

HOPPING BOYD GREEN & SAMS

ATTORNEYS AND COUNSELORS
123 SOUTH CALHOUN STREET
POST OFFICE BOX 6526
TALLAHASSEE, FLORIDA 32314
(904) 222-7500
FAX (904) 224-8551

CARLOS ALVAREZ
JAMES B. ALVES
BRIAN H. BISEAU
ELIZABETH C. BOWMAN
WILLIAM L. BOYD, IV
RICHARD S. BRIGHTMAN
PETER C. CUNNINGHAM
WILLIAM H. GREEN
WADE L. HOPPING
FRANK E. MATTHEWS
RICHARD D. MELSON
WILLIAM D. PRESTON
CAROLYN S. RAEPPEL
GARY P. SAMS
ROBERT P. SMITH, JR.

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KATHLEEN BLIZZARD
THOMAS M. DE ROSE
RICHARD W. MOORE
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ANNA M. PARKER
L. LURA BOYD PEARCE
GARY V. PERKO
MICHAEL P. PETROVICH
DAVID L. POWELL
DOUGLAS S. ROBERTS
CECELIA C. SMITH
CHERYL G. STUART

OF COUNSEL
W. ROBERT FOXES

November 15, 1990

Mr. Steve C. Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Re: ~~Docket No.~~ 900731-EQ

Dear Mr. Tribble:

Enclosed for filing in the above-referenced dockets on behalf of Indiantown Cogeneration, L.P. are the original and fifteen copies of ICL's Prehearing Statement.

By copy of this letter, this document has been furnished to the parties on the attached service list.

Very truly yours,

R. D. Melson
Richard D. Melson

ACK _____
AFA _____
APP _____
CAF _____
CMU _____ RDM/cia
CTR _____ Enclosure
EAC _____ cc: Parties of Record
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10236 NOV 15 1990

REC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of)
cogeneration agreement between FLORIDA) Docket No. 900731-EQ
POWER AND LIGHT COMPANY and INDIANTOWN)
COGENERATION, L.P.) Filed: Nov. 15, 1990
)

INDIANTOWN COGENERATION, L.P.'s
PREHEARING STATEMENT

Indiantown Cogeneration, L.P. (ICL) hereby submits its Prehearing Statement in the above-captioned docket pursuant to the requirements of Order No. 23711.

A. Known Witnesses. ICL will present the direct testimony of the following witnesses:

<u>Witness</u>	<u>Issues</u>	<u>Subject Area</u>
J.P. Kearney	3, 4, 5, 7	Overview of ICL and Indiantown Project; corporate strengths and experience of ICL and PGE/Bechtel; policy matters.
S.A. Sorrentino	3, 4, 5, 7	Details of Indiantown Project; project site; plant facilities; power sales agreement; steam customer; fuel supply; interconnection; associated facilities; project cost and schedule; benefits of project.
J.F. Cooper	3, 4, 5, 7	Project financing structure; ability to finance project.

ICL will identify its rebuttal witnesses by the due date for rebuttal testimony, October 21, 1990.

DOCUMENT NUMBER-DATE
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PSC-RECORDS/REPORTING

ICL reserves the right to file supplemental testimony to provide updated information on the status of its project.

B. Known Exhibits. ICL will sponsor the following exhibits as part of its direct case:

<u>Exhibit</u>	<u>Witness</u>	<u>Title</u>	
Kearney	---	Portions of Exhibit 1 to Joint Petition to Determine Need for Electrical Power Plant (August, 1990)	
		o Sections 1.1.1 to 1.1.3	
	JPK-1	Organization Structure	
	JPK-2	Bechtel Cogeneration Projects	
	JPK-3	PGE/Bechtel Generating Company Advanced Projects	
	---	Map of PGE/Bechtel Generating Company Projects	
Sorrentino	---	Portions of Exhibit 1 to Joint Petition to Determine Need for Electrical Power Plant (August, 1990)	
		o Section 1.0 (portions relating to ICL)	
		o Sections 1.3.1 to 1.3.8	
		o Section 1.3.10	
		o Section 1.6	
		---	Photograph of Plant Site
	SAS-1	Location Map	
SAS-2	Site Plan		
SAS-3	Comparison Between ICL Contract and Standard Offer Contract		
SAS-4	ICL Project Schedule		

- Letter of Intent with Caulkins Citrus
- Agreement in Principle with Caulkins Citrus
- Letter of Intent with CSX Railroad
- Letter of Intent with Indiantown Gas
- Land Option with Post/Wall
- Land Option with Florida Steel

ICL will identify its rebuttal exhibits by the due date for filing rebuttal testimony, October 21, 1990.

