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October 7, 1999

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
4075 Esplanade Way, Room 110
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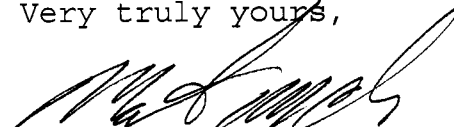
RE: DOCKET NO. 981890-EU

Dear Ms. Bayó:

Enclosed for filing please find an original and fifteen (15) copies of Florida Power & Light Company's Prehearing Statement in the above referenced docket.

Also enclosed is a formatted double sided high density 3.5 inch diskette containing the Prehearing Statement of Florida Power & Light Company

Very truly yours,


Matthew M. Childs, P.A.

- AFA 2
- APP _____
- CAF _____
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12176 OCT-7 99

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Generic Investigation) DOCKET NO. 981890-EU
into the aggregate electric) DATE: OCTOBER 7, 1999
utility reserve margins planned)
for Peninsular Florida)

FLORIDA POWER & LIGHT COMPANY'S
PREHEARING STATEMENT

Pursuant to Order No. PSC-99-0760-PCO-EU, issued April 20,
1999, and Order No. PSC-99-1042-PCO-EU, issued May 21, 1999 and
Order No. PSC-99-1215-PCO-EU, issued June 18, 1999 establishing the
prehearing procedure in this docket, Florida Power & Light Company
("FPL") hereby submits its Prehearing Statement.

APPEARANCES

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A. WITNESSES

Table with 3 columns: WITNESS, SUBJECT MATTER, ISSUES. Rows include Roberto R. Denis for Direct Testimony and Rebuttal Testimony.

B. EXHIBITS

Table with 3 columns: EXHIBITS, WITNESS, DESCRIPTION. Rows include (RRD-1) Overview of FPL's IRP Process and (RRD-2) Commission Approved Reliability Criteria 1984-1999.

C. STATEMENT OF BASIC POSITION

FPL reasserts and does not waive any objections to the Commission's lack of authority to conduct this proceeding as set forth in Order Nos. PSC-99-0760-PCO-EU; PSC-99-1042-PCO-EU; PSC-99-1274-PCO-EU; PSC-99-1716-PCO-EU; PSC-99-1884-PCO-EU; and, PSC-99-1937-PCO-EU.

FPL objects to this proceeding being conducted as currently directed by the Commission.

Absolutely no allegations or explanation have been provided to support the policy issues in this Docket. Moreover, not all policy issues appear to have been affirmatively supported by the testimony of the Commission Staff. These issues should be dismissed.

D. STATEMENT OF FACTUAL ISSUES AND POSITIONS

It does not appear that the issues prescribed by Order PSC-99-1274-PCO-EU contain any factual issues.

E. STATEMENT OF LEGAL ISSUES AND POSITIONS

None at this time.

F. STATEMENT OF POLICY ISSUES AND POSITIONS

Issue 1 What is the appropriate methodology, for planning purposes, for calculating reserve margins for individual utilities and for Peninsular Florida?

FPL: This issue is improper. No predicate for this issue has been stated or set forth. Moreover, as an issue of policy of general application, resolution herein is improper. The elements of the methodology consistently used by the Commission for calculating reserve margins has been repeatedly applied by the Commission.

In an attempt to be responsive, FPL utilizes five basic components to calculate reserve margins using the formula shown below:

$$RM = [(C - L) / L] * 100$$

where:

"RM" -- Is defined as the utility's percent planned reserve margin;

"C" -- Is defined as the aggregate sum of the rated dependable peak-hour capabilities of the resources that are expected to be available at the time of the FPL's annual peak.

"L" -- Is defined as the expected firm peak load of the system for which reserves are required.

FPL believes this is the appropriate way to calculate reserve margins for planning purposes or otherwise. It is identical to the formula used by the Commission and defined in F.A.C. Rule 25-6.035. It is also the electric utility industry's standard way of calculating reserve margin.

Issue 2 What is the appropriate methodology, for planing purposes, for evaluating reserve margins for individual utilities and for Peninsular Florida?

FPL: This issue remains vague and unclear but in an attempt to respond FPL states:

Reserve margins can be "evaluated" in two ways. First, a utility's reserve margin can be evaluated by testing against the standard (i.e., does a utility's projected reserve margin for a given year meet or exceed a pre-established reserve margin planning criterion).

Second, is by testing the adequacy of the standard. This is generally achieved through years of operating experience or by empirically examining historical levels of accuracy in projecting reserve margin components.

- 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?

FPL: This issue is improper. No predicate for this issue has been stated or set forth. Moreover, as an issue of policy of general application, resolution herein is improper.

