

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Generic investigation)
into the aggregate electric)
utility reserve margins planned)
for Peninsular Florida.)
_____)

DOCKET NO. 981890-EU

Submitted for filing: September 13, 1999

REBUTTAL TESTIMONY

OF JOHN B. CRISP

ON BEHALF OF

FLORIDA POWER CORPORATION

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FPSC-REGULATORY REPORTING

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REBUTTAL TESTIMONY OF JOHN B. CRISP

Q. Please state your name and business address.

A. My name is John B. Crisp, and my business address is 100 Central Avenue, St. Petersburg, Florida 33701.

Q. By whom are you employed and in what position?

A. I am the Director of Integrated Resource Planning and Load Forecasting for Florida Power Corporation (FPC).

Q. Did you file direct testimony in this matter?

A. Yes, I did.

Q. Have you reviewed the direct testimony filed by Kenneth J. Slater on behalf of Duke Energy New Smyrna Beach Power Company Ltd., L.L.P.?

A. Yes, I have.

Q. Do you agree with his opinion that reserve margins should recognize uncommitted capacity available from merchant plants?

A. No, I do not. This is neither consistent with long-standing Commission policy, nor does it make good policy sense. As I explained in my Direct Testimony, reserve margins must be based only on those firm resources that utilities may truly *count on* in a time of need. Because uncommitted merchant capacity would be, by definition, uncommitted to meet the needs of Florida utilities, it would be inappropriate for either the FRCC or individual

utilities to treat capacity from such resources as “in the bank.” I will address this issue more fully in my rebuttal to the testimony filed by Staff witness Robert L. Trapp.

Q. Mr. Slater suggests that, for an individual utility within Peninsular Florida, the purpose of determining a reserve margin is to ensure that the individual utility provides its appropriate contribution to the overall Peninsular Florida reserve margin. Do you agree with this?

A. Only in part. It is true that we must be mindful that individual utilities in Peninsular Florida will have occasion to share reserves to ensure reliability on a Peninsular-wide basis, and it is therefore appropriate to address the extent to which individual utilities should contribute to Peninsular-wide reserves. The Florida PSC already addressed the issue of reserve sharing explicitly when it adopted Rule 25-6.035. That rule specifies how and to what extent individual utilities should determine and maintain reserve margins in order to be eligible for reserve sharing in the State.

But apart from determining how an individual utility might contribute to state-wide reserves, individual utilities plan reserve margins as part of their obligation to serve their own customers within their respective service territories. As I discussed at some length in my direct testimony, each utility will face unique circumstances in this regard and must retain flexibility to plan to meet its own system’s needs. Mr. Slater’s formula for determining how an individual utility might contribute to Peninsular-wide Florida needs does not take this into consideration. He simply proposes an alternative to Rule 25-6.035, a rule that has worked well for the electric consumers of Florida since its adoption.

Q. Mr. Slater states that the FRCC’s reliability evaluation is inadequate because it models forecasted load only under normal weather conditions, not the extreme conditions that pose greater supply risks. Do you agree with his criticism?

A. No, I do not. Before I explain the basis of my disagreement, it is important to dispel a misunderstanding that may arise when we talk about “normal” weather conditions. The FRCC models peak load, which typically occurs during *hot* or *cold* weather periods, not during temperate weather conditions. In this important sense, the FRCC does model variant weather conditions. What Mr. Slater is suggesting, however, is that the FRCC and Florida utilities should go beyond this to plan capacity to serve load under *extraordinary* weather conditions during hot-weather or cold-weather periods, such as the “Christmas freeze” of 1989. But this ignores the fact that *reserves* exist for the purpose of covering (to a reasonable extent) just such *unplanned* events, including but not limited to extreme weather conditions. If utilities planned for all such extraordinary events, they would not need any “reserves” as such, since they would be planning to meet load under all possible conditions. In addition, it has not been the policy in this State to plan capacity sufficient to meet any and all exigencies, no matter how remote.

To elaborate, there are great economic and environmental costs associated with building excess capacity in this State. The Commission has never endorsed or prescribed a policy of serving load at all costs. Further, no matter how much capacity utilities have, there will still be more occasions when they will be unable to serve load due to transmission or distribution failures than there will be due to capacity shortages. So overbuilding

capacity in order to avoid *any* interruptions in service will amount to incurring excessive economic and environmental costs for the dubious purpose of achieving an unattainable goal.

Q. Mr. Slater suggests that utilities in Florida develop a planning criterion by constructing a probabilistic reliability model of Peninsular Florida that takes into account, among other things, the “costs, both actual and perceived, resulting from customers having their firm load interrupted,” which he calls “unsupply” costs. (Slater Testimony, at 20). He says that reserve margin values should be set at a range for which the total of supply costs and “unsupply” costs is a minimum. Do you support his suggestion?

A. No, I do not. It is difficult, if not impossible, to forecast the costs “both actual and perceived” resulting from the interruption of load. The figure would be different for different customers and different conditions, and the range of costs would vary widely. Mr. Slater’s proposed method for calculating reserve margins represents a sharp departure from the tried and true method employed by the FRCC and FPC, and he offers no concrete numbers to demonstrate whether or how his theory might work.

The FRCC and the utilities in Florida have based their planning criteria on years of actual operating experience with this State. The methodology is straightforward, which facilitates meaningful oversight by the Commission. Contrary to the alarmist concerns of those who are more interested in using this Docket to secure economic gain, the fact is

FPC has not had to interrupt firm load on a single occasion since the Christmas freeze of 1989. The current planning process, along with the underlying criteria, are working.

Q. Do you agree with Mr. Slater that the “threshold” step in addressing the subject of reserve margins is to determine what methodology should be used? (Slater Testimony, at 24).

A. Yes, I do. This is the reason why FPC asked the Commission to bifurcate its investigation, addressing first the question of methodology, then taking up other, related matters in a later investigation or in the normal course of Ten Year Site Plan reviews. As I explained in my Direct Testimony, I believe that the FRCC is using an appropriate methodology for calculating reserve margins, and the individual utilities should be afforded the discretion to employ reserve margin criteria suited to their individual circumstances.

Q. Does this conclude your rebuttal to Mr. Slater’s testimony?

A. Yes, it does.