

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Determination of)
Need for an Electrical Power Plant in) DOCKET NO. 000442-EI
Polk County by Calpine Construction)
Finance Company, L.P.)
_____)

DIRECT TESTIMONY

OF

GERARD J. KORDECKI

ON BEHALF OF

CALPINE CONSTRUCTION FINANCE
COMPANY, L.P.

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: PETITION OF CALPINE CONSTRUCTION FINANCE
COMPANY, L.P. FOR DETERMINATION OF NEED FOR THE
OSPREY ENERGY CENTER, PSC DOCKET NO. 000442-EI

DIRECT TESTIMONY OF GERARD J. KORDECKI

1 Q: Please state your name, address and occupation.

2 A: My name is Gerard J. Kordecki. My business address is 10301
3 Orange Grove Drive, Tampa, Florida 33618. I am self employed
4 as an energy and regulatory consultant.

5
6 Q: Please summarize your educational background and work
7 experience.

8 A: I received a Bachelor of Science degree in Advertising in
9 1963, and a Master of Arts degree in Marketing in 1965, both
10 from the University of Florida. I also pursued graduate
11 study in Economics at the University of Florida. I worked
12 for Tampa Electric Company for 33 years in various capacities
13 involving marketing, conservation, resource planning and
14 rates and regulation. I have participated in the development
15 of and supervised the preparation of numerous studies and
16 plans involving conservation goals and programs, cost
17 allocation, rates, load research and resource plans.

18
19 Q: Mr. Kordecki, have you previously testified before the
20 Florida Public Service Commission ("FPSC" or "Commission")?

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1 A: Yes, I have testified regarding the subjects identified in my
2 preceding answer on more than 36 occasions which included
3 rate cases, determination of need hearings and various
4 conservation dockets. I have also participated in a number
5 of rule hearings, agenda conferences, and Commission
6 workshops.

7

8 **Q: In which power plant need determination proceedings have you**
9 **testified?**

10 A: I testified on behalf of Tampa Electric Company ("TECO") in
11 support of TECO's Polk County coal gasification-combined
12 cycle power plant in Commission Docket No. 910883-EI,
13 Determination of Need for Proposed Electrical Power Plant and
14 Related Facilities in Polk County by Tampa Electric Company.
15 I also filed direct and rebuttal testimony in support of the
16 petition for determination of need for the Okeechobee
17 Generating Project in Commission Docket Number 991462-EU.

18

19 **Q: Mr. Kordecki, what is the purpose of your testimony?**

20 A: My testimony describes alternative power supply resource
21 options available to load-serving utilities and the revenue
22 collection methods associated with these options. I will
23 contrast the revenue allocation effects of new resources
24 either purchased from a contract wholesale plant such as the

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1 Osprey Project proposed by Calpine Construction Finance
2 Company, L.P. ("Calpine") or constructed by a load-serving
3 utility. I use the term "load-serving utility" to mean a
4 retail-serving investor-owned, municipal, or cooperative
5 utility, or a generation and transmission organization (which
6 only provides wholesale power), that has the responsibility
7 for serving the loads of its retail customers or members. My
8 comments on revenue collection and allocation are limited to
9 investor-owned utilities. The public power entities
10 (municipal and cooperative utility systems) treat their
11 resources and operating costs associated with production
12 facilities in similar manners to investor-owned utilities but
13 their oversight activities concerning resource additions and
14 costs may vary significantly from organization to
15 organization such that comparisons are difficult. In
16 contrast, in my experience, the investor-owned utilities are
17 uniformly regulated by the FPSC. I do not believe that the
18 least-cost planning principles which underlie resource
19 additions are any different for investor-owned utilities or
20 municipal and cooperative systems. The goal is to add the
21 least-cost resource(s) to meet the capacity and/or energy
22 needs of the load-serving utilities.

23 My testimony also addresses the risk allocation effects
24 and strategic aspects of the different resource procurement

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1 options -- i.e., power purchases vs. self-built generating
2 plants -- available to retail-serving utilities.

3 My testimony describes the wholesale market in Florida
4 and evolving changes in wholesale markets, including the
5 types of wholesale transactions that are taking place both
6 within Peninsular Florida and into and through the
7 Southeastern Electric Reliability Council ("SERC"). This
8 wholesale market description includes comments on resource
9 ownership concentration levels in Peninsular Florida.

10 My testimony also discusses the reliability effects of
11 Calpine's Osprey Energy Center ("Osprey Project" or
12 "Project"), both as a wholesale contract plant as Calpine
13 presently proposes to develop the Project and as a
14 hypothetical merchant plant.

