

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for determination ) DOCKET NO. 941101-EQ  
that plan for curtailing purchases )  
from qualifying facilities in minimum ) FILED: APRIL 10, 1995  
load conditions is consistent with )  
Rule 25-17.086, F.A.C., by FLORIDA )  
POWER CORPORATION )

ORIGINAL  
FILE COPY

DIRECT TESTIMONY

OF

L. ROY SMITH

On Behalf Of

AUBURNDALE POWER PARTNERS, LIMITED PARTNERSHIP  
LAKE COGEN, LTD.  
MONTENAY-DADE, LTD.  
METROPOLITAN DADE COUNTY, FLORIDA  
TIGER BAY LIMITED PARTNERSHIP

ACK ✓  
AFA \_\_\_\_\_  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMU \_\_\_\_\_  
CTR \_\_\_\_\_  
EAG 5/4/95  
LEG 1  
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DOCUMENT NUMBER-DATE

03647 APR 10 95

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: PETITION FOR DETERMINATION THAT  
PLAN FOR CURTAILING PURCHASES FROM  
QUALIFYING FACILITIES IN MINIMUM LOAD CONDITIONS  
IS CONSISTENT WITH RULE 25-17.086, F.A.C.  
BY FLORIDA POWER CORPORATION,  
FPSC DOCKET NO. 941101-EG

DIRECT TESTIMONY OF L. ROY SMITH

1 Q: Please state your name and business address.

2 A: My name is L. Roy Smith. My business address is 216 South  
3 Trask Street, Tampa, Florida 33609.

4

5 Q: By whom are you employed and in what capacity?

6 A: I am self-employed as a utility consultant.

7

8 Q: Have you previously testified in proceedings before the  
9 Florida Public Service Commission?

10 A: Yes. I have testified in numerous proceedings before the  
11 Commission. I testified in hearings related to fuel  
12 adjustment in Dockets Nos. 74680-EI, 800400-CI, 810001-CI,  
13 820001-EU, 830001-EU and 840001-EU. I also testified in  
14 combined Docket Nos. 820007-EU and 830012-EU on the  
15 subjects of projected electric revenue and billing  
16 determinants. I most recently testified before the  
17 Commission in Docket No. 920324-EI on the subjects of  
18 projected revenue, billing determinants, and rate design.  
19 The proceedings in combined Docket Nos. 820007-EU and

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1 830012-EU, and Docket No. 920324-EI were full revenue  
2 requirement rate cases.

3

4 Q: Please summarize your experience in the utility industry.

5 A: I have more than 38 years of experience in the electric  
6 utility industry in Florida. Prior to my work as a utility  
7 consultant, I spent my entire career working for Tampa  
8 Electric Company in a number of departments. I began my  
9 career in the industry in 1956 as a clerk in Tampa  
10 Electric's Customer Accounting Department. I worked in  
11 several areas within this Department, concentrating  
12 primarily on billing of large customers. In 1964, I  
13 transferred to the Systems and Procedures Section, which  
14 the following year became the Rates & Research Department.  
15 In 1982, the Rates and Research Department became the Rates  
16 and Regulatory Affairs Department, and in 1987, it became  
17 the Rates and Regulatory Control Department. In this  
18 Department, I held the titles of Statistical Technician;  
19 Rate Analyst; Senior Rate Analyst; Assistant Director,  
20 Rates; and, Manager, Rate Design and Administration. As  
21 Manager of Rate Design and Administration, I had  
22 responsibility for designing and administering the  
23 Company's retail tariffs, fuel adjustment filings, and  
24 annual revenue budget. I was also responsible for special  
25 billing which included billing for all of Tampa Electric's

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1 interchange and cogeneration transactions. In this  
2 capacity, I developed and administered the data gathering  
3 and procedures for billing cogenerators on standby rates  
4 and for computing monthly payments to them under the  
5 various contracts.

6

7 **Q: On whose behalf are you testifying in this proceeding?**

8 **A:** I am testifying on behalf of Auburndale Power Partners,  
9 Limited Partnership; Lake Cogen, Ltd.; Montenay-Dade, Ltd.  
10 and Metropolitan Dade County, Florida; and Tiger Bay  
11 Limited Partnership. These entities are all qualifying  
12 facilities who sell power to Florida Power Corporation  
13 ("FPC") pursuant to Commission-approved contracts.