ICL reserves the right to submit additional exhibits to respond to any new issues raised by other parties to these dockets and to identify demonstrative exhibits by the time of the prehearing conference. ICL also reserves the right to identify cross-examination exhibits following the completion of discovery.

C. Basic Position. The Agreement for Purchase and Sale of Capacity and Energy ("Agreement") between Indiantown Cogeneration, L.P. and Florida Power & Light Company should be approved. That contract provides a reliable source of capacity and energy to FPL at substantial savings compared to its own avoided cost. The Commission should also make affirmative findings on Issues 3 through 6, since such findings are a condition precedent to FPL's obligations under the Agreement.

D. - G. Issues. ICL submits its position on the following issues identified by the parties and incorporated in Order No. 23711. As indicated below, ICL believes that some of the additional issues proposed by Nassau Power in its Memorandum to Parties dated November 7, 1990 are either included within the scope of other issues or are not necessary to the disposition of this case, and should be stricken by the Prehearing Officer.

ISSUE 1: (LEGAL ISSUE) What is the appropriate standard of economic comparison by which to judge the ICL contract?

ICL Position: The ICL contract is designed to meet FPL's need for additional capacity in 1996. That need would otherwise be met by an FPL-constructed IGCC unit. Under Order No. 22341, the purchasing utility's avoided cost is the appropriate basis of evaluation for need determination purposes. That same standard of evaluation, FPL's own avoided cost associated with its 1996 IGCC unit, should be used for contract approval purposes. This consistency in the economic standard is logical and appropriate, and nothing in the Commission's rules or policies requires a different result.

It is inappropriate to compare the ICL contract to the standard offer price in effect at the time the contract was signed. That price was based on a 1993 combined cycle unit and ICL's project does not meet a 1993 need.

It is also inappropriate to compare the ICL contract to the standard offer price for 1996 established after its contract was signed. To use that price as a basis for comparison would give the Commission's redesignation of the statewide avoided unit an unfair retroactive effect.

ICL reserves the right to develop its position on this legal issue more fully in its post-hearing brief.

ISSUE 2: Over the life of the ICL/FPL contract, will the cumulative present worth of the firm capacity and energy

payments be equal to or less than the value of deferral of the capacity to be avoided or deferred by the contract?

ICL Position: Yes, by approximately \$90 million.

ISSUE 3: Does the ICL/FPL contract contain adequate security provisions to protect FPL's customers in the event ICL fails to perform?

ICL Position: Yes. The contract contains numerous security provisions to protect FPL and its customers. These include: a series of milestones that ICL is contractually obligated to meet, culminating in the commercial operation date of the facility; \$9 million of security for payment of \$750,000 per month in liquidated damages if ICL fails to begin commercial operation according to the terms and conditions of the agreement; security of up to \$50 million against ICL's obligation to pay a termination fee to FPL in the event the Agreement were prematurely terminated; a \$5 million cash reserve fund to ensure continued QF status and a \$30 million cash reserve fund to support major overhauls of the plant, on which FPL has a first lien to secure all of ICL's obligations to FPL; a 10% minimum equity requirement; and a second mortgage in favor of FPL to secure all of ICL's obligations to FPL. (Kearney, Sorrentino, Cooper)

ISSUE 4: Is the ICL/FPL contract reasonable, prudent and in the best interest of the FPL's ratepayers?

ICL Position: Yes. The contract provides a reliable and cost-effective means of meeting a portion of FPL's need for additional capacity in 1996. In addition to being less costly than FPL's own avoided unit, the contract contains a number of features that are of value to FPL and its ratepayers. These include: dispatchability; pay-for-performance provisions with substantial incentives for high capacity factor and on-peak operation; operational and other provisions designed to insure the capability of high capacity factor operation; and numerous financial provisions, restrictions and security provisions designed to protect FPL and its ratepayers. In addition, the project is backed by sponsors with substantial experience in all phases of the electric power business; is ideally located close to FPL's load center; and is based on a proven coal-fired technology that uses a stable

domestically-sourced fuel. (Kearney, Sorrentino, Cooper)

ISSUE 5: Should FPL be allowed to recover from its customers all payments for energy and capacity in connection with the ICL/FPL contract?