15 At the present time, Calpine's Osprey Project is not
16 being developed as a merchant plant. However, since it is
17 possible that circumstances could change to allow the Osprey
18 Project to be operated as merchant capacity in the future, my
19 testimony also describes merchant power plants, addresses the
20 implications and impacts if the Project were to be operated
21 as merchant capacity at some future time, and addresses a
22 number of assertions raised by opponents of merchant plants
23 in their arguments against such plants locating in Peninsular
24 Florida.

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1 Finally, my testimony discusses certain policy aspects
2 of Calpine's request that, in the event that Calpine does not
3 have contracts for most of the output of the Project by the
4 time of the hearings in this proceeding, the Commission
5 should grant an affirmative determination of need subject to
6 a condition that before construction of the Project can
7 begin, Calpine must make the required demonstrations that the
8 Project's output is committed to Florida retail-serving
9 utilities and that the terms and conditions of such
10 commitments are cost-effective to the purchasing utilities
11 and their ratepayers.

12
13

THE OSPREY ENERGY CENTER

14 **Q:** What is your understanding of the Osprey Energy Center that
15 is the subject of this need determination proceeding?

16 **A:** It is my understanding that the Osprey Energy Center is a 500
17 megawatt-class natural gas-fired, combined cycle generating
18 unit. I understand that the Project will consist of two
19 combustion turbine generators, two heat recovery steam
20 generators, and one steam turbine generator, and that the
21 Project has been designed to have a net annual average full
22 load heat rate of approximately 6,800 British thermal units
23 ("Btu") per kilowatt-hour. It is my further understanding
24 that the Project is to be developed and constructed by

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1 Calpine Construction Finance Company, L.P., using funds
2 provided by its investors, and that the Project will not be
3 in the rate base of any load-serving utility system.

4 I understand that the Project will be located in
5 Auburndale, Florida, on a site next to an existing
6 cogeneration power plant, and interconnected to the
7 Peninsular Florida transmission grid at the Recker Substation
8 of Tampa Electric Company, which is adjacent to the Osprey
9 Project site. I also understand that gas to fuel the Project
10 will be supplied through the proposed interstate natural gas
11 pipeline being developed by Gulfstream Natural Gas System,
12 L.L.C. ("Gulfstream").

13
14 **Q: What is your understanding regarding the types of power sales**
15 **that Calpine intends to make from the Osprey Project?**

16 **A:** It is my understanding that, at this time, Calpine intends to
17 commit the capacity and energy output of the Osprey Project
18 to Florida retail-serving utilities pursuant to what I would
19 characterize as long-term firm power purchase agreements or
20 contracts. I understand that Calpine is actively pursuing
21 this particular development and sales strategy in order to
22 achieve its fundamental business purpose for the Project
23 while attempting to comply with the Florida Supreme Court's
24 opinion in the Duke Energy-New Smyrna Beach merchant plant

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1 need determination case. It is my understanding that in that
2 opinion, known as Tampa Electric Co. v. Garcia, the Court
3 held that in order to be permitted under the Power Plant
4 Siting Act, a proposed power plant's output must be committed
5 to meeting the needs of specific Florida utilities that serve
6 retail customers. It is my understanding that Calpine had
7 always planned to enter into such contracts to sell the
8 Project's output to Florida utilities, and that the Court's
9 opinion simply caused Calpine to re-order its development
10 strategy by obtaining contracts before proceeding with
11 permitting, rather than obtaining permits and approvals first
12 and then negotiating contracts during the construction phase
13 as Calpine had originally planned.

14 I also understand that if applicable Florida law should
15 allow the permitting of merchant power plants under the Power
16 Plant Siting Act, Calpine would consider developing the
17 project as a merchant plant, i.e., it would consider
18 returning to its original development and power sales
19 strategy of obtaining permits and approvals first and then,
20 during construction of the Project, negotiating contracts to
21 sell the Project's output to Florida retail-serving
22 utilities.

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24

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RATEPAYER IMPACTS OF ALTERNATIVE POWER SUPPLY RESOURCES

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Q: Mr. Kordecki, what are the power supply resource options that are available to an electric load-serving utility?

A: Normally, resource additions will be obtained through a firm power purchase or by the load-serving utility constructing a generating unit. The selection from these two alternatives is normally done on a least-cost basis, but strategic factors such as fuel diversity, environmental considerations, financing issues, and risk considerations may affect the decision.

Q: Could Calpine's Osprey Energy Center be considered as a potential alternative for a load-serving utility's resource selection process?

