

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Determination
of Need for Citrus County Combined Cycle
Power Plant, by Duke Energy Florida, Inc.

Docket No. 140110-EU

In re: Petition for Determination
of Cost Effective Generation Alternative
to Meet Need Prior to 2018, by Duke
Energy Florida, Inc.

Docket No. 140111-EI

Filed: June 15, 2014

**NRG FLORIDA LP'S CLARIFICATION OF TESTIMONY FILINGS
AND MOTION TO ACCEPT TESTIMONY OF NRG WITNESS JIM DAUER**

NRG Florida LP ("NRG"), pursuant to Rule 28-106.204, Florida Administrative Code, and Order Nos. PSC-14-0274-PCO-EI, PSC-14-0275-PCO-EI, and PSC-14-0341-PCO-EI, hereby clarifies filings of direct testimony on July 14, 2014, and to the extent necessary, requests the Florida Public Service Commission to accept same. In support, NRG states:

1. Intervenor testimony in the above-referenced dockets was due on Monday, July 14, 2014, pursuant to Order No. PSC-14-0341-PCO-EI. On that date, as authorized by Order Nos. PSC-14-0274-PCO-EI and PSC-14-0275-PCO-EI, counsel timely uploaded and filed the testimony of NRG witness Jim Dauer, the testimony and exhibits of NRG witness Dr. John Morris, and the redacted testimony and exhibits of Jeffry Pollock. All parties were timely served by email with copies of NRG's testimony.

2. Mr. Pollock's testimony referenced information provided confidentially by Duke Energy, Florida ("DEF") in two separate confidential discovery responses. Accordingly, counsel hand-delivered and filed the confidential portion of Mr. Pollock's testimony subject to DEF's Second Request for Confidential Classification and DEF's Ninth Notice of Intent to Claim

Confidential Classification. All parties were timely served by email with a redacted copy of NRG's confidential filing.

4. Shortly after Mr. Pollock's testimony was filed, counsel for DEF advised that the specific information referenced by Mr. Pollock was not, in fact, confidential, although it had been included in a confidential discovery response. Further, it was determined that due to press of time, Dr. Morris's exhibits were not correctly formatted. Accordingly, NRG revised and refiled Mr. Pollock's testimony and exhibits without redaction, and refiled Dr. Morris's testimony with revised exhibits. Letters accompanying both filings explained that NRG intended to withdraw the original filings and replace with the revised filings. All parties were timely served by email with copies of the letters and testimony.

5. The Clerk's office has advised that Mr. Dauer's testimony and exhibits must be refiled due to lack of signature. A copy of Mr. Dauer's testimony and exhibits is attached hereto.

6. NRG contacted the parties of records in the above dockets and represents that Duke, FIPUG, Commission Staff, and the Office of Public Counsel do not object to this motion, while PCS Phosphates and Calpine have not yet responded.

WHEREFORE, NRG respectfully requests the Commission to accept Mr. Dauer's testimony and exhibits, as the same were filed at 4:50 pm on July 14, 2014.

Respectfully submitted this 15th day of July, 2014.

/s/ Marsha E. Rule

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished to the following by electronic mail this 15th day of July, 2014:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition for Determination of
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DOCKET NO. 140111-EI

**In re: Petition for Determination of
Need for Citrus County Combined
Cycle Power Plant, by Duke Energy
Florida, Inc.**

DOCKET No. 140110-EI

Filed: July 14, 2014

TESTIMONY

MR. JIM DAUER

ON BEHALF OF NRG FLORIDA, LP

1 **DIRECT TESTIMONY OF MR. JIM DAUER**

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

3 **A.**My name is Jim Dauer. I am the head of natural gas trading for NRG
4 Energy, Inc., the parent company of NRG Florida, LP (“NRG”), a power
5 generation company located at 211 Carnegie Center, Princeton, NJ
6 08540. My official title is Director, Natural Gas Trading. NRG is a
7 subsidiary of NRG Energy, Inc., a Fortune 250 and S&P 500 Index
8 company. NRG Energy, Inc., is not only the largest solar power developer
9 in the country, but its diverse power generating facilities have a total
10 capacity of about 53,000 megawatts (“MW”), capable of supporting almost
11 42 million homes. NRG Energy, Inc.’s retail electricity providers — Reliant
12 and Energy Plus — and thermal energy division serve more than two
13 million residential, business, commercial and industrial customers in 47
14 states.