ICL Position: Yes. (Kearney, Sorrentino, Cooper)

ISSUE 6: Should FPL be required to resell to another utility energy and capacity purchased under the ICL/FPL contract, if it is in the best interest of FPL's customers to retain the power?

ICL Position: No.

ISSUE 7: Should the cogeneration agreement between FPL and ICL be approved?

ICL Position: Yes. (Kearney, Sorrentino, Cooper)

Nassau Power's Proposed Issues

ISSUE A: Whether the ICL/FPL contract represents the most cost effective way for FPL to meet its capacity needs?

ICL Position: Yes, as discussed in detail in ICL's position on Issue 13 in Docket No. 900709-EQ, the ICL/FPL contract is the most cost effective way for FPL to meet a portion of its 1996 capacity need.

ISSUE B: Whether the cumulative present worth of firm energy and capacity payments made to ICL over the term of the contract are no greater than the cumulative present worth of the value of a year-by-year deferral of the statewide avoided unit over the term of the contract?

ICL Position: ICL objects to the inclusion of this issue and requests that it be stricken by the Prehearing Officer. The wording of the issue assumes that Nassau Power prevails in its legal position on Issue 1. If it were to prevail, then this question is already included within the scope of Issue 2.

ISSUE C: Whether the FPL/ICL agreement can reasonably be expected to result in the economic deferral or avoidance of additional capacity construction by Florida utilities from a statewide perspective?

ICL Position: ICL objects to the inclusion of this issue and requests that it be stricken by the Prehearing Officer. Nothing in the contract approval rules or process contemplates a finding on deferral or avoidance of capacity by any utility other than the one which is a party to the contract. This issue is thus beyond the proper scope of this docket.

ISSUE D: Whether the ICL contract is the best choice to defer or avoid the construction of additional capacity by FPL from a statewide perspective?

ICL Position: ICL objects to the inclusion of this issue and requests that it be stricken by the Prehearing Officer. The wording of the issue assumes that FPL has a need from a statewide perspective that is different that its need from an individual utility perspective. While ICL does not agree with that assumption, the resolution of that issue is not relevant to the approval of the contract for the Indiantown Project, and thus is beyond the scope of the proper issues in this case.

H. Stipulations. ICL is not aware of any issues to which the parties have stipulated.

I. Pending Motions. ICL has a pending motion to intervene in this docket. As indicated above, ICL also intends to request that certain additional issues proposed by Nassau Power be stricken by the Prehearing Officer.

J. Requirements of Order. ICL believes this prehearing statement is fully responsive to the requirements of Order No. 23711.

RESPECTFULLY SUBMITTED this 15th day of November, 1990.

HOPPING BOYD GREEN & SAMS

B. H. Biben for
Richard D. Melson

By Richard D. Melson
Richard D. Melson
Cheryl G. Stuart
123 South Calhoun Street
Post Office Box 6526
Tallahassee, Florida 32314
(904) 222-7500

Attorneys for
Indiantown Cogeneration, L.P.

CERTIFICATE OF SERVICE

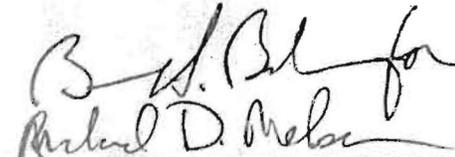
I HEREBY CERTIFY that a true and correct copy of the foregoing was sent by hand-delivery this 15th day of November, 1990, to the following:

Charles Guyton
Matthew M. Childs
Steel Hector & Davis
215 South Monroe Street
Suite 601
Tallahassee, FL 32301-1804

Robert Elias
Division of Legal Services
Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0870

Frederick M. Bryant
Moore, Williams, Bryant,
Peebles & Gautier, P.A.
P.O. Box 1169
Tallahassee, FL 32302

Joseph A. McGlothlin
Lawson, McWhirter, Grandoff
& Reeves
Suite 200
522 East Park Avenue
Tallahassee, FL 32301


Richard D. Melba
Attorney