A: Yes. Calpine has indicated that its primary business plan is to market the output of the Osprey Project on a firm basis, i.e., to sell firm capacity and energy to Florida retail-serving utilities. This is an entirely viable and industry-recognized means of supplying a load-serving utility's power supply resource needs. In this way, the Osprey Project would simply add to the number of potential resource options available to Florida load-serving entities.

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1 Q: How are the costs of different resource supply options, i.e.,
2 a power purchase or a utility-built generating unit,
3 collected by a load-serving utility?

4 A: Assuming that the additional resource acquisition, regardless
5 whether it was a power purchase or a utility-built power
6 plant, was prudent, the source of the revenues to pay for the
7 resource is the same -- rates paid by the load-serving
8 utility's customers -- but the collection method is
9 different.

10 In the case of a purchased resource, the purchasing
11 utility would collect the costs through the Fuel and
12 Purchased Power Cost Recovery Charge (the "Fuel Charge").
13 The request to collect the purchase costs is subject to
14 approval in the Commission's periodic hearings regarding fuel
15 and purchased power cost recovery, conservation cost
16 recovery, and environmental cost recovery. Purchases may be
17 made up of two components: (1) a fixed cost charge per
18 kilowatt of capacity per month, generally referred to as a
19 "capacity charge," which is collected in the capacity charge
20 component of the Fuel Charge, and (2) a variable cost
21 component, usually including both fuel costs and non-fuel
22 variable operating and maintenance ("O&M") costs and usually
23 referred to as an "energy charge," which would be collected
24 in the energy charge component of the Fuel Charge. These

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1 purchases can be either firm or non-firm and may have varying
2 lengths, escalation factors, and other conditions which may
3 be subject to change. The important points are that
4 customers are obligated to pay only the reasonable and
5 prudent costs of the power purchased, and that the collection
6 of these costs is under the scrutiny of the Florida Public
7 Service Commission.

8
9 **Q: What happens when a load-serving utility decides to build a
10 generating unit?**

11 **A:** The size and steam capacity of the proposed unit determine
12 whether a utility is required to seek site certification
13 under the Florida Electrical Power Plant Siting Act (the
14 "Siting Act"), including a determination of need from this
15 Commission. Assuming the unit is approved, when it achieves
16 commercial in-service status, the utility will add the unit's
17 costs to its rate base and regulatory operating accounts.
18 The costs are of two types: (1) a capitalized cost, which
19 represents the outlays to build the unit and which becomes
20 part of the utility's rate base, and (2) the costs to operate
21 and maintain the unit, which are included in the utility's
22 operating costs. The latter have two major components -- a
23 variable O&M cost and a fuel cost. The O&M costs become part
24 of the annual operating expenses, but fuel costs are

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1 collected in the Fuel Charge in a similar manner as the
2 energy costs from a purchased resource. If the unit's
3 capitalized costs are not significant enough to cause
4 financial hardship on the utility's earned rate of return,
5 then no further action can be expected from the utility. If
6 the capital addition is significant, some type of revenue
7 relief will usually be requested by the utility. This
8 request will begin a process where the utility's total
9 expenditures and rate base will be examined.

10 If there is a unit addition but no revenue relief is
11 requested, the Commission uses a surveillance report to
12 monitor the load-serving utility's financial condition.
13 Again, the important points are that the ultimate
14 (predominantly retail) customers are responsible for paying
15 all prudent costs associated with the construction of the new
16 unit over the life of the unit and that the Florida Public
17 Service Commission maintains oversight of the costs of the
18 unit.

19
20 Q: Describe what happens with respect to cost recovery from
21 ratepayers when a competitive wholesale power plant, like the
22 Osprey Project, is built.

23 A: After the Commission grants its need determination and the
24 Siting Board grants the required site certification, the unit

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1 is constructed and becomes commercially operational. If
2 there are firm power sales agreements, then those contracts
3 are performed by the wholesale supplier delivering the
4 required power and the retail-serving utility paying for it
5 as a firm purchased resource as described previously. If
6 there are no firm contracts for part or all of the unit's
7 output, then the supplier will generally operate the plant
8 and sell its power at a market or negotiated price applicable
9 to the particular purchase, which may vary according to the
10 duration of the purchase and the firm or non-firm character
11 of the transaction. These sales may be hourly, daily or "day
12 ahead," weekly, monthly, or seasonal.

13

14 **Q: Under what circumstances will a load-serving utility purchase**
15 **power (capacity, energy, or both) from a wholesale plant like**
16 **the Osprey Project?**

17 **A:** Generally, a load-serving (or retail-serving) utility will
18 purchase from a plant like the Osprey Project when the
19 purchase represents a favorable transaction compared to the
20 utility's other power supply options. If the utility were in
21 the market for a long-term power supply resource, then it
22 would purchase from a wholesale plant like the Osprey Project
23 when that purchase offered either better pricing, better or
24 more flexible terms and conditions, or both.

