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ORIGINAL
FILE COPY

November 28, 1990

Mr. Steve Tribble, Director
Records and Reporting
Florida Public Service Commission
101 E. Gaines Street
Tallahassee, FL 32399-0863

RE: Docket No. 900796-EI

Dear Mr. Tribble:

Enclosed please find the original and twelve copies of the Citizens' Prehearing Statement in the above-referenced docket.

Please indicate receipt by date-stamping the attached copy of this letter and returning it to this office. Thank you for your consideration of this matter.

Sincerely,

John Roger Howe
Assistant Public Counsel

- ACK ✓
- AFA 1
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG 1 JRH/ch Enclosures
- LEG 1
- LIN 6
- OPC _____
- RCH _____
- SEC 1
- WAS _____
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TB
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

10590 NOV 28 1990

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Florida Power)
& Light Company for inclusion of the)
Scherer Unit No. 4 purchase in rate)
base, including an acquisition)
adjustment)
_____)

DOCKET NO. 900796-EI
FILED: November 28, 1990

PREHEARING STATEMENT

The Citizens of the State of Florida, through the Office of Public Counsel, pursuant to Rule 25-22.038(3), Florida Administrative Code, submit the following prehearing statement:

A. WITNESSES:

Robert Scheffel Wright

Carlton W. Bartels

B. EXHIBITS:

None at this time, but these witnesses may sponsor exhibits received during, or based upon, discovery responses.

C. STATEMENT OF BASIC POSITION:

Section 366.06(1), Florida Statutes (1989), requires the Commission to investigate and determine FPL's actual costs and to employ the Commission's determination of prudent investment in the ratesetting process. The Letter of Intent does not provide an adequate basis for the Commission to determine the prudent level of investment in Scherer Unit No. 4 that will affect FPL's future rates. Moreover, the current Commission cannot bind future Commissions from concluding that the Scherer unit is not used and useful, nor from adjusting the allowed rate base for the plant. The most the Commission can do in this proceeding is declare that, if Scherer Unit No. 4 is needed to meet FPL's service requirements and is the lowest cost alternative, it will be allowed in rate base at the appropriate time to the extent the investment is proven to

be prudent. Such a declaration would only voice the nature of the regulatory process, however, and would not be meaningful within the context of FPL's petition. Accordingly, the petition is premature at this time.

D. FACTUAL ISSUES:

Issue 1: Should the difference between FPL's purchase price and Georgia Power's net original cost of Scherer Unit 4 be given rate base treatment as an acquisition adjustment on a pro rata basis consistent with the phased purchase of the unit?

Public Counsel: Traditionally, acquisition adjustments have been evaluated in terms of whether utility customers should pay more (or less) for service simply because assets already devoted to their service have changed ownership. These considerations are not relevant to this proceeding. The Commission should, therefore, evaluate FPL's petition in terms of the reasonableness of the total cost of obtaining power from Scherer Unit No. 4 and not make a finding whether the requested acquisition adjustment is justified by extraordinary circumstances.

Issue 2: Does FPL, as an individual utility interconnected with the statewide grid, exhibit a need for the additional capacity provided by Scherer Unit 4?

Public Counsel: No position at this time.

Issue 3: Is the capacity to be provided by the purchase of Scherer Unit 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?

Public Counsel: No position at this time.

Issue 4: How will the proposed purchase of Scherer Unit 4 affect the reliability and integrity of FPL's electric system?

Public Counsel: No position at this time.

Issue 5: How will the proposed purchase of Scherer Unit 4 affect the adequacy of the fuel diversity for FPL's system?

Public Counsel: No position at this time.

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

Public Counsel: No.

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 4?

Public Counsel: No.

Issue 8: Is the purchase of Scherer Unit 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?

Public Counsel: No.

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?

Public Counsel: No.

Issue 10: If any additional transmission facilities and/or upgrades to existing transmission facilities are required to accommodate the purchases of energy and capacity already under contract to FPL and the proposed Scherer purchase, what is the cost of such transmission facilities and/or upgrades and who will bear such cost?

Public Counsel: The determination of these costs must be made to adequately determine the cost effectiveness of FPL's proposal. This information has not been provided to date by FPL.

Issue 11: Are the fuel supply and transportation costs presented in FPL's economic analysis for Scherer Unit 4 reasonable and prudent?

Public Counsel: No.

Issue 12: Does the schedule being followed by the Commission in this case afford all interested parties adequate opportunity to protect their interests?

Public Counsel: No.

Issue 13: What effect, if any, does the Scherer Unit 4 purchase have on the Southern/Florida interface?

Public Counsel: No position at this time.

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?

Public Counsel: No position at this time.

E. LEGAL ISSUES:

Issue 15: Can the Commission authorize the inclusion of the projected investment in Scherer Unit 4 in FPL's rate base in advance of FPL's assumption of ownership of the unit?

Public Counsel: No.

Issue 16: Should the Commission address in this docket transmission access disputes that may arise from the Scherer Unit 4 purchase?

Public Counsel: No position at this time.

Issue 17: Does the contract which Nassau has with FPL to provide 435 MW of energy and capacity given Nassau priority to the transmission capacity which FPL plans to use for the proposed Scherer purchase?

Public Counsel: No position at this time.

Issue 18: Is it FPL's responsibility to provide adequate transmission capacity for the 435 MW of capacity and energy which Nassau will sell to FPL pursuant to the contract between Nassau and FPL?

Public Counsel: No position at this time.

F. POLICY ISSUES:

Issue 19: Is the purchase of an undivided ownership interest in Scherer Unit 4 a reasonable and prudent investment necessary to enable FPL to meet its forecast 1996 system load requirements?

Public Counsel: No.

Issue 20: Should FPL be authorized to include the purchase price of its undivided share of Scherer Unit 4, including the acquisition adjustment, in rate base?

Public Counsel: See Position on Issue 1.

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?

Public Counsel: Yes.

G. POSITION: As stated after each issue.

H. STIPULATED ISSUES: None.

I. PENDING MOTIONS: None.

J. REQUIREMENTS OF PREHEARING ORDER: There are no requirements in the Prehearing Order that cannot be met by the Office of Public Counsel.

Respectfully submitted,

Jack Shreve
Public Counsel



John Roger Howe
Assistant Public Counsel

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Attorneys for the Citizens
of the State of Florida

CERTIFICATE OF SERVICE
DOCKET NO. 900796-EI

I HEREBY CERTIFY that a true and correct copy of the Citizens' PREHEARING STATEMENT, has been furnished by U.S. Mail or by *hand-delivery to the following on this 28th day of November, 1990.

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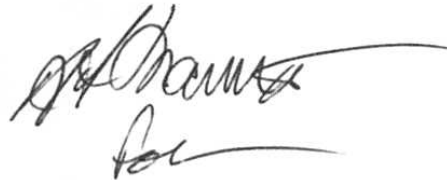
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