14

15 **Q: What is the purpose of your testimony in this docket?**

16 **A:** My testimony addresses only one issue in this docket. That  
17 issue is whether the curtailment priority system  
18 established within FPC's Generation Curtailment Plan for  
19 Minimum Load Conditions dated October 12, 1994 (the "Plan"  
20 or the "Curtailment Plan"), by which different groups of  
21 non-utility generators ("NUGs") are asked or required to  
22 curtail in a certain order, is fair, reasonable, and not  
23 unduly discriminatory. My testimony concludes that this  
24 aspect of the Plan is fair and reasonable, and that it is

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1 not unduly discriminatory as between the different groups  
2 of NUGs to which the Plan applies.

3

4 Q: Are you familiar with the concept of undue discrimination  
5 as it applies to a utility's relationships with other  
6 parties?

7 A: Yes. A general principle governing regulated utilities'  
8 services and relationships is that utilities must treat  
9 parties that are similarly situated in a fair and equitable  
10 manner. Along the same lines, different treatment of  
11 parties by a regulated utility should be based on objective  
12 differences between the parties that the utility proposes  
13 to treat differently.

14

15 For example, a utility may establish different classes of  
16 customers based on differences in their electric load and  
17 usage characteristics, and may charge those classes of  
18 customers different rates per kilowatt-hour of electricity  
19 consumed, based on the differences in costs to serve them.  
20 On the other hand, it would be unduly discriminatory for a  
21 utility to charge two customers in the same class different  
22 rates for the same basic service

23

24 Q: What documents have you reviewed in preparing for your  
25 testimony?

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1 A: I have reviewed FPC's Curtailment Plan. I have also  
2 reviewed the testimony and exhibits of Robert Dolan and  
3 Henry Southwick filed on behalf of FPC.

4

5 Q: Please summarize your understanding of the priority system  
6 for curtailments of purchases from QFs under FPC's proposed  
7 Generation Curtailment Plan.

8 A: Basically, the Plan provides for a series of actions that  
9 FPC will take in addressing a minimum load condition where  
10 generation may exceed its minimum load requirements. Under  
11 the Plan, FPC first will take certain actions with respect  
12 to its own capacity resources by reducing its capacity  
13 purchases from other utilities, attempting to maximize off-  
14 system sales to other utilities, and reducing the output  
15 from its own generating units.

16

17 If after these actions generation is still projected to  
18 exceed minimum loads, FPC's Curtailment Plan calls for  
19 those QFs with which it has contractual relationships to  
20 participate in addressing the minimum load condition. The  
21 Plan apportions the burden of curtailment among three QF  
22 groups: Group A, Group B, and Group C. Group A comprises  
23 those QFs that have voluntarily entered into agreements  
24 with FPC to curtail output during low load periods. Group  
25 B comprises QFs that have firm contracts with FPC but have

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1 not executed any formal curtailment agreement. Group C  
2 comprises those QFs making power sales to FPC only on an  
3 as-available basis.

4

5 In apportioning the burden of curtailment among the three  
6 groups, FPC will first call on the Group A NUGs to curtail  
7 their output to the maximum extent authorized under their  
8 curtailment agreements.

9

10 If further curtailments are required, FPC will then require  
11 that QFs who provide as-available energy curtail their  
12 output to zero. If generation still exceeds load, FPC will  
13 require that the Group B NUGs who have not agreed to  
14 curtail their output on request from FPC, to reduce their  
15 output by up to 50 percent of their committed capacity. If  
16 additional curtailments are required, FPC will require the  
17 Group A NUGs to reduce their output by up to 50 percent of  
18 their capacity. Beyond that, FPC will require that the  
19 Group A and Group B NUGs further reduce their output by an  
20 equal percentage of their committed capacity.

21

22 Q: From your review of the Plan and the testimony and exhibits  
23 of FPC's witnesses, are you able to form an opinion as to  
24 whether the Plan is unduly discriminatory as between the  
25 Group A, B, and C non-utility generators?

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1 A: Yes. The curtailment priority system of FPC's Curtailment  
2 Plan is not unduly discriminatory as between the three  
3 groups of QFs.