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1 Q: What about purchases from merchant capacity?

2 A: A retail-serving utility will generally make purchases from
3 merchant capacity just as it will make purchases from other
4 utilities, when the merchant capacity's pricing is less than
5 the incremental production cost of the load-serving utility
6 (either the utility's incremental production cost or its
7 incremental cost of alternate purchases). Since purchases
8 from the merchant capacity are more economical, the utility's
9 customers will be better off financially. During these
10 situations, it would be imprudent for the utility not to make
11 purchases from merchant capacity. The costs of these
12 purchases would be included by the load-serving utility to
13 the Commission in its fuel and purchased power cost recovery
14 filing for approval as wholesale economy purchases. Subject
15 to the Commission's review for prudence and reasonableness,
16 these purchased power costs would be recovered through the
17 Fuel Charge. The treatment would be the same as purchases
18 made from load-serving utilities.

19

20 Q: Is there any way to ensure that Florida's electric customers
21 receive the benefit of the lowest cost per kilowatt-hour from
22 wholesale sales transactions?

23 A: It is not possible to guarantee, absolutely and under all
24 conceivable circumstances, the realization of the full

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1 benefits of the lowest power supply costs for ratepayers.
2 However, the encouragement of new entries into the wholesale
3 generation market will promote increased sales competition.
4 This competition will put downward pressure on wholesale
5 prices, which will lead directly to lower retail rates to the
6 purchasing utility's customers under all realistic scenarios.

7 Coupled with the Commission's general authority to
8 review fuel and purchased power costs for cost recovery
9 (based on prudence and reasonableness), the entry of
10 additional wholesale suppliers, including both contract
11 plants like the Osprey Project and "pure" merchant plants
12 (plants without any contracts at all, if such plants were
13 allowed) can be expected to result in lower power supply
14 costs for Florida electric customers than if entry is denied.
15 Encouraging wholesale competition would, in no way, change
16 the requirements for adequate installed and operating
17 reserves (either contracted or self-built) for the load-
18 serving utilities. Their retail service obligations remain
19 the same.

20
21 **WHOLESALE POWER MARKETS AND WHOLESALE COMPETITION**

22 **Q: Mr. Kordecki, what is meant by wholesale sales?**

23 **A: Wholesale sales are sales made for resale purposes only. No**
24 **retail customers purchase wholesale power. Wholesale power in**

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1 Florida can only be purchased by a load-serving utility with
2 an obligation to serve retail customers (load-serving
3 utilities may or may not have their own generation) or
4 purchases may be made by a utility or marketing entity which
5 will resell the power at the wholesale level. The same
6 "block" of power may be re-sold at wholesale more than once
7 before it is used and sold at the retail level.

8

9 **Q: What agency regulates these wholesale sales?**

10 A: In my experience with Tampa Electric Company, I developed a
11 working understanding that the Federal Energy Regulatory
12 Commission (FERC) has jurisdiction over the rates, terms and
13 conditions of the sales made by jurisdictional utilities and
14 marketing entities. In Florida these jurisdictional entities
15 include investor-owned utilities, marketers, exempt wholesale
16 generators, independent power producers, and some
17 cogenerators. Based on my experience, the FERC normally does
18 not have authority over the wholesale sales made by any of
19 the municipal or cooperative utilities or by generation and
20 transmission ("G&T") organizations.

21

22 **Q: How will wholesale-only plants be designated?**

23 A: Based on my experience and understanding, I believe that in
24 general, wholesale plants like Calpine's Osprey Project (and

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1 pure merchant plants) will be subject to FERC's regulatory
2 authority as "public utilities" under the Federal Power Act.
3 Many of these entities may also have "Exempt Wholesale
4 Generator" status with respect to the Public Utility Holding
5 Company Act of 1935. I am not an attorney, and this
6 statement is intended only to convey my understanding of such
7 entities in the federal and state regulatory framework; it is
8 not intended to represent a legal conclusion.

9
10 **Q: What role does the Florida Public Service Commission have in**
11 **wholesale transactions?**

12 **A:** For wholesale sales made by investor-owned utilities, the
13 Commission will determine the treatment of the revenues and
14 the costs of the sales. In the case of firm sales, the
15 Commission must decide whether to jurisdictionally separate
16 the sales or flow back some or all of the proceeds as credits
17 against retail customers' cost responsibilities. In the case
18 of flowing back the revenues, the methodology for crediting
19 the revenues must be determined (e.g., credited against costs
20 in calculating the Fuel Charge). In the case of non-firm
21 sales and short-term firm sales, how the costs will be
22 determined and proceeds credited must be decided.

