

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Generic investigation
into the aggregate electric
utility reserve margins planned
for Peninsular Florida.

DOCKET NO. 981890-EU
ORDER NO. PSC-99-1274-PCO-EU
ISSUED: July 1, 1999

ORDER CLARIFYING SCOPE OF PROCEEDING;
DOCKET PROCEDURES; AND ESTABLISHING ISSUES

Pursuant to Order No. PSC-99-1229-PCO-EU, issued June 22, 1999, a Status Conference and Preliminary Prehearing Conference was held on June 30, 1999. During the Conference, several of the parties raised issues challenging the nature of this docket as an investigation being conducted as a formal evidentiary hearing, defining the scope of the inquiry of the docket as being limited to methodology for determining a Peninsular Florida aggregate electricity reserve margin, and challenging the interventions granted in this proceeding. I have considered the arguments of the parties and the recommendations of our staff. My findings are set forth below.

First, the argument was made that Rule 28-106.101(2), Florida Administrative Code, exempts 'investigations' from formal evidentiary proceedings. As such, the parties opined, this docket can only proceed as an informal investigation and that therefore discovery is inappropriate and there would be no intervenors or parties in this docket. Upon consideration, I find that the Rule does not supersede our statutory jurisdiction and responsibility to assure the provision of adequate electricity at a reasonable cost. Sections 366.05(1), 366.04(5), 366.05(7) and 366.05(8), Florida Statutes, invest the Commission with jurisdiction over the planning, development and maintenance of a coordinated electric power grid to assure an adequate and reliable source of energy for the state. In the exercise of its jurisdiction, the Commission has the power to, among other things, require repairs, improvements, additions, and extensions to the plant and equipment of any public utility when reasonably necessary to promote the public welfare and secure adequate service of facilities. In addition, Rule 25-22.036(3), Florida Administrative Code, provides for the Commission to initiate proceedings on its own motion in the execution of its statutory duties. The purpose of this proceeding is to afford the Commission a full record with sufficient information upon which to make a decision regarding the adequacy of the reserve margins planned for Peninsular Florida. The position advocated by the utilities and the Florida Reliability Coordinating Council would

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hinder the Public Service Commission's ability to make a well-reasoned decision. As such, this docket shall proceed as a formal evidentiary hearing investigating the electric utility reserve margins.

Section 120.57(1)(b) Florida Statutes, provides that all parties shall have an opportunity to respond, to present evidence and argument on all issues involved, to conduct cross-examination and submit rebuttal evidence as well as file appropriate post-hearing pleadings. The current procedure established for this docket affords these rights to all persons whose substantial interests may be affected by the decisions to be made in this proceeding. Moreover, I am sensitive to the due process arguments of the parties regarding decisions affecting substantial interests in the absence of the full panoply of Section 120.57, Florida Statutes rights. In that regard, if an issue has not been fully litigated, there will be an opportunity for further proceedings pursuant to applicable law.

Second, the parties argued that the scope of the investigation is limited to a determination of a methodology for calculating a reserve margin. In support of their argument, the parties cite the minutes of the December 15, 1998, Internal Affairs proceeding relative to the utilities' Ten Year Site Plans. Item 6 of the minutes states: "The Commissioners directed staff to open a docket to consider the appropriate methodology for developing reserve margin." To identify the scope of this docket, the relevant inquiry is the meaning of the word 'methodology'. To determine a reserve margin methodology, the Commission must investigate: (1) the manner in which reserve margins are calculated; (2) the level of reserve margins considered adequate for Peninsular Florida utilities; and (3) the remedial action, if any, which must be taken to assure adequate reserve margins. These fundamental inquiries define the scope of the docket. Given the stated scope of this proceeding, the issues I believe are appropriate are as set forth in the attached List Of Issues. Former issues 1, 2, 10, and 22 (as stated in Staff's May 28, 1999, memorandum to the parties) have been removed from consideration as being outside the scope of the docket. Former issue 18 is subsumed by former issues 16 and 17 and the analysis of minimum and maximum ranges for a reserve margin will be made in those issues, now numbered as issues 14 and 15. Former issue 21 is subsumed by former issue 16 (now numbered issue 14). Because of the complexity of the issues in this docket, and to assure all parties are afforded due process, additional issues will not be added absent a demonstration of good cause.