15
16 **Q. Please summarize your background and experience.**

17 **A.**I have worked in the natural gas industry since 1984. I have been NRG
18 Energy, Inc.’s Director of Natural Gas since 2003. In my current role, I am
19 responsible for short and long-term procurement of natural gas and
20 associated transportation services for NRG Energy, Inc.’s more than
21 26,000 MW of natural gas-fired generation facilities across the country,
22 including the NRG Osceola generating facility. Prior to joining NRG, I
23 worked for several subsidiaries of National Fuel Gas Company including

1 their local distribution, pipeline construction and natural gas marketing
2 businesses.

3

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

5 **A.** My testimony addresses Issues 10, 11, 13, 14, and 15 identified in Order
6 No. PSC-14-0341-PCO-E. My testimony corrects inaccurate assumptions
7 in the cost-effectiveness analysis performed by Duke Energy Florida
8 “DEF” regarding the sufficiency of natural gas supplies at NRG’s Osceola
9 power plant (“Osceola”), which I understand is identified by DEF as
10 “Acquisition 1”.

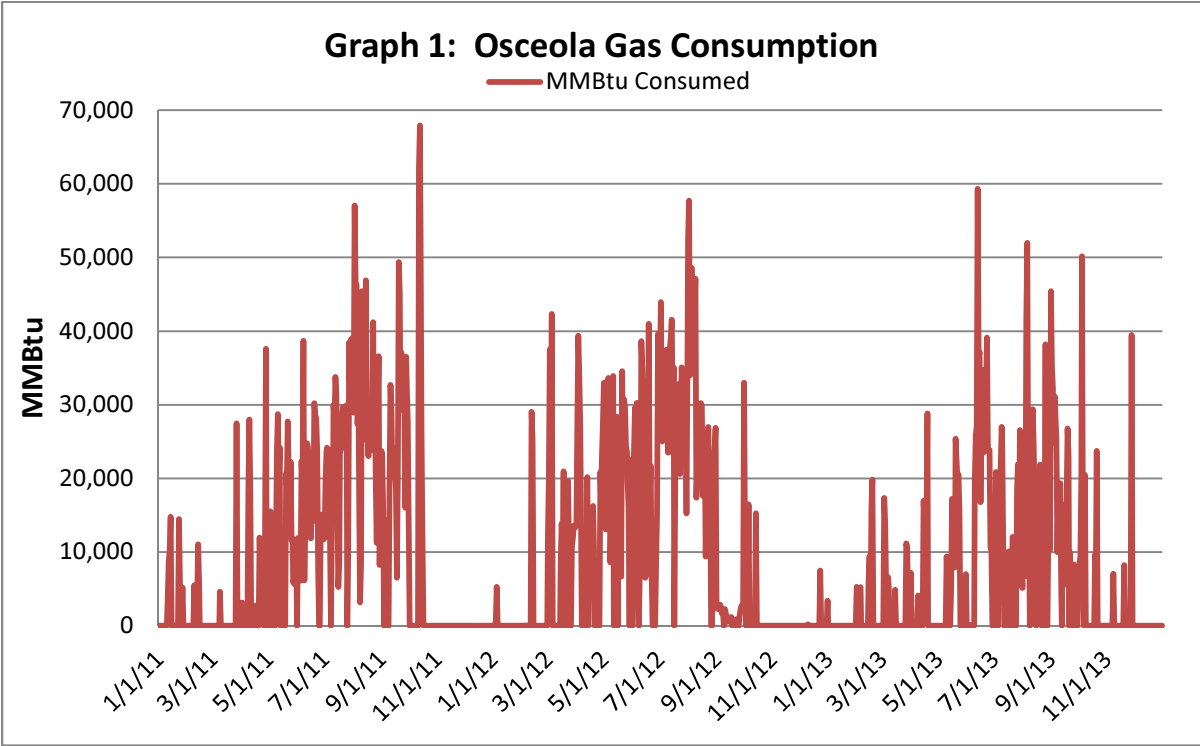
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12 **Q. Please summarize your testimony.**

13 **A.** DEF’s analysis of the cost of acquiring Osceola is significantly inflated by
14 the incorrect assumption that DEF would have to acquire firm
15 transportation at the highest tariffed rate for all natural gas used at the
16 facility. Not only is such firm transport unnecessary, but DEF failed to
17 consider several economically efficient natural gas procurement strategies
18 for Osceola. DEF can transport adequate natural gas supplies for
19 Osceola at significantly lower cost than DEF assumes, thereby
20 significantly overstating the cost of Acquisition 1 (Osceola) option. As
21 noted in Mr. Pollock’s testimony, using the currently applicable fuel
22 delivery charges, Acquisition 1 would be about \$60 million more cost-
23 effective than is shown in Exhibit___(BMHB-8).