23 For purchases made by jurisdictional utilities, the
24 expenditures for the purchases will be examined for prudence

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1 in the Fuel and Purchased Power Cost Recovery hearings.

2

3 Q: Mr. Kordecki, what do you mean by wholesale competition?

4 A: Wholesale competition in electric markets generally refers to

5 the presence of competitive, unrestricted, uncommitted

6 sellers of power in markets such as Peninsular Florida. The

7 more sellers and buyers of power in a given market, the

8 greater the potential for robust competition in that market.

9 Wholesale transactions can be long-term or short-term; firm

10 or non-firm; and at market-based or cost-based rates.

11 However, these sales can only be made for resale purposes.

12

13 Q: Mr. Kordecki, please describe the typical types of wholesale

14 transactions which take place in the Florida market.

15 A: Historically, the most common firm power sales transactions

16 were requirements (full and partial) sales which typically

17 were made by an investor-owned utility supplying firm power

18 to a city or cooperative. In turn, the city or cooperative

19 sold the power to its retail customers. There are a number

20 of cities in Florida that have their own generation resources

21 and entirely supply their customers. More recently, G&T

22 organizations, such as the Florida Municipal Power Agency and

23 Seminole Electric Cooperative, Inc., have been formed whose

24 purposes are to supply members' requirements from utility-

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1 owned or purchased resources or both. These arrangements
2 might be characterized as power pools.

3 Similar types of firm transactions would be unit or
4 station sales, which may include some or all of the units in
5 a generating station, or a combination of units from a number
6 of stations. For example, some Florida utilities purchase
7 power from designated units at the Scherer and Miller
8 generating stations of the Southern Company. The purchasing
9 utility may use the power as requirements or to offset more
10 expensive resources or to resell.

11 There are a number of types of non-firm sales which can
12 vary from hourly (such as the Florida Energy Broker) to long-
13 term sales. The potential configurations of these sales are
14 effectively limitless except that each has some condition(s)
15 which allows the seller to recall the power. Over the last
16 four or five years, the non-firm sales have shifted away from
17 the hourly market to longer periods such as day-ahead, weekly
18 (typically 5 days per week for 16 hours per day) and even
19 monthly or seasonal "call" contracts. The tight capacity
20 situations during peak periods experienced in Florida and
21 elsewhere in the United States have led to more transactions
22 for longer periods in order to assure the purchaser of the
23 availability of the energy. Significant exports out of
24 Florida by the incumbent generation owners during regional

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1 shortages have become more commonplace over the last two or
2 three years.

3
4 **Q: How are the rates arrived at for these wholesale sales?**

5 **A:** In the past, most of the rates were negotiated or were under
6 a published FERC rate schedule and were based on "costs."
7 For the Florida Energy Broker a price between the buying
8 utility's and the selling utility's incremental generation
9 costs was used to produce a "shared savings" price. More
10 recently, "market-based rates" have become common. A FERC-
11 jurisdictional utility, as long as it does not have market
12 power in generation, can generally obtain the FERC's approval
13 to charge market-based or negotiated rates. Non-
14 jurisdictional utilities (such as municipals, cooperatives
15 and G&T organizations) have always had the ability to charge
16 market-based rates. Most utilities have maintained some
17 negotiated "cost-based" tariffs which they use in
18 coordination sales between utilities (e.g., emergency sales).

19
20 **Q: Why are market-based rates allowed for wholesale sales?**

21 **A:** The wholesale market is considered to be a competitive
22 market. Competition is more effective in giving proper
23 generation price signals (i.e., price signals that will lead
24 to maximally efficient transactions) to buyers and sellers

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1 than more traditional, regulatorily-established "cost-based
2 rates."

3
4 **Q: Do all the load-serving utilities in Peninsular Florida have
5 market-based rate authority?**

6 **A:** Yes, either by FERC approval or due to the absence of FERC
7 jurisdiction. Florida's two largest utilities, Florida Power
8 & Light Company ("FPL") and Florida Power Corporation ("FPC")
9 only have market-based rate authority for sales outside
10 Peninsular Florida, i.e., outside the Florida Reliability
11 Coordinating Council ("FRCC") area. Both, in their final
12 petitions to FERC for market-based rate authority, limited
13 their requests to sales outside the FRCC area. Tampa
14 Electric Company has market-based rate authority that is not
15 restricted to any geographic area. The municipal and
16 cooperative utilities may sell at market-based rates because
17 the FERC has no jurisdiction over their wholesale rates.
18 This synopsis of market-based rates in Florida is made on the
19 basis of my experience and observations in my career working
20 in relevant regulatory processes.

