

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Hearings on Load Forecasts,)	DOCKET NO. 890004-EU-A
Generation Expansion Plans, and)	
Cogeneration Prices for Northwest)	ORDER NO. 20844
Florida's Electric Utilities.)	
_____)	ISSUED: 3/3/89

Pursuant to Notice, a Prehearing Conference was held on February 20, 1989, in Tallahassee, Florida, before Commissioner Gerald L. Gunter, Prehearing Officer.

APPEARANCES:

G. EDISON HOLLAND, Jr., Esquire, and JEFFREY A. STONE, Esquire, Beggs and Lane, P. O. Box 12950, Pensacola, Florida 32576
On behalf of Gulf Power Company (Gulf)

RICHARD D. MELSON, Esquire, Hopping, Boyd, Green and Sams, P. O. Box 6526, Tallahassee, Florida 32314
On behalf of the Florida Electric Power Coordinating Group (FCG)

RICHARD A. ZAMBO, Esquire, and PAUL SEXTON, Esquire, 205 North Parsons Avenue, P. O. Box 856, Brandon, Florida 33511
On behalf of the Florida Industrial Cogeneration Association (FICA) and Metropolitan Dade County (Dade).

PATRICK K. WIGGINS, Esquire, Ranson & Wiggins, P. A., P. O. Drawer 1657, Tallahassee, Florida 32302
On behalf of Alabama Electric Cooperative (AEC).

SUZANNE BROWNLESS, Esquire, Florida Public Service Commission, Division of Legal Services, 101 East Gaines Street, Tallahassee, Florida 32399-0863
On behalf of the Commission Staff.

DAVID E. SMITH, Esquire, Florida Public Service Commission, Division of Appeals, 101 East Gaines Street, Tallahassee, Florida 32399-0862
Counsel to the Commissioners.

PREHEARING ORDERBackground

Pursuant to Section 366.04(3), Florida Statutes, the Commission has jurisdiction over the "planning, development, and maintenance of a coordinated electrical power grid throughout Florida to assure an adequate and reliable source of energy for operational and emergency purposes in Florida and the avoidance of further uneconomic duplication of generation, transmission, and distribution facilities ..."

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In order to fulfill these responsibilities, the Commission has instituted this docket for the purposes of:

- (1) Adopting 20-year optimal statewide generation expansion planning studies for Northwest Florida;
- (2) Reviewing Gulf Power Company's (Gulf) 20-year optimal generation expansion planning studies;
- (3) Understanding the relationship between the Southern electric system's 20-year optimal generation expansion planning studies to Gulf's 20-year optimal generation expansion studies;
- (4) Developing 20-year optimal statewide generation expansion planning studies from the peninsular Florida and Gulf's 20-year optimal generating planning studies; and
- (5) Setting the prices at which investor-owned utilities in Northwest Florida must purchase energy and capacity produced by qualifying cogeneration and small power production facilities based on the 20-year optimal statewide generation expansion planning studies.

Pursuant to Order No. 18805, issued on February 4, 1988, this Commission approved the work plan which Gulf filed for use in this planning proceeding.

Southern Company timely filed its Forecast Document on June 29, 1988; its Generation Expansion Study on September 1, 1988; and its Aggregate 20-Year Plan on September 15, 1988. On December 8, 1988, the prefiled direct testimony of J. Thomas Kilgore, Jr. (Gulf) and M. W. Howell (Gulf) was filed. On January 27, 1989, Gulf filed its prehearing statement.

At the prehearing conference, Richard Melson, on behalf of the FCG, withdrew from this docket. Subsequent to the prehearing conference, on February 24, 1989, Metropolitan Dade Company also withdrew from this docket.

On February 13, 1989, Alabama Electric Cooperative, Inc. (AEC) filed a petition for intervention in this and the companion peninsular Florida docket, Docket No. 890004-EU. Intervention was granted by Order No. 20754, on February 16, 1989. AEC did not file a prehearing statement nor is it taking any positions in this docket. For that reason, AEC's participation in this proceeding shall be limited to cross-examination only. AEC will not be allowed to file post-hearing briefs. [Prehearing Conference Transcript at 18].

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Use of Prefiled Testimony

All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and exhibits, unless there is a sustainable objection. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his testimony at the time he or she takes the stand.

Use of Depositions and Interrogatories

If any party desires to use any portion of a deposition or an interrogatory, at the time the party seeks to introduce that deposition or a portion thereof, the request will be subject to proper objections and the appropriate evidentiary rules will govern. The parties will be free to utilize any exhibits requested at the time of the depositions subject to the same conditions.