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Additional matters addressed at the Conference were the filing dates of utility and intervenor testimony and the length of time for filing objections to discovery. I find that it is appropriate for utility and intervenor testimony to be filed on the same date. As such, the Order Granting Motion For Extension Of Time, Continuing Hearing, and Revising Revised Order Establishing Procedure, Order No. PSC-99-1215-PCO-EU, issued June 18, 1999, is revised to require utility and intervenor testimony to be filed on August 16, 1999. Staff testimony and rebuttal testimony shall be filed on August 31, 1999, and September 13, 1999, respectively as set forth in Order No. PSC-99-1215-PCO-EU. In addition, on June 23, 1999, Commission Staff propounded discovery on the parties in this docket. It is recognized that the discovery request is extensive. Therefore, the parties will be permitted a period of 30 days in which to object to or seek clarification of the discovery request instead of the ten days required by the Order Establishing Procedure, Order No. PSC-99-0760-PCO-EU, issued April 20, 1999. This enlargement of time relates only to the June 23, 1999, staff discovery request.

On June 10, 1999, Tampa Electric Company filed a Motion For Extension Of Time To File Testimony. The Motion is rendered moot by Order No. PSC-99-1215-PCO-EU, as revised by this order.

Based on the foregoing, it is

ORDERED by Commissioner Julia L. Johnson, as Prehearing Officer, that this docket shall proceed as a formal evidentiary proceeding. It is further

ORDERED that the scope of the investigation shall be as set forth in the body of this order. It is further

ORDERED that the issues to be addressed in this docket, unless modified upon a showing of good cause, are as set forth in the List Of Issues attached to this order and by reference made a part hereof. It is further

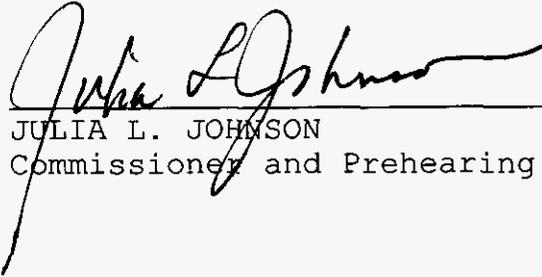
ORDERED that the filing date for utility and intervenor testimony shall be August 16, 1999. It is further

ORDERED that the period of time in which to object to or seek clarification of the discovery request propounded upon the parties by Commission staff on June 23, 1999, shall be 30 days from the date of service. It is further

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ORDERED that Tampa Electric Company's Motion For Extension Of Time To File Testimony is moot.

By ORDER of Commissioner Julia L. Johnson, as Prehearing Officer, this 1st day of July, 1999.



JULIA L. JOHNSON
Commissioner and Prehearing Officer

(S E A L)

LJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for

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reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

LIST OF ISSUES

- Issue 1 What is the appropriate methodology, for planning purposes, for calculating reserve margins for individual utilities and for Peninsular Florida?
- Issue 2 What is the appropriate methodology, for planning purposes, for evaluating reserve margins for individual utilities and for Peninsular Florida?
- Issue 3 How should the individual components of an individual or peninsular Florida percent reserve margin planning criterion be defined:
- A. Capacity available at time of peak (Ex. QF capacity, firm and non-firm purchases and non-committed capacity). Should equipment delays be taken into account?
 - B. Seasonal firm peak demand. Over what period (hourly, 30 min., 15 min.) should the seasonal firm peak demand be determined? What is the proper method of accounting for the diversity of the individual utilities' seasonal firm peak demands and load uncertainty? Is sufficient load uncertainty data available and being used? How are interruptible, curtailable, load management and wholesale loads treated at the end of their tariff or contract termination period? How should demand and/or energy use reduction options be evaluated and included in planning and setting reserve margins?
 - C. Should a percent reserve margin planning criterion be determined on an annual, seasonal, monthly, daily, or hourly basis?
- Issue 4 How should generating units be rated (MW) for inclusion in a percent reserve margin planning criterion calculation?
- Issue 5 How should individual utility's reserve margins be integrated into the aggregated reserve margin for Peninsular Florida?