1 **Q. Please describe the Osceola facility and its natural gas usage**
2 **patterns.**

3 **A.** The Osceola facility is a simple cycle F-Class gas turbine generation
4 facility, with three separate units with a nominal aggregate summer rated
5 capacity of 465 MW. It generally operates as a peaking facility, meaning
6 that its operations are often limited to peak hours on peak days. Over the
7 last three years (2011-2013) Osceola ran on 44% of the days. Its
8 maximum daily gas requirement over that period was approximately
9 68,000 mmbtu, while the average daily requirement was approximately
10 20,000 mmbtu. As shown in Graph 1 below, the facility does not have a
11 high capacity factor and seldom consumed over 40,000 mmbtu.



12
13

1 **Q. How is natural gas delivered to the Osceola facility?**

2 **A.** Osceola receives gas delivery via the Florida Gas Transportation (“FGT”)
3 system, which has a West and East Leg in the Florida Market Area. The
4 Osceola facility is located on the East Leg of the system. FGT completed
5 its Phase VIII Expansion Project in 2011, increasing system capacity by
6 820,000 mmbtu/day. During periods of high demand the East Leg of FGT
7 is occasionally fully utilized, but Osceola has been able to operate using
8 natural gas as its primary generation fuel, and expects to continue to do
9 so. Although NRG does have East Leg capacity on FGT with a primary
10 delivery point to Osceola (via Contract No. 101946, with rights to ship
11 7,000 mmbtu/day from November 1 through March 31st and 25,000
12 mmbtu/day from April through October), these contract rights have never
13 been used or required to deliver gas to Osceola during the last three
14 years.

15

16 **Q. Do you agree with DEF’s conclusion that additional firm East Leg**
17 **natural gas transportation will be necessary to reliably operate the**
18 **Osceola facility?**

19 **A.** No. I strongly disagree with the DEF assumption that Osceola requires an
20 additional large amount of East Leg firm natural gas transportation,
21 especially since it is a peaking plant. It is far more economically efficient
22 to serve the facility with secondary firm natural gas transportation from
23 DEF’s existing portfolio of firm transportation on FGT, from capacity

1 released on the system, or other spot purchases of delivered gas.

2

3 **Q. Who was responsible for delivering natural gas to Osceola from**
4 **2011 through 2013?**

5 **A.** The Osceola facility has been contracted to Seminole Electric Cooperative
6 for the past three years under a tolling agreement. A tolling agreement is a
7 contract under which one party provides the other party with fuel to be
8 converted into energy. In this case, Seminole was responsible for bringing
9 natural gas to the Osceola facility.

10

11 **Q. Does Seminole have firm natural gas transportation capacity on**
12 **FGT’s East Leg?**

13 **A.** No. For the past three years Seminole has been able to dispatch Osceola
14 on natural gas without having East Leg capacity. I have examined FGT’s
15 Informational Postings and have provided a listing of the capacity held by
16 Seminole. Seminole advised that this capacity – none of which is on the
17 East Leg, was used to supply gas to Osceola:

Shipper Name	Contract Number	Eff Date	Exp Date	MMBTU/Day	Delivery Point	
SEMINOLE ELECTRIC COOPERATIVE, INC.	6136	1/1/2002	12/31/2021	9,861	Midulla	West leg
SEMINOLE ELECTRIC COOPERATIVE, INC.	6137	1/1/2002	11/30/2018	15,139	Midulla	West leg
SEMINOLE ELECTRIC COOPERATIVE, INC.	111150	4/1/2011	3/31/2036	60,000	Midulla	West leg