In an attempt to be responsive, FPL states:

(A) and (B) In regard to reserve margin calculations, the capacity available at peak values should represent the capacity of a utility's generating units which can be reliably counted on during the Summer and Winter peak hours, plus the firm capacity value from the utility's firm capacity purchase contracts. Non-firm capacity values from purchases should not be included in a reserve margin calculation because they are not

committed to meeting the utility's peak.

The seasonal firm hourly peak demand values used in reserve margin calculations should be the most probable projected peak hourly load minus the DSM capability for that peak hour.

The question of how the non-firm load capability should be treated in reserve margin calculations in light of the fact some of the participating customers may be near the end of their contract or tariff period, must be answered on a utility-specific basis.

3(C) A reserve margin criterion for long-term resource planning should be based on the seasonal hourly peak for which reserves are required.

Issue 4 How should generating units be rated (MW) for inclusion in a percent reserve margin planning criterion calculation?

FPL: The rating (MW) which should be used for generating units is the capacity which can be reliably counted on during the utility's seasonal peak hour.

Issue 5 How should individual utility's reserve margins be integrated into the aggregated reserve margin for Peninsular Florida?

FPL: This issue is unintelligible.

Issue 6 Should there be a limit on the ratio of non-firm load to MW reserves? If so, what should that ratio be?

FPL: This issue is improper and should be eliminated. No predicate for this issue has been stated or set forth. Moreover, as an issue of policy of general application, resolution herein is improper.

In an attempt to be responsive FPL states:

This issue can only be answered on a utility-specific basis. Each utility needs to determine if additional non-firm load is cost-effective on its system. As long as the answer to this question is "yes", then there is no need to limit the addition of more non-firm load.

Issue 7 Should there be a minimum of supply-side resources when determining reserve margins? If so, what is the appropriate minimum level?

FPL: This issue is improper and should be eliminated. No predicate for this issue has been stated or set forth. Moreover, as an issue of policy of general application, resolution herein is improper.

In an attempt to be responsive FPL states:

This issue can only be answered on a utility-specific basis. A utility's answer will be based both on the cost-effectiveness of supply side versus DSM options on its system and on how much confidence the utility has in the various types of options. There is no one correct level of supply side versus DSM resources for all utilities.

Issue 8 What, if any, planning criteria should be used to assess the generation adequacy of individual utilities?

FPL: This issue is improper. No predicate for this issue has been stated or set forth. Moreover, as an issue of policy of general application, resolution herein is improper.

This issue can only be answered on a utility-specific basis. Each utility should utilize a planning methodology and criteria which it believes best evaluates its system and how the system will be operated. The Commission can and should examine such criteria, as it has in the past, and opine on the planning criteria's suitability for reliability planning purposes.

Issue 9 Should the import capability of Peninsular Florida be properly accounted for in measuring and evaluating reserve margins and other reliability criteria, both for individual utilities and for Peninsular Florida?

FPL: This issue is improper. No predicate for this issue has been stated or set forth. Moreover, as an issue of policy of general application, resolution herein is improper. In addition, this issue fails to reflect the fact that the Commission has addressed this matter on numerous occasions.

In an attempt to be responsive FPL states: Yes, but only to the extent that the import capability is relevant to the reliability criterion in question.

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

FPL: This issue should be eliminated because there is no evidence presented by the Staff on it.

As to FPL, the Company uses a system-wide temperature composite of its entire service territory for predicting Summer and Winter peaks. To develop this system-wide temperature composite, hourly weather data from four primary weather stations, Miami, Daytona Beach, Ft. Myers and West Palm Beach has been gathered dating back to 1948. The four weather stations provide sufficient geographic coverage to reflect differences in weather conditions across the service territory. The weighted average of the four weather stations provides a system-wide composite temperature used in the peak forecasting models. The processes for arriving at Summer and Winter peak representative temperatures are identical.

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 criteria should be used?

FPL This issue is improper. No predicate has been established for it being an issue. Moreover, the statement of the issue is judgmental without justification. In addition, it is not clear nor has the Staff established the use of the Florida Reliability Coordinating Council's 15% reserve margin criterion as a "planning criterion." Stated differently, the FRCC does not plan for FPL, and FPL does not rely upon the FRCC's criterion in conducting its own planning.

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

FPL: This statement of issue is unclear, given the use of the words "currently planned." FPL had understood the term "planned" to mean not the result achieved but the criterion applied. As to the criterion applied by Florida Power & Light Company, as opposed to the use of the word "currently planned" by Mr. Ballinger, FPL uses a reserve margin criterion of 15% for both the summer and winter peak demand.