- Issue 6 Should there be a limit on the ratio of non-firm load to MW reserves? If so, what should that ratio be?
- Issue 7 Should there be a minimum of supply-side resources when determining reserve margins? If so, what is the appropriate minimum level?
- Issue 8 What, if any, planning criteria should be used to assess the generation adequacy of individual utilities?
- Issue 9 Should the import capability of Peninsular Florida be accounted for in measuring and evaluating reserve margins and other reliability criteria, both for individual utilities and for Peninsular Florida?
- Issue 10 Do the following utilities appropriately account for historical winter and summer temperatures when forecasting seasonal peak loads for purposes of establishing a percent reserve margin planning criterion?
- A. City of Homestead
 - B. City of Lake Worth Utilities
 - C. City of Lakeland
 - D. City of Tallahassee
 - E. Florida Power and Light Company
 - F. Florida Power Corporation
 - G. Florida Municipal Power Agency
 - H. Gainesville Regional Utilities
 - I. Jacksonville Electric Authority
 - J. Kissimmee Utility Authority
 - K. Orlando Utilities Commission
 - L. Reedy Creek Improvement District
 - M. Seminole Electric Cooperative
 - N. Tampa Electric Company
 - O. Utilities Commission of New Smyrna Beach
- Issue 11 Has the Florida Reliability Coordinating Council's 15 percent reserve margin planning criterion, or any other proposed reserve margin criterion, been adequately tested to warrant using it as a planning criterion for the review of generation adequacy on a Peninsula Florida basis? If the answer is no, what planning criterion should be used?

- Issue 12 What percent reserve margin is currently planned for each of the following utilities and is it sufficient to provide an adequate and reliable source of energy for operational and emergency purposes in Florida?
- A. City of Homestead
 - B. City of Lake Worth Utilities
 - C. City of Lakeland
 - D. City of Tallahassee
 - E. Florida Power and Light Company
 - F. Florida Power Corporation
 - G. Florida Municipal Power Agency
 - H. Gainesville Regional Utilities
 - I. Jacksonville Electric Authority
 - J. Kissimmee Utility Authority
 - K. Orlando Utilities Commission
 - L. Reedy Creek Improvement District
 - M. Seminole Electric Cooperative
 - N. Tampa Electric Company
 - O. Utilities Commission of New Smyrna Beach
- Issue 13 How does the reliability criteria adopted by the FRCC compare to the reliability criteria adopted by other reliability councils?
- Issue 14 Should the Commission adopt a reserve margin standard for individual utilities in Florida? If so, what should be the appropriate reserve margin criteria for individual utilities in Florida? Should there be a transition period for utilities to meet that standard?
- Issue 15 Should the Commission adopt a reserve margin standard for Peninsular Florida? If so, what should be the appropriate reserve margin criteria for Peninsular Florida?
- Issue 16 Should the Commission adopt a maximum reserve margin criterion or other reliability criterion for planning purposes; e.g., the level of reserves necessary to avoid interrupting firm load during weather conditions like those experienced on the following dates: 01/08/70, 01/17/77, 01/13/81, 01/18/81, 12/19/81, 12/25/83, 01/21/85, 01/21/86 and 12/23/89?

- Issue 17 What percent reserve margin is currently planned for Peninsula Florida and is it sufficient to provide an adequate and reliable source of energy for operational and emergency purposes in Peninsula Florida?
- Issue 18 Can out-of-Peninsular Florida power sales interfere with the availability of Peninsular Florida reserve capacity to serve Peninsular Florida consumers during a capacity shortage? If so, how should such sales be accounted for in establishing a reserve margin standard?
- Issue 19 Based on the resolution of Issues 1 through 18, what follow-up action, if any, should the Commission pursue?