

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-EI

Filed: August 1, 2014

EFS SHADY HILLS LLC'S PREHEARING STATEMENT

EFS Shady Hills LLC ("Shady Hills"), pursuant to the Order Establishing Procedure in this docket, Order No. PSC-14-0274-PCO-EI, issued on May 29, 2014, hereby submits Shady Hills' Prehearing Statement.

APPEARANCES:

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On behalf of EFS Shady Hills LLC.

1. **WITNESSES:**

Shady Hills does not presently intend to offer or call any witnesses for direct examination in this proceeding, but reserves the right to cross-examine all witnesses and to rely upon the pre-filed testimony or witnesses in this docket, as well as the testimony on their cross-examination.

2. EXHIBITS:

Shady Hills does not presently intend to offer any exhibits into evidence in this proceeding, but reserves the right to introduce exhibits through cross-examination of other parties' witnesses.

3. STATEMENT OF BASIC POSITION

The Florida PSC should not grant Duke Energy Florida's ("DEF's") request for a determination of need for the proposed 1,640 MW Citrus County combined cycle plant ("Citrus CC") because DEF has not adequately demonstrated through its Request for Proposal ("RFP") process that, in a fair comparison, the DEF's Citrus CC offers the most cost-effective solution to meeting its need for electric system reliability and integrity. Furthermore, considering the uncertainties in future energy usage and needs, especially in light of additional conservation, energy efficiency and demand side management options which could be implemented, DEF has not adequately demonstrated that the selection of the Citrus CC as the preferred option was the most prudent course in lieu of selection of a smaller, state-of-the-art combined-cycle unit that would provide more flexibility for meeting its future needs and provides the risk allocation benefits of a power purchase agreement.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

Issue 1: Is the proposed Citrus County combined cycle plant needed, taking into account the need for electric system reliability and integrity?

SHADY HILLS RESPONSE: No. DEF has not demonstrated that the proposed Citrus CC is needed for electric system reliability and integrity in 2018 since DEF did not evaluate alternatives that would defer the need for the Citrus CC by continued operation of other viable generating units, e.g., Crystal River Units 1 and 2, which are contemplated to be available to operate until October 2018 in case of delays of the in-service date for the Citrus CC.

Issue 2: Is the proposed Citrus County combined cycle plant needed, taking into account the need for adequate electricity at a reasonable cost?

SHADY HILLS RESPONSE: No. DEF's evaluation did not adequately represent the cost of the bidder alternatives to the Citrus CC based on a flawed evaluation process, resulting in premature selection of the Citrus CC and conclusion of the RFP.

Issue 3: Is the proposed Citrus County combined cycle plant needed, taking into account the need for fuel diversity and supply reliability?

SHADY HILLS RESPONSE: No. DEF's proposed Citrus CC increases reliance on, and further commits its retail ratepayers to, natural gas as a component of its long-term fuel supply, which is contrary to its objective of fuel diversity. An RFP choice of a smaller unit would allow reliability needs to be met while providing additional opportunities to procure non-natural gas resources, such as solar renewables.

Issue 4: Are there any renewable energy sources and technologies or conservation measures taken by or reasonably available to Duke Energy Florida that might mitigate the need for the proposed Citrus County combined cycle plant?

SHADY HILLS RESPONSE: Unknown. Shady Hills would note that the load forecast developed by DEF to support the need for the Citrus CC assumes a reduction in conservation measures and therefore increases projected supply requirements.

Issue 5: Is the proposed Citrus County combined cycle plant the most cost-effective alternative available to meet the needs of Duke Energy Florida and its customers?

SHADY HILLS RESPONSE: No. DEF only calculated cost-effectiveness based on a single measure – Cumulative Present Value Revenue Requirements over 35 years – and has therefore concluded prematurely that the Citrus CC is the most cost-effective solution based on imprudent evaluation methodology and assumptions.

Issue 6: Did Duke Energy Florida reasonably evaluate all alternative scenarios for cost effectively meeting the needs of its customers over the relevant planning horizon?

SHADY HILLS RESPONSE: No. DEF did not evaluate scenarios that considered continued operation of Crystal River Units 1 and 2 through 2020. DEF also modeled an unreasonable “overbuild” of bidder alternative supply plans, and did not evaluate deferral of part or all of the Citrus CC.

Issue 7: Based on the resolution of the foregoing issues, should the Commission grant the requested determination of need for the proposed Citrus County combined cycle plant?

SHADY HILLS RESPONSE: No. DEF has not reasonably demonstrated either its need for the Citrus CC, nor its cost-effectiveness, and prematurely terminated the RFP process.

Issue 8: Should this docket be closed?

SHADY HILLS RESPONSE: No. The Commission should deny any relief to DEF because it has not demonstrated its Citrus CC is the most cost-effective alternative to meeting its need for electric system reliability and integrity at a reasonable cost. DEF should be directed to resume the RFP process and reevaluate bidder proposals based on the comments above, and procurement outcomes from DEF’s separate pre-2018 need determination process, which could influence remaining need and available resources options.

5. STIPULATED ISSUES:

Shady Hills is not presently aware of any stipulated issues.

6. PENDING MOTIONS:

There are no pending motions to the best of Shady Hills’ knowledge. Shady Hills’ Petition to Intervene filed on July 15, 2014 was granted by Order No. PSC-14-0397-PCO-EI on August 1, 2014.

7. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:

Shady Hills has no pending requests or claims for confidentiality.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

Shady Hills has no pending objections to qualifications or witnesses as an expert and does not presently expect to challenge the qualifications of any witness to testify in this proceeding. However, Shady Hills reserves all rights to question all witnesses on their qualifications, including questions that may relate to the credibility and weight to be accorded their testimony.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the order Establishing Procedure with which Shady Hills cannot comply.

Date: August 1, 2014

Respectfully submitted,



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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 1st day of August, 2014:

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