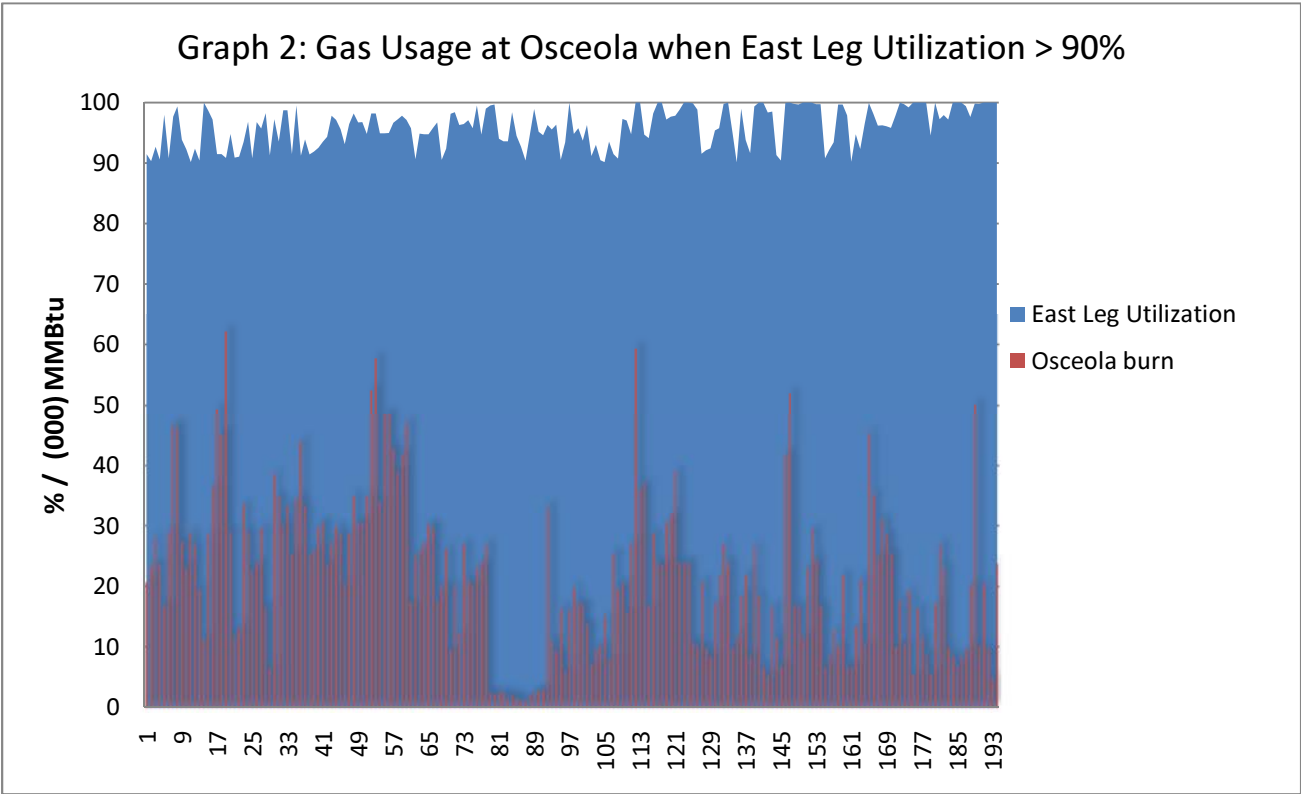
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19

20

1 **Q. Did Seminole's lack of firm transport on FGT's East Leg limit**
2 **operation of the Osceola facility?**

3 **A.** No. Graph 2, below, demonstrates that during periods of high demand
4 from 2011 through 2013, when the East Leg had 90 to 100% utilization,
5 Osceola, when dispatched, was always able to operate on natural gas.
6 The blue area on the graph shows percent utilization on the East Leg and
7 the red bars display the amount of gas consumed at Osceola in
8 mmbtu/day. The numbers along the horizontal axis identify events when
9 Osceola was running on days when FGT East Leg utilization was greater
10 than 90%.



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1 **Q: Did DEF assume that the natural gas transportation costs it assigned**
2 **to Osceola would be incurred with its self-build option?**

3 **A:** This issue is discussed in Mr. Pollock's testimony.

