

LAWSON, McWHIRTER, GRANDOFF & REEVES
ATTORNEYS AT LAW

ORIGINAL
FILE COPY

201 EAST KENNEDY BLVD., SUITE 800
TAMPA, FLORIDA 33602
(813) 224-0866
TELECOPIER: (813) 221-1854
CABLE GRANDLAW

MAILING ADDRESS: TAMPA
P. O. Box 3350, TAMPA, FLORIDA 33601

MAILING ADDRESS: TALLAHASSEE
522 EAST PARK AVENUE
SUITE 200
TALLAHASSEE, FLORIDA 32301
(904) 222-2525
TELECOPIER: (904) 222-5606

JOHN W. BAKAS, JR.
ENOLA T. BROWN
LEWIS J. CONWELL
C. THOMAS DAVIDSON
AILEEN S. DAVIS
STEPHEN O. DECKER
J. BERT GRANDOFF
LESLIE JOUGHIN, III
VICKI GORDON KAUFMAN
JOHN R. LAWSON, JR.
THOMAS A. MANN, II
JOSEPH A. MCGLOTHLIN
JOHN W. McWHIRTER, JR.
RICHARD W. REEVES
WILLIAM W. SHIELDS, III
MATTHEW D. SOYSTER
DANA G. TOOLE

PLEASE REPLY TO:
TALLAHASSEE

November 28, 1990

BY HAND DELIVERY

Mr. Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399

Re: Petition of Florida Power and Light Company for Inclusion
of the Scherer Unit No. 4 Purchase in Rate Base,
Including an Acquisition Adjustment, Docket No. 900796-EI

Dear Mr. Tribble:

Enclosed for filing and distribution are the original and 15
copies of Nassau Power Corporation's Prehearing Statement.

Also enclosed is an extra copy of Nassau Power Corporation's
Prehearing Statement. Please stamp with the date of filing and
return it to me.

We have provided the Division of Legal Services with Nassau
Power Corporation's Prehearing Statement on a disk for their use,
as requested.

Thank you for your assistance.

Sincerely,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

Enclosure
VGK/jwm

RECEIVED & FILED

TB

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE.

10596 NOV 28 1990

FPSC-RECORDS/REPORTING

2

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power) DOCKET NO. 900796-EI
and Light Company for Inclusion) Filed: November 28, 1990
of the Scherer Unit No. 4)
Purchase in Rate Base, Including)
an Acquisition Adjustment)
_____)

NASSAU POWER CORPORATION'S PREHEARING STATEMENT

Nassau Power Corporation ("Nassau"), pursuant to the Case Assignment and Scheduling Record in this docket, files its Prehearing Statement.

A. APPEARANCES:

Joseph A. McGlothlin
Vicki Gordon Kaufman
Lawson, McWhirter, Grandoff and Reeves
522 East Park Avenue, Suite 200
Tallahassee, Florida 32301

On behalf of Nassau Power Corporation ("Nassau")

B. WITNESSES:

Nassau intends to call the following witness:

1. Dr. Dennis Thomas: Dr. Thomas will testify about Florida Power and Light Company's ("FPL") failure to include and consider Nassau's standard offer contract for 435 megawatts in its generation expansion plan. Additionally, Dr. Thomas will offer some general observations about FPL's comparison of the proposed Scherer No. 4 purchase with other alternatives. Nassau reserves the right to file supplemental testimony after the completion of discovery.

DOCUMENT NUMBER-DATE
10586 NOV 28 1990
FPSC-RECORDS/REPORTING

C. EXHIBITS: Nassau has no exhibits at this time. However, Nassau reserves the right to later identify and sponsor exhibits as may be required due to the completion of discovery.

D. STATEMENT OF BASIC POSITION:

On November 1, 1990 the Commission ruled that Nassau's standard offer contract to sell 435 megawatts of energy and capacity to FPL subscribes the first 435 megawatts of the 1996 500 megawatt statewide avoided unit. However, the Commission also indicated that it intends to require a cogenerator to prove that its project meets an individual utility's need in determination of need proceedings. Nassau continues to believe that the portion of the Commission's November 1 decision indicating its intent to limit standard offer contracts to the individual purchasing utility's need is inconsistent with the Commission's obligation pursuant to its rules and orders to provide a statewide market for standard offer contracts. However, to the extent that the "need" may be so defined; that approval of the proposed Scherer No. 4 purchase might fill a portion of FPL's 1996 capacity need; and to the extent that FPL's individual capacity need possibly may not accommodate Nassau's project and the proposed Scherer No. 4 purchase, Nassau submits that its project's capacity must be taken into account in FPL's comparison of load and capacity.

FPL has inappropriately failed to include Nassau's standard offer contract for 435 megawatts in its generation expansion plan while including the Indiantown contract and the proposed Scherer No. 4 purchase.