21
22 **Q: Earlier in your testimony, you stated that robust competition
23 in the wholesale market is likely to exist when there are a
24 large number of buyers and sellers of power. Does such a**

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1 situation exist in Peninsular Florida?

2 A: No, not in my opinion. Generation resource ownership or
3 control is the primary determinant in evaluating the "seller"
4 side of the market competition equation. It matters little
5 if there are many sellers if a few sellers own or control
6 significant portions of the total generation resources. The
7 two largest utilities in Peninsular Florida own or control
8 approximately two-thirds of the resources. The Peninsular
9 Florida market is, at a minimum, highly concentrated. With
10 this concentrated market, there is the potential for market
11 power abuses, particularly under transmission-constrained
12 conditions.

13

14 Q: Are there any remedies for this situation?

15 A: Yes. Some are, however, more radical than others. Across a
16 continuum of solutions, divestiture of generation assets
17 would be on the far left (i.e., most extreme) and easing
18 entry for new wholesale generation participants might be on
19 the far right. At this time, increasing the number of
20 suppliers through the development of wholesale plants like
21 the Osprey Project appears to be practical and feasible.
22 Wholesale-only plants could be built by non-affiliated
23 developers and also by load-serving utilities who would
24 exclude their wholesale generation capacity from their

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1 regulated utility rate bases. Of course, potential market
2 power issues and the possible need to have either functional
3 or structural protections for captive customers would have to
4 be addressed before incumbent load-serving utilities could
5 build wholesale-only generation.

6
7 **Q: Mr. Kordecki, will Calpine's Osprey Project be competing for**
8 **all types of wholesale sales?**

9 **A:** As I understand Calpine's proposal as stated in its need
10 determination petition, Calpine will not, at least initially,
11 normally be competing for all types of wholesale power sales.
12 Consistent with Calpine's basic plan and by virtue of
13 Calpine's efforts to comply with the Florida Supreme Court's
14 opinion reversing the Commission's determination of need for
15 the Duke Energy-New Smyrna Beach power plant, Calpine will
16 only be competing to supply power to Florida load-serving
17 utilities pursuant to what I would characterize as long-term
18 contracts. If Calpine enters into firm contracts as planned,
19 it might occasionally have economy power to sell
20 competitively, if, for example, the utility to which the
21 capacity and energy was committed elected not to take the
22 energy during a certain time period. If at some future time,
23 Calpine is able to operate the Project or some portion of the
24 Project's capacity as merchant capacity, then Calpine would

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1 be competing for all types of wholesale sales, including
2 long-term and short-term firm sales and economy sales. In
3 any event, however, Calpine will only make sales to wholesale
4 purchasers and those purchases made by load-serving utilities
5 will normally be made as a substitute for the purchasing
6 utility's higher-cost generation resources.

7
8 Q: Do the same changing wholesale market circumstances also
9 characterize transactions between market areas such as the
10 FRCC and SERC?

11 A: Yes, in the sense that increasing levels of entry of
12 wholesale-only generators and load-serving utility resource
13 additions will make wholesale markets more competitive.

14 Transmission issues aside, wholesale competition from
15 wholesale-only plants locating in the SERC region is on the
16 increase. Since November of 1999, the Southern Company has
17 announced a 550 megawatt wholesale-only plant to be built in
18 Lee County, Alabama, and Southern is increasing the size of
19 its Plant Dahlberg in order to sell 225 megawatts to Dynegy
20 Power Marketing, which plans to sell the output from these
21 units into the wholesale market. Duke Energy Corporation has
22 announced two new wholesale plants of approximately 500
23 megawatts each which will be located in the western part of
24 the SERC region. Calpine Corporation itself has announced

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1 two 700 megawatt plants in Alabama.

2 I have identified these wholesale generation
3 construction announcements to establish that markets are
4 changing at an accelerated pace. These wholesale-only plants
5 are being built in the SERC Region -- a region which has been
6 characterized as having relatively low average production
7 costs, both below the national average and significantly
8 below electricity production costs for Peninsular Florida.
9 Peninsular Florida's costs are the highest among all of the
10 reliability council regions in the U.S.