Order of Witnesses

In keeping with Commission practice, witnesses will be grouped by the subject matter of their testimony. The witness schedule is set forth below in order of appearance by the witness's name, subject matter, and the issues which will be covered by his or her testimony.

<u>Witness</u>	<u>Subject Matter</u>
1. J. T. Kilgore, Jr.	Gulf's Load Forecast
2. M. W. Howell	Gulf's Generation Planning Studies

EXHIBIT LIST

*All exhibits marked with an asterisk have been stipulated into the record.

<u>Witness</u>	<u>Exhibit Number</u>	<u>Description</u>
1. J. T. Kilgore, Jr. (Gulf)	*2001	JTK-1 - Southern Electric System Forecast Document
	*2002	JTK-2 - Gulf Power Company Forecast Document

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EXHIBIT LIST

<u>Witness</u>	<u>Exhibit Number</u>	<u>Description</u>
2. M. W. Howell (Gulf)	*2003	MWH-1 Generation Expansion Planning Document - Southern Electric System
M. W. Howell (Gulf)	*2004	MWH-2 - Generation Expansion Planning Document Gulf Power Company
M. W. Howell (Gulf)	*2005	MWH-3 - Generation Expansion Plan
M. W. Howell (Gulf)	*3001	Response to Staff's Inter- rogatory to Gulf No. 15
M. W. Howell (Gulf)	*3002	Response to Staff's Inter- rogatory to Gulf No. 8
M. W. Howell (Gulf)	*3003	Response to Staff's Inter- rogatory to Gulf No. 10
M. W. Howell (Gulf)	*3004	Response to Staff's Inter- rogatory to Gulf No. 16.
M. W. Howell (Gulf)	*3005	Response to Staff's Inter- rogatory to Gulf No. 24
	*3006	Response to Staff's Interrogatory to Gulf No. 33

PARTIES' STATEMENT OF BASIC POSITION

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STAFF: With regard to Northwest Florida, the generation expansion planning study submitted by the Southern Electric System is reasonable and can be considered appropriate at this time in order to set cogeneration prices for Gulf Power Company (Gulf). Because Gulf's next indicated intermediate or baseload unit has an in-service date of 2005, no avoided unit should be designated for Gulf at this time. Therefore, no tariffs based on an avoided unit need be filed by Gulf. However, Rule 25-17.083, Florida Administrative Code, requires every utility to offer a standard offer contract based on its average embedded book cost of fossil steam plants. Gulf cannot be relieved of its duty to file this tariff.

GULF: Gulf's basic position is that the Southern and Gulf studies documents satisfy the Commission's order and the Work Plan in this docket. The studies provide the Commission with an appropriate source of information on the long range forecasts and generating needs for Gulf and Southern, and provide all the information which the Commission needs to establish appropriate cogeneration prices.

FICA: FICA's basic position is that standard offer rates should be established for Gulf as part of the statewide market for energy in accordance with Rule 25-17.083, but that, in any event, cogenerators in Gulf's service area should be assured of the ability to wheel energy and capacity from Gulf's service area to peninsular Florida.

AEC: AEC has no known basic position.

STATEMENT OF ISSUES AND POSITIONS

All of the issues marked with an asterisk (*) below have been stipulated.

Factual Issues

*ISSUE 1: What should the Commission consider to be the appropriate long range plans for Gulf and the Southern System?

POSITIONS

STAFF: The Forecast Documents and the Generation Expansion Planning Documents submitted by Gulf for itself and the Southern System contain reasonable long range plans for Gulf and the Southern System.

GULF: The Forecast Documents and the Generation Expansion Planning Documents submitted by Gulf for itself and the Southern System. The studies adequately address the issue of future electrical energy needs over the study period. The studies are comprehensive in utilizing appropriate assumptions, methodologies, technology screening, and detailed life cycle economic analysis. (Howell)

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FICA: No position.

AEC: No position.

*ISSUE 2: Should the avoided unit on which Gulf Power Company bases its firm energy and capacity payments to cogenerators be different from the avoided unit on which peninsular Florida utilities base their firm energy and capacity payments to cogenerators?

POSITIONS

STAFF: Yes.

GULF: Yes.

FICA: No position.

AEC: No position.

*ISSUE 3: What is the appropriate unit on which Gulf Power Company's firm energy and capacity payments should be based?

POSITIONS

STAFF: The Commission should not designate an avoided unit for Gulf at this time because Gulf's next planned intermediate or baseload unit has a projected in-service date of 2005.