4

5 Q: Please explain.

6 A: The curtailment priority system under the Plan treats the  
7 different groups of NUGs fairly by recognizing that each  
8 has different characteristics. These characteristics  
9 provide a reasonable and objective basis for apportioning  
10 and prioritizing curtailment responsibilities among the  
11 three groups of NUGs. The Group C NUGs make no firm  
12 commitment to deliver their capacity when FPC needs it.  
13 This absence of firm commitment makes it reasonable for FPC  
14 to require involuntary curtailments from Group C NUGs  
15 first. The Group B NUGs have made no commitment to reduce  
16 their output voluntarily to help FPC mitigate low load  
17 conditions. This is in sharp contrast with the Group A  
18 NUGs, which have formally agreed to curtail deliveries of  
19 power to FPC to assist in responding to minimum load  
20 events. By operation of these negotiated agreements, the  
21 Group A NUGs will have already reduced their output  
22 significantly before any involuntary curtailments are  
23 demanded. Thus it is fair and reasonable for the Group A  
24 NUGs to be the last group from which involuntary  
25 curtailments are requested.



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1        Additionally, the plan is not unduly discriminatory as  
2        between Group A and Group B NUGs because access to Group A  
3        status has been available and, as I understand FPC's  
4        testimony, is still available to the Group B NUGs. That  
5        is, if a Group B NUG wanted to negotiate a curtailment  
6        agreement with FPC by which it agrees to voluntarily  
7        curtail its output in the early stages of any low-load  
8        event, FPC will agree to transfer that NUG into Group A and  
9        treat that NUG accordingly.

10

11        Q: Does FPC's Curtailment Plan treat the Group A, B, and C  
12        NUGs fairly?

13        A: Yes. The Plan is fundamentally fair because it effectively  
14        recognizes that the voluntary curtailment agreements, which  
15        Group A NUGs have entered into with FPC, provide benefits  
16        to the Group B and C NUGs by mitigating the number of  
17        involuntary curtailment events and reducing, on the front  
18        end of any low-load episode, the magnitude of curtailments  
19        that might otherwise be required from the Group B and C  
20        NUGs.

21

22        For example, the current Group A NUGs provide up to 331  
23        megawatts (MW) of curtailable committed capacity plus 66 MW  
24        of curtailable capacity that three NUGs normally sell to  
25        FPC on an as-available basis. Thus, in a low-load event

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1 where FPC requires fewer than 397 MW of curtailment from  
2 all NUGs as a group, all of the needed curtailments will  
3 come from the Group A NUGs.

4  
5 The fairness of the Curtailment Plan's priority system is  
6 a matter of common sense as well as analysis. The Plan's  
7 apportionment of the curtailment burden among the three  
8 groups of NUGs is not inequitable because it fairly  
9 reflects the benefits that the Group A NUGs provide to the  
10 other NUG groups by virtue of the Group A NUGs being the  
11 first to curtail in any minimum load event.

12

13 Q: Must the Curtailment Plan distinguish between the three NUG  
14 groups in order to be fair?

15 A: Yes. I believe it should. In my view, it would be unfair  
16 and inequitable if the Plan did not recognize the  
17 contributions and benefits that the Group A NUGs provide by  
18 reducing the impacts of curtailments on the Group B and C  
19 NUGs.

20

21 Q: Does your opinion, or your testimony, extend to the  
22 reasonableness of FPC's overall Curtailment Plan?

23 A: No. My testimony does not address, nor do I express any  
24 opinion on: (1) the overall reasonableness of the Plan; (2)  
25 whether FPC actually needs to curtail QFs in order to

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1       manage its minimum load conditions; (3) whether FPC has  
2       demonstrated "negative avoided costs;" or (4) any other  
3       aspect of the issue regarding whether FPC has satisfied the  
4       criteria necessary to justify curtailment under the  
5       applicable FERC and FPSC rules.

6

7       **Q: Please summarize the major points of your testimony.**

8       **A:** The curtailment priority feature of FPC's Curtailment Plan  
9       is fair, equitable and not unduly discriminatory against  
10      any of the groups of generators established by the Plan.  
11      The Plan's priority system equitably apportions the burden  
12      of curtailment among the three NUG groups and fairly  
13      recognizes that the Group A NUGs provide ongoing benefits  
14      to the Group B and Group C NUGs by mitigating the number  
15      and magnitude of curtailments which may be required of  
16      them.

17

18      **Q: Does this conclude your prefiled direct testimony?**

19      **A:** Yes, it does.

20

21

22      TAL-61086.4

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by hand delivery (\*) or by United States Mail, postage prepaid, on the following individuals this 10th day of April, 1995:

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