Additionally, based on limited information available at this point, FPL's economic comparison of alternatives to the Scherer No. 4 purchase fails to demonstrate or support any material economic advantage of the Scherer No. 4 purchase over a discounted standard offer. Mr. Waters appears to rely on assumptions concerning system fuel costs for his conclusion that the Scherer No. 4 purchase would be more economical than a discounted standard offer. The assumptions appear to be speculative, and in the context of total system costs, the identified difference is neither material nor reliable.

E. ISSUES OF FACT AND POLICY

ISSUE 1: Should the difference between FPL's purchase price of Scherer Unit No. 4 and Georgia Power's net original cost be given rate base treatment as an acquisition adjustment on a pro rata basis consistent with the phased-in purchase of the unit?

NASSAU: No.

ISSUE 2: Does FPL, as an individual utility interconnected with the statewide grid, exhibit a need for the additional capacity provided by Scherer Unit No. 4?

NASSAU: Nassau has performed no independent analysis, but believes the 1996 need may be sufficient to accommodate both Nassau's project and the Scherer purchase.

ISSUE 3: Is the capacity to be provided by the purchase of Scherer Unit No. 4 reasonably consistent with the

needs of peninsular Florida, taking into consideration timing, impacts on the reliability and integrity of the peninsular Florida grid, cost, fuel diversity and other relevant factors?

NASSAU: In determining whether the capacity to be provided by the proposed Scherer Unit No. 4 purchase is consistent with the needs of peninsular Florida, FPL must first take into account the ability of Nassau Power Corporation to provide 435 megawatts of power to FPL. This has not been done. (Thomas)

ISSUE 4: How does the proposed purchase of Scherer Unit No. 4 impact the reliability and integrity of FPL's electric system?

NASSAU: Nassau's position is that its project would contribute to the reliability and integrity of FPL's electric system. (Thomas)

ISSUE 5: How will the proposed purchase of Scherer Unit No. 4 affect the adequacy of the fuel diversity for FPL's system?

NASSAU: No position.

ISSUE 6: Has FPL reasonably considered alternative supply side sources of capacity?

NASSAU: No. FPL has failed to consider the alternative of Nassau's 435 megawatt project. (Thomas)

ISSUE 7:

Does FPL's power supply plan reasonably consider the ability of conservation or other demand side alternatives to mitigate the need for the capacity represented by the purchase of Scherer Unit No. 4?

NASSAU:

No position.

ISSUE 8:

Is the purchase of Scherer Unit No. 4 the most cost-effective means of meeting FPL's capacity needs, taking into account risk factors that are part of the cost-effectiveness analysis?

NASSAU:

No. Nassau's initial analysis (subject to modification pursuant to information obtained in discovery) indicates that the proposed Scherer No. 4 purchase may not be the most cost-effective means of meeting FPL's capacity needs. When FPL's comparison is limited to unit-to-unit related costs for calculating savings, the discounted standard offer appears to be the more economic choice. The assumptions underlying Mr. Waters' Document 10 purport to demonstrate Scherer No. 4 savings based on an additional frame of reference which includes projected system fuel costs over 30 years. Such an analysis is extremely sensitive to errors and uncertainty in assumptions. Even when the total costs (including system fuel costs) are considered, the "advantage" of the Scherer No. 4 purchase is only 0.5%. Because system fuel costs are

vulnerable to the extreme uncertainty of long-term fuel forecasts, even the savings alleged by FPL are questionable.

ISSUE 9:

Will FPL be able to deliver electricity from Scherer Unit No. 4 to its load centers in the same time frames in which it is proposing to add investment to rate base?

NASSAU:

No position.

ISSUE 10:

If any transmission facilities and/or upgrades are required to accommodate the purchases of energy and capacity already under contract to FPL and the proposed Scherer purchase, what are the costs of such transmission facilities and/or upgrades and who will bear such costs?

NASSAU:

At this point, Nassau has no estimate of what additional transmission facilities and/or upgrades FPL may be required to provide to accommodate the proposed Scherer Unit No. 4 purchase. Nassau suggests that FPL should be required to perform such an analysis in this docket. Further, the Nassau project which is the subject of the contract executed on June 13, 1990 is entitled to sufficient transmission capacity.

ISSUE 11:

Are the fuel supply and transportation costs presented in FPL's economic analysis for Scherer Unit No. 4 reasonable and prudent?

NASSAU:

No. The fuel supply forecast used by FPL is based upon unreasonable assumptions about the future long-term relationship between the price of gas and the price of coal. In addition, FPL has failed to present any analysis in regard to the uncertainty of the fuel forecast over the 25 year forecast period and the effect of that uncertainty on the economic analysis of the proposed Scherer Unit No. 4 purchase. (Thomas)

ISSUE 12:

Does the schedule being followed by the Commission in this case afford all interested parties adequate opportunity to protect their interests?