11

12 **Q: Please explain how individual utility customers will be**
13 **affected if Calpine's Osprey Project and other efficient**
14 **wholesale-only plants enter the Florida wholesale market.**

15 **A: Calpine's Osprey Project and other efficient, non-rate-based**
16 **plants will increase the number of competitive, predictably**
17 **low-cost resource options available to utilities. Many times**
18 **these units will be able to supply power into the Peninsular**
19 **Florida market at lower costs than the marginal unit or units**
20 **which would be supplying electricity incrementally into the**
21 **grid. If cost-effective plants such as the Osprey Project**
22 **are excluded from the Florida wholesale market, the**
23 **consequences will almost certainly be higher costs for**
24 **Florida ratepayers. This conclusion applies equally to the**

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1 Osprey Project as a wholesale contract plant, as proposed by
2 Calpine, or if Osprey were developed or operated as pure
3 merchant capacity.

4
5 **Q: Are wholesale-only plants likely to provide any other**
6 **benefits to Florida electric customers?**

7 **A:** Yes, wholesale plants will also participate as competitors
8 for long-term firm sales which can be used by load-serving
9 utilities as generating resources. Increasing the number of
10 resource options available to load-serving entities should
11 put downward pressure on the pricing of new resources,
12 thereby lowering long-term supply costs.

13

14 **RISK ALLOCATION AND OTHER STRATEGIC FACTORS**

15 **Q: Mr. Kordecki, what, if any, strategic factors are involved in**
16 **the consideration of alternative power supply options,**
17 **including both power purchase opportunities and utility-self-**
18 **built generating plants?**

19 **A:** Strategic factors that enter into these considerations
20 include fuel diversity, technology and obsolescence risks,
21 the related risks of a retail-serving utility's ratepayers'
22 exposure to stranded cost liability, environmental impacts
23 and environmental regulatory risks, and operational risks.

24

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1 Q: What, if any, strategic benefits would competitive,
2 wholesale-only power plants like the Osprey Project provide
3 to Florida electric customers?

4 A: Competitive, wholesale-only power plants like the Osprey
5 Project would provide some or all of the following benefits
6 to Florida electric customers:

- 7 1. reduced exposure to stranded costs;
- 8 2. reduced or eliminated risks of cost overruns associated
9 with plant construction;
- 10 3. reduced obsolescence and technology risks;
- 11 4. enhanced reliability and reduced risks of losses of
12 property and production due to service interruptions;
- 13 5. enhanced wholesale competition and reduced concentration
14 of generation ownership vested in the dominant
15 suppliers, which in this case are the large incumbent
16 load-serving utilities;
- 17 6. enhanced generation production efficiency;
- 18 7. reduced exposure to potential price spikes such as have
19 recently been experienced in California; and
- 20 8. reduced exposure to the risks of increased environmental
21 compliance costs, which would be shifted to the
22 wholesale suppliers away from the incumbent load-serving
23 utilities and their ratepayers.

24

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1 Q: Please explain how competitive wholesale power plants like
2 the Osprey Project can reduce the risk of cost overruns,
3 obsolescence, and operational failures to retail electric
4 customers.

5 A: Competitive wholesale power plants like the Osprey Project
6 differ from traditional "rate-based" plants in that the costs
7 of a rate-based plant are recovered through rates charged to
8 the utility's captive retail customers. If, after a rate-
9 based plant is constructed, lower cost power becomes
10 available, the utility nevertheless remains entitled to
11 recover the costs of its plant through its rates. Hence, the
12 utility's ratepayers, rather than its shareholders, bear the
13 risks associated with obsolescence. Similarly, absent a
14 finding of imprudence, a utility is permitted to recover the
15 fixed and operating costs of its rate-based plant, even if
16 these costs are higher than originally projected or if the
17 plant fails to operate as well as projected.

18 In contrast, a competitive wholesale power plant has no
19 retail rate base and no captive customers. A competitive
20 wholesale plant simply offers its capacity and energy to
21 potential wholesale customers, who are free to purchase or
22 decline to purchase capacity and energy offered by the
23 competitive plant. All things being equal, an economically
24 rational purchasing utility will only enter into an agreement

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1 to purchase electric capacity or energy from a competitive
2 wholesale plant if the costs of that capacity and/or energy
3 are lower than the costs of alternatives otherwise available
4 to the utility (e.g., generation from its own power plants or
5 purchases from others). If the cost of power from a
6 wholesale plant is higher than the costs of other
7 alternatives, a purchasing utility will simply choose not to
8 buy the plant's output. In such circumstances, any
9 unrecovered costs of the wholesale-only plant will be borne
10 by the plant's owners, and not by any wholesale customers
11 (and therefore not by any ultimate retail customers, either).
12 The same result will occur if the plant incurs cost overruns
13 or fails to operate as efficiently or reliably as projected
14 -- the wholesale plant's owners, rather than any ultimate
15 ratepayers, bear all of the capital, operating, and market
16 risks associated with the power plant. Consequently, if the
17 competitive wholesale plant's economics are favorable, other
18 utilities and power marketers will purchase its output and
19 enjoy cost savings. If the plant turns out not to be
20 economically preferred, ultimate retail customers will incur
21 no financial harm. For these reasons, a competitive
22 wholesale plant can only benefit ultimate retail customers.
23
24

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1 Q: Are there any strategic benefits to purchasing utilities of
2 entering into long-term power purchase agreements, as
3 anticipated by Calpine from the Osprey Project, instead of
4 building their own generating units?