FPL's 1999 Ten Year Power Plant Site Plan (revised) shows the following Summer and Winter reserve margins (the corresponding LOLP levels are also shown):

<u>Year</u>	<u>Projected Reserve Margin</u>		<u>LOLP</u>
	<u>Summer</u>	<u>Winter</u>	
1999	16%	20%	0.022
2000	15%	19%	0.028
2001	16%	18%	0.076
2002	20%	22%	0.006
2003	23%	25%	0.002
2004	21%	22%	0.011
2005	19%	20%	0.007
2006	19%	19%	0.012
2007	19%	20%	0.005
2008	20%	20%	0.003

These projected reserve margins always meet, and almost always exceed, FPL's reserve margin criteria of a minimum of 15% for Summer and Winter. Also, the projected LOLP levels are always better than the LOLP standard of 0.1 day/year. Therefore, these projections indicate that FPL's resources should provide for an adequate and reliable source of electricity over this time period.

Issue 13 How does the reliability criteria adopted by the FRCC compare to the similar reliability measures adopted by other reliability councils?

FPL: This does not appear to be an appropriate issue nor does it appear that it has been addressed by proof.

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?

FPL: This is an inappropriate issue and no predicate factually or legally has been presented to support its being addressed. Moreover, as an issue of policy of general application, resolution herein is improper.

No. The Commission has already established a minimum reserve margin threshold of 15% for individual utilities by their rulings in Docket No. 940345-EU. This is a minimum standard only meant as a safety net or backstop, and therefore appropriate for all utilities. The Commission should not now adopt either changes to this minimum or establish a uniform reserve margin criteria.

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?

FPL: This is an inappropriate issue and no predicate factually or legally has been presented to support its being addressed. Moreover, as an issue of policy of general application, resolution herein is improper.

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?

FPL: This is an inappropriate issue and no justification for its inclusion has been provided. Moreover, as an issue of policy of general application, resolution herein is improper.

In an attempt to be responsive FPL states:

No, there is no need. Rather than establishing an artificial reserve margin standard, if there is concern that a utility's load forecasting process is inadequate or that operating procedures during weather extremes are inadequate, that should be the focus of inquiry by the Commission.

Issue 17 What percent reserve margin is currently planned for Peninsular Florida and is it sufficient to provide an adequate and reliable source of energy for operational and emergency purposes in Peninsular Florida?

FPL: This is an inappropriate issue. In addition, FPL adopts its prior comments as to the use of the words "currently planned" in this issue.

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?

FPL: Except as a vehicle to further explore the Staff's proposed development of merchant capacity in Florida, FPL does not believe that this issue has any relationship nor has one been shown to the use of reserve margin as a criterion. Also, it is vague. Quite obviously, power not available in the State of Florida is not available in the State of Florida.

No, they should not interfere. All firm capacity sales, whether inside or outside Florida, are already accounted for in utility resource planning. Non-firm capacity sales, whether inside or outside Florida, can and should (by definition) be discontinued in case of a capacity shortage within Florida.

Issue 19 Based on the resolution of Issues 1 through 18, what follow-up action, if any, should the Commission pursue?

FPL: The Commission should not "resolve" all of the issues in this Docket or any of them. Instead, most should be eliminated. Any action that the Commission takes concerning the adoption of policy should comply with the applicable minimum standards of due process of law.

FPL believes that both its system, and the composite electric system for Peninsular Florida, are projected to be quite reliable over the next decade. FPL believes the Commission should take no special action, but continue to monitor the reliability planning process of utilities and the effect of the electric grid in Florida as it has in the past.

B. STIPULATED ISSUES

None at this time.

C. PENDING MOTIONS AND OTHER MATTERS

On June 16, 1999, PG&E Generating Company filed a Petition to Intervene.

On July 30, 1999, Reliant Energy filed a Petition to Intervene.

On September 16, 1999, LEAF filed a Motion to Compel Discovery to FPL.

On September 22, 1999, FIPUG filed a Motion to Compel Discovery to FPL.

D. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

There are no requirements of the Order Establishing Procedure with which Florida Power & Light Company cannot comply.

DATED this 7th of October, 1999.

Respectfully submitted,

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Attorneys for Florida Power
& Light Company

BY: 

Matthew M. Childs, P.A.
Charles A. Guyton

CERTIFICATE OF SERVICE
DOCKET NO. 981890-EU

I **HEREBY CERTIFY** that a true and correct copy of Florida Power & Light Company's Prehearing Statement has been furnished by Hand Delivery*, U.S. Mail this 7th day of October, 1999 to the following:

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