



March 25, 2009

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VIA HAND DELIVERY

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: *Petition for waiver of Rule 25-17.250(1) and (2)(a), F.A.C., which requires Progress Energy Florida to have a standard offer contract open until a request for proposal is issued for same avoided unit in standard offer contract, and for approval of standard offer contract; Docket No. 080501-EQ*

Dear Ms. Cole:

Please find enclosed for filing on behalf of Progress Energy Florida, Inc. ("PEF") the original and seven (7) copies of the rebuttal testimony of David W. Gammon in the above referenced docket.

Thank you for your assistance in this matter. Should you have any questions, please feel free to call me at (727) 820-5184.

Sincerely,

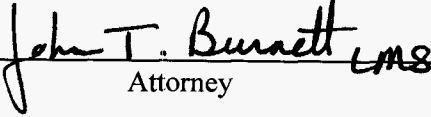
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John T. Burnett

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via regular U.S. mail (* via hand delivery) to the following this 25th day of March, 2009.



Attorney

<p>Jean Hartman, Esq. * Office of General Counsel Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850</p>	<p>Mr. James W. Brew, Esq. c/o Brickfield Law Firm 1025 Thomas Jefferson St., NW 8th Floor, West Tower Washington, DC 20007</p>
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PROGRESS ENERGY FLORIDA

Docket No. 080501-EQ

**REBUTTAL TESTIMONY OF
DAVID W. GAMMON**

March 25, 2009

1 **I. INTRODUCTION**

2
3 **Q. Please state your name, position and business address.**

4 **A.** My name is David W. Gammon. I am a Senior Power Delivery Specialist for
5 Progress Energy Florida, Inc. ("PEF" or "the Company"). My business address is
6 P.O. Box 14042, St. Petersburg, Florida 33733.
7

8 **Q. Did you file direct testimony in this case?**

9 **A.** Yes, I did.
10

11 **Q. Have you reviewed the testimony and exhibits filed by Martin Marz, the witness**
12 **testifying for White Springs Agricultural Chemicals, Inc., d/b/a/ PCS Phosphate**
13 **– White Springs ("PCS Phosphate")?**

14 **A.** Yes, I have.
15

16 **Q. Did you agree with Mr. Marz's testimony?**

17 **A.** No, I do not for reasons that I have stated previously. Further, PCS's continued
18 objections to PEF's Standard Offer Contract have made it more difficult for other

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1 renewable generators because there is not an approved Standard Offer Contract in
2 place. For example, Vision Power came to PEF in 2008 and expressed a desire to
3 execute PEF's Standard Offer Contract. Due to the fact that the Standard Offer
4 Contract was not approved at the time, however, PEF was not able to submit the
5 agreement as a Standard Offer Contract, but rather had to submit the agreement as a
6 negotiated contract.

7 In an effort to resolve PCS's ongoing dispute with every standard offer
8 contract that PEF files, PEF has attempted to agree to a number of PCS's suggested
9 changes even though PEF believes they are unnecessary. In my rebuttal testimony, I
10 will first address Mr. Marz's proposed revisions to PEF's Standard Offer Contract
11 that PEF can accept. I will then address the remaining suggested revisions
12 sequentially and explain the reasons that PEF cannot accept these changes.

13
14 **II. ACCEPTED CHANGES**

15
16 **Q. Could you please list the changes that Mr. Marz has suggested with which PEF**
17 **is willing to agree?**

18 **A.** Yes.

19 Exhibit MJM – 1, Page 21 of 49; all suggested changes.

20 Exhibit MJM – 1, Page 25 of 49; Changes suggested in Section 7.6.

21 Exhibit MJM – 1, Pages 34, 35 and 36 of 49; generally PEF will agree to make the
22 default provisions bilateral, although PEF and PCS would need to finalize the details
23 of such changes.

1 Exhibit MJM – 1, Page 41 of 49; PEF will agree to making this provision bilateral,
2 but PEF and PCS would need to finalize the details of such changes.

3 Exhibit MJM – 1, Page 42 of 49; all suggested changes.

4 Exhibit MJM – 1, Page 46 of 49; all suggested changes.

5
6 **III. REMAINING CHANGES**

7
8 **Q. Can you please discuss the remaining changes proposed by Mr. Marz?**

9 **A.** Yes. I will address them in order. The first proposed changes that PEF cannot accept
10 is in Exhibit MJM – 1, page 22 of 49. There are two changes on this page. The first
11 is to Section 6.2 addressing the first right-of-refusal for RECs. Mr. Marz proposes to
12 either strike the first right-of-refusal language or make some changes to the language.
13 As I read Mr. Marz’s suggested alternative language for Section 6.2, I see two
14 changes. First, the phrase “... on terms and conditions acceptable to the RF/QF” was
15 added to the description of the bona fide offer. Second, the response time was
16 reduced from 30 days to 3 business days. In the same spirit of attempting to resolve
17 PCS’s ongoing protest, PEF is willing to accept Mr. Marz’s phrase of “... on terms
18 and conditions acceptable to the RF/QF.” Further, PEF is willing to accept a 10
19 business day response time given that the three days that Mr. Martz suggests is
20 unreasonably short.