4

5 **Q. Is there a readily available option by which DEF could direct gas**
6 **from its existing FGT gas transportation capacity to Osceola?**

7 **A.** Yes. DEF ignores the fact that – like Seminole – it can use its existing
8 West Leg capacity to serve Osceola. The recent expansion of the FGT
9 system provides DEF, as a holder of firm transport on the West Leg, the
10 ability to utilize its existing transportation capacity through a re-direct of
11 that capacity for delivery to Osceola at the Reliant Holopaw Delivery Point
12 on the East Leg. That is, DEF could nominate gas to Osceola on a firm
13 secondary basis by using existing capacity on either the West Leg or East
14 Leg. Failure to consider this option results in a gross overstatement of the
15 true cost of utilizing the Osceola facility.

16

17 **Q. If DEF were to acquire firm transportation on the FGT East Leg, what**
18 **is the appropriate price for such transportation?**

19 **A.** DEF admits in its response to NRG's Interrogatory No. 75 that it assumed
20 a transportation cost of \$1.50/mmbtu for firm transport service to Osceola
21 on the East Leg. This approximates \$1.57/mmbtu, which is the highest
22 rate for firm transport service on FGT. Use of this rate by DEF
23 significantly and discriminatorily increases the assumed cost of delivered

1 gas to Osceola. There are several readily-available lower cost options:

2 **a.** DEF could acquire cheaper FTS-2 capacity at the tariff rate of
3 \$.7185/mmbtu, which is less than one-half of the amount assumed by
4 DEF. Osceola has FTS-2 capacity under its Contract No. 101946,
5 with the Osceola facility as the firm delivery point, which NRG would
6 released to DEF at the tariff rate as part of a negotiated transaction.

7 **b.** DEF could buy firm delivered supply from third party shippers on an
8 as-needed basis. This strategy could be particularly cost effective for
9 low capacity peaking units such as those at the Osceola facility,
10 because the owner would not have to pay for unutilized capacity on
11 days when the facility does not run, or under-utilized capacity when the
12 supply required is less than the volume of capacity held.

13 **c.** DEF could actively seek additional firm transportation capacity in the
14 short-term capacity release market. FGT has an electronic bulletin
15 board clearinghouse for customers and other shippers to offer and bid
16 on capacity. From time to time, some shippers have excess capacity
17 in their portfolios and others may be looking to acquire capacity for
18 specific periods of time. I have reviewed some recent releases of East
19 Leg capacity on FGT and noted that packages were released for \$.12
20 to \$.27/mmbtu during the summer period and as little as \$.03/mmbtu in
21 the winter. These actual costs are just a small fraction of the costs
22 DEF unnecessarily imputed to Osceola.

1

2 **Q. How does DEF's assumption that transportation costs to Osceola**
3 **would be \$1.50/mmbtu affect the "assumed" fuel cost at Osceola?**

4 **A.** The commodity price of Florida natural gas is expected to be in the range
5 of \$4.50 when DEF's Suwannee and Hines projects begin operation.
6 DEF's unreasonable assumption that it would require firm transportation
7 capacity at a cost of \$1.50/mmbtu to deliver natural gas to Osceola
8 arbitrarily and incorrectly inflates Osceola's delivered price of gas.
9 Assuming a 50% capacity factor, this assumption inflates the delivered
10 price of gas to \$7.50/mmbtu. If the capacity factor were only 10%, the
11 assumption inflates the delivered price to \$19.50/mmbtu.

12

13 **Q. Would Osceola be able to operate if natural gas deliveries were**
14 **interrupted?**

15 **A.** Absolutely. Osceola is a dual-fuel facility, capable of burning No. 2 fuel oil
16 as back-up.

17

18 **Q. What impact does Osceola's dual-fuel capability have on DEF's**
19 **concerns regarding interruption or unavailability of natural gas at**
20 **Osceola?**

21 **A.** Over the past three years in which Osceola has been tolled to Seminole,
22 the facility has never had to rely on No. 2 fuel oil. Oil could, however, be
23 used when natural gas supplies are either unavailable or uneconomic,
24 thus providing an important element of reliability to system planners.

1 Osceola has on-site No. 2 fuel oil storage capacity of 3 million gallons and
2 is permitted to burn No. 2 fuel oil for up to 750 hours per year. No. 2 fuel
3 oil is delivered by truck, so it is very unlikely that delivery of both natural
4 gas and No. 2 fuel oil would be interrupted simultaneously. Osceola's on-
5 site oil storage of 3 million gallons of fuel further demonstrates that the
6 expense of 100% firm natural gas transportation on FGT is unnecessary.

7

8

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

10 **A. Yes.**