

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Determination of)
Need for Citrus County Combined Cycle) DOCKET NO. 140110-EI
Power Plant) FILED: AUGUST 1, 2014
_____)

**PREHEARING STATEMENT OF CALPINE CONSTRUCTION
FINANCE COMPANY, L.P.**

Calpine Construction Finance Company, L.P. ("Calpine" or "CCFC"), pursuant to the Order Establishing Procedure in this docket, Order No. PSC-14-0274-PCO-EI, issued May 29, 2014, hereby submits this its Prehearing Statement.

APPEARANCES:

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On behalf of Calpine Construction Finance Company, L.P.,

1. WITNESSES:

Calpine intends to call the following witnesses, who will address the issues indicated next to each witness's name.

<u>Witness</u>	<u>Issues</u>
Todd Thornton	1,2,3,5,6,7
Paul J. Hibbard	2,3,5,6,7
John L. Simpson, P.E.	1,2,3,5,6,7

2. EXHIBITS:

Paul J. Hibbard

PJH-1	Curriculum vitae of Paul J. Hibbard
PJH-2	Calpine LCOE Model Sources and Assumptions
PJH-3	Levelized Cost of Electricity (\$2014/MWh)
PJH-4	Levelized Cost (\$2014/MWh) by Capacity Factor 2015-2043
PJH-5	Growth in Total Energy Demand and Potential Energy Generation from Generic Combined Cycle Units
PJH-6	Comparison of Osprey Capacity Factor and Starts, by Year, DEF Production Simulation Results, Scenario 5 Acquisition
PJH-7a&7b	Adjustments to Cumulative Present Value Revenue Requirements
PJH-8	Emission Rates by Technology, Carbon Dioxide (CO ₂) and Nitrogen Oxides (NO _x)

John L. Simpson, P.E.

JS-1 Resume' of John L. Simpson, P.E.

JS-2 Excerpts from FPL Ten Year Site Plan - Turkey Point
 Synchronous Condenser Operation

3. STATEMENT OF BASIC POSITION

The Osprey Energy Center (the "Osprey Facility") is a proven, efficient combined cycle power plant in Auburndale, Florida, that has operated reliably for more than ten years, providing cost-effective wholesale power to Seminole Electric Cooperative, Tampa Electric Company, Progress Energy Florida (now Duke Energy Florida, Inc., hereinafter "Duke") and other utilities for resale to their customers. Calpine has offered to make the capacity and energy output of the Osprey Facility available to Duke through various combinations of power purchase agreements ("PPAs") and asset sale structures, at prices that are extremely favorable to Duke's customers. The Osprey Facility represents a very competitive, low-risk, highly efficient and environmentally advantageous resource with full dispatch flexibility to meet Duke's needs for supply-side resources.

The Osprey Facility is a better option than Duke's self-build options that are the subject of Docket No. 140111-EI, the Suwannee Peakers and the Hines Chillers. The Osprey Facility is approximately 30 percent more efficient than the Suwannee

Project. In addition, the Osprey Facility is capable of providing at least 515 MW of capacity both in the summer and in the winter, whereas the Hines Chillers, due to the technology, are unlikely to contribute any of that project's proposed 220 MW of added capacity to serve customers during winter peaking conditions. This is important to maintaining Duke's system reliability, because Duke's winter peaks are greater than its summer peaks.

Relative to the proposed Citrus County Project proposed by Duke in this docket, the Osprey Facility offers an efficient, proven resource with zero construction risk and zero permitting risk, and Osprey in combination with Duke's proposed Hines Chillers may support delaying the Citrus County Project, thus enabling Duke to cost-effectively meet its near term needs while reducing customer risks relative to Duke's actual load growth.

Calpine's most recent offer would save Duke and Duke's ratepayers approximately \$133 million in Cumulative Present Value Revenue Requirements, even including the costs of a direct transmission connection of Osprey to Duke's system, and that direct transmission connection would provide extra benefits and value to Duke's customers by providing an additional connection between Duke's two major load centers.

Duke's purported reason for rejecting the Osprey Facility - that the acquisition would not be approved by the FERC without

costly mitigation efforts - was and is misplaced. Established FERC precedent recognizes that the acquisition of a power plant, where that power plant has been under the control of the acquiring utility pursuant to a PPA, does not adversely affect competition and no mitigation would be required under the PPA-and-acquisition proposal that Calpine offered to Duke.