21 The second proposed change on Page 22 of 49 is the deletion of Section 6.3.
22 As I have stated in my prior testimony, if the generating unit that is the subject of the
23 standard offer contract was off-line when PEF interrupted its interruptible customers,

1 then the generating unit could not return to service, nor would it be supplying power
2 to PEF's customers at precisely the time when the generation is required the most.
3 The standby service purchased must be firm stand-by service to assure there is power
4 available to start the unit. Without such a provision in place, PEF's customers would
5 not be receiving the value they would be paying for. For this reason, PEF is not
6 willing to make Mr. Marz's suggested change to delete Section 6.3.

7
8 **Q. Can you address the changes proposed by Mr. Marz in Exhibit MJM – 1 on**
9 **Page 24 of 49 regarding Committed Capacity Tests?**

10 **A.** PCS has suggested the addition of a sentence to the end of Section 7.4 relating to
11 committed capacity tests. PEF can accept that proposed change up to the phrase "...
12 a twelve (12) month period must be for cause."; however, PEF cannot accept Mr.
13 Marz's suggested changes to the remainder of that sentence. The remainder of that
14 sentence would restrict PEF's ability to request a Committed Capacity Test for cause.
15 Logically, PEF should be allowed to request a Committed Capacity Test anytime
16 within that 12 month window if there is reasonable cause to do so, and PCS should be
17 neutral to such a provision unless it expects in advance to have problems with its unit
18 that would constitute such cause.

19 The later part of the proposed sentence in this section suggests that PEF must
20 pay any of the generator's incremental costs associated with a Committed Capacity
21 Test. The Standard Offer Contract already provides for energy payments for any
22 energy delivered to PEF. PEF's ratepayers should not have to pay any additional

1 energy costs to verify that a firm renewable generator can meet its contractual
2 obligations.

3
4 **Q. Can you address the changes proposed by Mr. Marz in Exhibit MJM – 1 on**
5 **Page 25 of 49 in Section 8.2 regarding the Committed Capacity Test?**

6 **A.** Yes. Section 8.2 defines the requirements for a RF/QF to pass a Committed Capacity
7 Test including a requirement to operate at the Committed Capacity for 24 consecutive
8 hours. Mr. Marz has suggested the addition of the phrase “or for such other period as
9 the Parties may agree” and this change is not acceptable to PEF. The purchase of
10 capacity and energy through the Standard Offer Contract is to avoid or defer the
11 construction of an avoided unit and the purchased generation should be able to
12 operate like the unit that is being avoided. Through his proposed changes here, Mr.
13 Martz is suggesting that PEF’s customers should pay avoided unit pricing but not
14 receive the full benefit they would get with the actual avoided unit.

15
16 **Q. Can you address the changes proposed by Mr. Marz in Exhibit MJM – 1 on**
17 **Page 27 of 49 in Section 10.2 regarding the number of scheduled maintenance**
18 **days allowed per year?**

19 **A.** Yes. Again, the Standard Offer Contract is intended to avoid or defer the
20 construction of a combined cycle unit as defined in Schedule 9 of PEF’s 2008 Ten-
21 Year-Site-Plan. The planned outage factor for the avoided unit is 4.1% or 15 days per
22 year. The scheduled maintenance in the Standard Offer Contract should be limited to

1 the planned outage factor of the avoided unit. Again, PEF's customers should get the
2 full value of what they are paying for.

3
4 **Q. Can you address the changes proposed by Mr. Marz in Exhibit MJM – 1 on**
5 **Page 29 of 49 in Section 11.1 regarding the Performance Security?**

6 **A.** Yes. In his testimony filed in Docket No. 070235-EQ, Mr. Marz opined that the
7 Performance Security be set “associated with the expected level of loss”. Now, Mr.
8 Marz has apparently changed his mind and is suggesting that the Performance
9 Security is not required. PEF agrees with Mr. Martz's first position, however as I
10 explained in my direct testimony, the required performance security amount does not
11 cover all the costs of the replacement energy, but merely offsets some of the costs that
12 are otherwise borne by PEF's customers. The required performance security amount
13 protects PEF's customers and offsets some of the costs for replacement capacity and
14 energy that are otherwise borne by PEF's customers in the event that the renewable
15 generator fails.

16
17 **Q. Can you address the changes proposed by Mr. Marz in Exhibit MJM – 1 on**
18 **Page 31 and 32 of 49 regarding the creditworthiness?**

19 **A.** Yes. This entire section appears to be adding creditworthiness requirements to PEF
20 when such requirements are unnecessary and are illogical. As I have explained
21 before in my previous testimony, PEF is merely acting as an agent for our customers
22 in the context of a standard offer contract where PEF is a “captive” counterparty.
23 Unlike PCS who can choose whether or not it wants to enter into a standard offer

1 contract with PEF, PEF must accept valid standard offer contracts and must collect
2 the funds to pay for approved QF and renewable contracts from our customers to pay
3 those funds to the QF or renewable supplier. PEF's creditworthiness is irrelevant in
4 this situation.

5

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

7 **A. Yes.**