NASSAU:

No. The expedited schedule being followed in this case does not afford all parties an adequate opportunity to protect their interests. This is especially true in light of the fact that under the current schedule FPL will not receive a ruling on its petition by the end of 1990. The next critical date for FPL is June 30, 1991. Therefore, there is no need to rush to an expedited hearing in December, 1990. The interests of all parties and the Commission would be better served by allowing a reasonable time frame for the discovery and for the preparation of detailed testimony. Rescheduling the hearing and the other dates until spring of 1991 will accomplish this and will still allow FPL

to receive a decision by June 30, 1991.

ISSUE 13: What effect, if any, does the Scherer Unit No. 4 purchase have on the Southern/Florida interface?

NASSAU: No position.

ISSUE 14: Under what circumstances should the portion of the purchase price of assets in excess of book value (the "acquisition adjustment") be given "rate base treatment," such that amortization may be included in operating expenses and the unamortized acquisition adjustment may be included in rate base?

NASSAU: No position.

F. ISSUES OF LAW:

ISSUE 15: Can the Commission authorize the inclusion of the projected investment in Scherer Unit No. 4 in FPL's rate base in advance of FPL's assumption of ownership of the unit?

NASSAU: No position.

ISSUE 16: Should the Commission address transmission access disputes that may arise due to the Scherer Unit No. 4 purchase?

NASSAU: The Commission should address the effect of the proposed Scherer No. 4 purchase on Nassau's contract to sell 435 megawatts to FPL. Nassau's contract was entered into prior to the arrangements for the proposed Scherer No. 4 purchase for which

no contract exists. The Commission should analyze the impact of the proposed Scherer No. 4 purchase on available transmission capacity. (Thomas)

ISSUE 17:

Does the contract which Nassau has with FPL to provide 435 megawatts of energy and capacity give Nassau priority to the transmission capacity which FPL plans to use for the proposed Scherer 4 purchase?

NASSAU:

Nassau withdraws this issue.

ISSUE 18:

Is it FPL's responsibility to provide adequate transmission capacity for 435 megawatts of capacity and energy which Nassau will sell to FPL pursuant to the contract between Nassau and FPL?

NASSAU:

Nassau withdraws this issue.

Ultimate Issues

ISSUE 19:

Is the purchase of an undivided ownership interest in Scherer Unit No. 4 a reasonable and prudent investment necessary to enable FPL to meet its forecasts 1996 system load requirements?

NASSAU:

The resolution of this issue must take into account Nassau's project, which will provide 435 megawatts to FPL. (Thomas)

ISSUE 20:

Should FPL be authorized to include the purchase price of its undivided share of Scherer Unit No. 4, including the acquisition adjustment, in rate base?

NASSAU:

No. See individual issues above.

ISSUE 21:

In the event FPL's petition is approved, should the Commission impose guarantee requirements on the electrical output of the unit and delivery to FPL and limit the amount of total investment, operation and maintenance expenses and fuel costs that will be allowed for recovery through rates.

NASSAU:

No position.

G. STIPULATED ISSUES: None.

H. PENDING MOTIONS:

a. Nassau's Motion to Intervene.

I. REQUIREMENTS WHICH CANNOT BE COMPLIED WITH: None at this time. However, due to a scheduling conflict, Nassau requests that Dr. Thomas be permitted to testify on December 12, 1990.

Vicki Gordon Kaufman

Joseph A. McGlothlin
Vicki Gordon Kaufman
Lawson, McWhirter, Grandoff
and Reeves
522 East Park Avenue, Suite 200
Tallahassee, Florida 32301

Attorneys for Nassau Power
Corporation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Nassau Power Corporation's Prehearing Statement has been furnished by hand delivery* or by U.S. Mail to the following parties of record this 28th day of November, 1990:

Ed Tellechea*
Bob Christ*
Fla. Public Service Commission
Division of Legal Services
101 East Gaines Street
Tallahassee, Florida 32301

Frederick M. Bryant
Moore, Williams, Bryant,
Peebles and Gautier
Post Office Box 1169
306 East College Avenue
Tallahassee, Florida 32302

H. G. Wells
Coalition of Local Government
Post Office Box 4748
Clearwater, Florida 34618

Frederick J. Murrell
Schroder and Murrell
The Barnett Center
Suite 375
1001 Third Avenue, West
Bradenton, Florida 34205

Matthew Childs*
Steel Hector and Davis
215 South Monroe Street
Suite 601
Tallahassee, Florida 32301

John Roger Howe
Office of Public Counsel
The Auditor General Building
111 West Madison Street
Room 812
Tallahassee, Florida 32301

Suzanne Brownless
Oertel, Hoffman, Fernandez
and Cole
2700 Blairstone Road, Suite C
Tallahassee, Florida 32301

Vicki Gordon Kaufman
Vicki Gordon Kaufman