In the best interests of its customers, Duke should acquire the Osprey Energy Center pursuant to Calpine's PPA-acquisition proposal. Osprey is an operating, efficient, low-risk resource that can timely and reliably meet part of the need to be served by Duke's three self-build projects, including the option value of Osprey in preserving Duke's need to move forward with its Citrus County Project in the event that Duke's load growth is not as great as Duke currently projects.

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?

Calpine: No. Although Duke will likely need additional generating resources within the next ten years, it is not clear that Duke will need to add all of the planned capacity for the Citrus County Project as early as 2018.

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

Calpine: No. Although Duke will likely need additional generating resources within the next ten years, it is not clear that adding all of the capacity proposed for the Citrus County Project in 2018 is the most cost-effective alternative for meeting its customers' needs, particularly given that highly efficient, cost-effective alternatives with lower cost risks, such as the Osprey Facility, are available.

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

Calpine: No. Calpine does not dispute the importance of fuel diversity and supply reliability to Duke and Florida. The Osprey Facility, just like all of Duke's supply-side options, is fueled by natural gas and the fuel plan for the Osprey Facility would meet Duke's need for fuel diversity and supply reliability.

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?

Calpine: No.

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?

Calpine: No. Although Duke will likely need additional generating resources within the next ten years, it is not clear that adding all of the capacity proposed for the Citrus County Project in 2018 is the most cost-effective alternative for meeting its customers' needs, particularly given that highly efficient, cost-effective alternatives with lower cost risks, such as the Osprey Facility, are available.

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?

Calpine: No. Duke did not reasonably evaluate all available scenarios for acquiring needed capacity and energy. Specifically, Duke did not reasonably evaluate the scenario of acquiring the Osprey Facility through a combination of a 5-year PPA and purchase of the Osprey Facility during, or at the end of, the PPA term. This scenario would not cause the problem of possible FERC disapproval of the acquisition, which Duke asserted was the basis for ruling out the Osprey Facility

earlier in its evaluations. When the PPA/acquisition scenario is properly evaluated, Duke's acquisition of the Osprey Facility pursuant to Calpine's offer is a low-risk, high-value option for Duke and its customers, and Duke's acquisition of the Osprey Facility may cost-effectively defer, in part, Duke's need for additional combined cycle capacity beyond 2018.

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?

Calpine: No. The Commission should deny Duke's petition in this docket and direct Duke to pursue the most cost-effective and lowest-risk alternative available to meet its customers' needs, which is the Osprey Facility, to be acquired by Duke pursuant to the PPA/acquisition proposal offered by Calpine.

Issue 8: Should this docket be closed?

Calpine: No. The Commission should consider keeping this docket open for further proceedings to address Duke's

need for generating capacity in the 2018-2020 time frame.

5. STIPULATED ISSUES:

Calpine is not aware of any stipulated issues at this time.

6. PENDING MOTIONS:

None at this time.

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

Calpine: Calpine has pending notices of intent to request confidential classification for the following documents, filed on the dates indicated:

- July 15, 2014 - Calpine Construction Finance Company, L.P.'s Notice of Intent to Request Confidential Classification (for portions of testimony and exhibits of witnesses Todd Thornton and Paul J. Hibbard); and
- July 21, 2014 - Calpine Construction Finance Company, L.P.'s Second Notice of Intent to Request Confidential Classification (for certain documents produced in Paul Hibbard's responses to Duke's discovery requests).

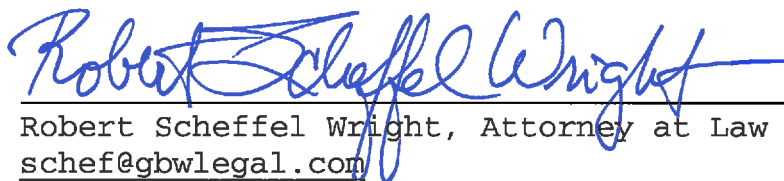
8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

Calpine does not intend to object to the qualifications of any witnesses known at this time, but reserves its rights to object to the qualifications of any rebuttal witnesses who are not already identified, and to cross-examine any witness as to the witness's qualifications and expertise as those factors go to the credibility of the witness's testimony.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which Calpine cannot comply.

Respectfully submitted this 1st day of August, 2014.



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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 delivery, on this 1st day of August, 2014.

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