. Under this program, FMPA would collect funds through its rates that would be allocated among the ARP Members for conservation programs. (Reedy, Guarriello, Nunes)

ISSUE 5: Is the proposed Cane Island Unit 4 the most cost-effective alternative available, as this criterion is used in Section 403.519, Florida Statutes?

Yes. Cane Island Unit 4 provides the most cost-effective solution to satisfy FMPA's forecast capacity requirements. As noted above, based on the results of production cost modeling of multiple economic scenarios, FMPA identified a new nominal 300 MW combined cycle generating facility as the most cost-effective alternative to meet the ARP's need for additional capacity. FMPA's evaluation included several sensitivity analyses including utilizing different fuel costs and potential CO₂ regulatory costs based on estimates developed by the U.S. Department of Energy's Energy Information Agency and the U.S. Environmental Protection Agency. All of the analyses demonstrate that the proposed Cane Island Unit 4 with an in-service date of 2011 is FMPA's most cost-effective alternative to meet the ARP's need for additional capacity. (Rollins, Kushner)

ISSUE 6: Are renewable energy sources and technologies, as well as conservation measures, utilized to the extent reasonably available?

Yes. FMPA's generating mix already includes reasonably available renewable resources. In addition, FMPA issued an RFP for purchase power options, as well as separate RFPs for renewable and solar energy resources. Based on FMPA's evaluation, none of the RFP responses were cost-effective compared to the self-build alternative. However, as part of its commitment to renewable resources, the ARP is investigating a new solar initiative which would include initial installation of 10 MW of solar photovoltaic (PV) capacity with potential to ultimately increase the PV capacity to 100 MW. FMPA also is in discussions with a proposer regarding a potential purchase of renewable energy from a new biomass facility. However, FMPA's ultimate decision whether or not to utilize the additional biomass resource at the attendant higher cost will depend the ability to reach acceptable contractual terms, as well as the resolution of numerous regulatory issues. Although FMPA has not made a final

decision on the potential solar and biomass purchases, they have been included in two of the alternative resource plans examined in the economic analyses. Those analyses demonstrate that Cane Island Unit 4 would still be the most cost-effective alternative for meeting the ARP's capacity needs even if FMPA were to enter into the biomass and solar purchases. (Reedy, Guarriello, Kushner)

The ARP Members offer a variety of conservation and DSM programs to their consumers. Additionally, as a result of the DSM RFP and other efforts, FMPA continues to explore potential conservation measures and, subsequent to the filing of the Cane Island 4 Need for Power Application, has signed an agreement with the vendor who proposed to provide ESCO services. Even though a final contract for a demand response program resulting from the RFP has not been finalized, the economic evaluations included the demand response program from the proposal with the largest capacity reduction proposed. Cane Island Unit 4 remained the least cost alternative available to provide the additional capacity necessary for FMPA's system including the DSM proposal. (Reedy, Guarriello)

ISSUE 7: Based on the resolution of the foregoing issues, should the Commission grant the Florida Municipal Power Agency's petition to determine the need for the proposed Cane Island Unit 4?

Yes. The Commission should grant the petition for determination of need for Cane Island Unit 4 because it is the most cost-effective option available to meet FMPA's needs beginning in 2011. There are no cost-effective conservation or demand-side measures available to offset the need. Cane Island Unit 4 will provide FMPA adequate electricity at a reasonable cost and it will contribute to the reliability and integrity of FMPA's system. In addition, FMPA and the ARP members have utilized renewable energy sources and technologies as well as conservation measures to the extent reasonably available. (All FMPA witnesses)

ISSUE 8: Should this docket be closed?

Yes. This docket should be closed after expiration of the time for filing an appeal of the Commission's final order addressing the petition for determination of need.

G. Stipulated Issues

FMPA is not a party to any stipulations at this time.

H. Pending Motions

There are no pending motions at this time

I. Requests for Confidentiality

FMPA has a pending request for confidential classification, which was submitted on July 11, 2008. FMPA also will be filing a second request for confidential classification for an interrogatory response which was provided with a Notice of Intent to Request Confidential Classification on July 10, 2008.

J. Requirements of Order

FMPA believes that this prehearing statement complies with all the requirements of the Order Establishing Procedure.

K. Objections to Qualifications

FMPA has no objection to the qualifications of any expert witness in this proceeding.

Respectfully submitted this 11th day of July, 2008.

HOPPING GREEN & SAMS

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