GULF: Agree with Staff. Consistent with the Commission's finding in Order No. 17480, the 1986 Planning Hearing, the Commission should not designate an avoided unit for Gulf. As properly discussed in the Order, and reconfirmed in the current studies, both Gulf and Southern's initial non-committed capacity needs are combustion turbines. Gulf's first intermediate or base load need for capacity is in 2005. As the Commission properly noted in Order No. 17480, this is so far into the future that significant changes in the assumptions could occur such that it is not appropriate to designate an avoided unit at this time. (Howell)

FICA: No position.

AEC: No position.

*ISSUE 4: What should be paid by Gulf to cogenerators based on a designated avoided unit?

POSITIONS

STAFF: Nothing since Gulf should not have a designated avoided unit.

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GULF: Agree with Staff. Consistent with Order No. 17480 in the 1986 Planning Hearing, Gulf should not be designated as the utility planning the statewide avoided unit since no avoided unit for Gulf should be designated by the Commission. (Howell)

FICA: No position.

AEC: No position.

*ISSUE 5: Should Gulf Power Company continue to be exempted from Rule 25-17.083(3)(b)(ii) which requires that utilities offer a capacity payment equal to the utility's average embedded book cost of fossil steam plants?

POSITIONS

STAFF: Yes, it is illogical to allow cogenerators to get paid on the basis of Gulf's embedded book cost of fossil steam plants when it has no designated avoided unit.

GULF: Yes. Gulf should be exempted from this rule. A utility's average embedded book cost for fossil steam plants generally bears no significance to its avoided capacity costs. Particularly since Gulf's first non-peaking capacity need is well past the year 2000, this exemption should be applied to Gulf. (Howell)

FICA: No position.

AEC: No position.

*ISSUE 6: When should the standard offer based on Gulf's average embedded cost of fossil steam plants become effective?

STAFF: The effective date of that tariff should be the date of the Commission's vote on this docket.

GULF: Agree with Staff.

FICA: No position.

AEC: No position.

LEGAL ISSUES

ISSUE 7: Can and should the provisions of Rule 25-17.083, Florida Administrative Code, be waived to the extent that they are inconsistent with the findings of this proceeding?

POSITIONS

STAFF: To be technically correct, the Commission should waive the provisions of Rule 25-17.083 which conflict with the findings of this docket. However, pursuant to statute and case law, the Commission may not waive or act inconsistently with its own rules.

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GULF: The provisions of the rule should be waived. Gulf believes the Commission can legally waive the provisions of the rule. Even if legally prohibited from waiving the rule, if all parties to the docket agree that the rule should be waived, there is no legal prohibition to the Commission accepting a stipulation of the parties to this effect.

FICA: No position.

AEC: No position.

ISSUE 8: Should the Commission accept as reasonable, generation expansion plans which would increase Florida utilities' consumption of and reliance on natural gas and oil fuels?

POSITIONS

STAFF: Yes.

GULF: Yes.

FICA: No position.

AEC: No position.

ISSUE 9: What role should the findings of the Planning Hearing play in the Commission's review of need determination applications filed by electric utilities pursuant to Sections 403.501-.517 or 403.519, Florida Statutes?

STAFF: These findings should be used for informational purposes only.

GULF: The findings should be a reasonable indicator of future needs. To the extent that a need application is inconsistent with the findings, the burden of proving need will be on the utility.

FICA: No position.

AEC: No position.

ISSUE 10: What role should the Planning Hearing play in the Commission's review of need determination applications for qualifying facilities filed pursuant to Sections 403.501-.517 and 403.519, Florida Statutes?

STAFF: These findings should be used for informational purposes only.

GULF: A QF's proposed facilities should be consistent with the findings of the Planning Hearing regarding future needs by the state's utilities.

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FICA: No position.

AEC: No position.

STIPULATED ISSUES

All of the issues marked with an asterisk above have been stipulated. These are all of the factual issues, Issues 1-6.

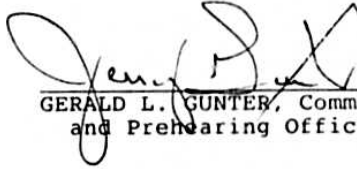
MOTIONS

There are no pending motions.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that these proceedings shall be governed by this order unless modified by the Commission.

By ORDER of Commissioner Gerald L. Gunter, as Prehearing Officer, this 3rd day of MARCH, 1989.



GERALD L. GUNTER, Commissioner
and Prehearing Officer

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