5 A: Yes. Such contracts provide a beneficial hedge against most
6 or all of the risk factors that I identified earlier. Three-
7 to-five-year contracts, with or without renewal options,
8 provide significant protection to ultimate ratepayers against
9 technology and obsolescence risks because they enable the
10 purchasing utilities to vacate the transaction after the
11 initial contract period. This situation is contrasted to the
12 traditional regulatory situation in which utilities -- and,
13 more importantly, their captive ratepayers -- are saddled
14 with the cost of a rate-based power plant for the plant's
15 entire life.

16 Similarly, this type of arrangement effectively
17 eliminates the risk of stranded costs for captive ratepayers
18 (and for utility shareholders as well).

19 Additionally, under many contract structures, the
20 wholesale supplier (Calpine in this instance) will absorb the
21 operational risks of its plant's performance. Typically, in
22 contrast to a rate-based, utility-owned plant, if the
23 wholesale supplier's plant does not operate as projected or
24 incurs significant repair costs, the purchasing utility and

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1 its customers are not at risk. Typically, the purchasing
2 utility does not have to make payments if the plant does not
3 satisfy minimum availability factors, and the purchasing
4 utility does not normally have to pay for any repair costs.

5

6 **Q: Do wholesale-only utilities provide any other risk reduction**
7 **or risk transfer benefits to retail electric customers?**

8 **A:** Yes. Competitive, wholesale-only utilities also reduce the
9 risk to the purchasing utility's customers of changes in
10 environmental regulations. With a rate-based plant, if
11 regulations change, the cost burden of complying with the new
12 regulations will fall on retail-serving utilities and thus on
13 their captive ratepayers. If, however, the utility is buying
14 power from a wholesale supplier like Calpine under a 5-year
15 power purchase agreement, then, unless the contract provides
16 otherwise, the owner of the supplying plant will bear the
17 cost and other burdens of complying with regulatory changes.
18 That owner may or may not be able to recoup part of those
19 compliance costs from its customers (i.e., the retail-serving
20 utilities from which it purchases power), depending on all
21 relevant market conditions.

22

23 **Q: Are there any other benefits?**

24 **A:** Yes. Florida ratepayers will not have to bear the costs of

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1 the Osprey Project in the rate base of their local utility.
2 However, if their retail-serving utility makes a firm
3 purchase from the Osprey Project in lieu of building
4 generation, it will generally be because it represents the
5 least-cost option for the utility and therefore, will reduce
6 the costs associated with increased generation resources.
7 The presence of competitive wholesale plants with uncommitted
8 capacity may also provide enhanced competition, and thus
9 lower costs, when load-serving utilities solicit bids for new
10 power supplies, thus enhancing the operation of the
11 Commission's "Bidding Rule."

12
13 MERCHANT POWER PLANTS

14 Q: Mr. Kordecki, you stated earlier in your testimony that it is
15 your understanding that Calpine does not intend to develop
16 the Osprey Energy Center as a merchant power plant. Please
17 explain the basis for your statement.

18 A: The basis for this statement is Calpine's position, set forth
19 in its petition for determination of need, that it is
20 developing the Project as a firm contract wholesale power
21 plant and that it will commit the output of the Project to
22 Florida retail-serving utilities. Accordingly, my testimony
23 addresses the benefits of the Project assuming that it will
24 be developed as presently proposed by Calpine.

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1 However, since it is possible that circumstances could
2 change to allow the Osprey Project to be operated as merchant
3 capacity in the future, my testimony also addresses the
4 implications and impacts if the Project were, in fact, to be
5 operated as merchant capacity at some future time. In
6 summary, merchant capacity can also be expected to provide
7 substantial benefits to the retail electric customers of
8 load-serving utilities that purchase merchant capacity and
9 energy.

10

11 **Q:** Some of the utilities claim that competitive wholesale-only
12 plants will hurt the wholesale sales activities of existing
13 utilities thereby reducing the revenues these utilities are
14 flowing back to their customers. What is your reaction?

15 **A:** These assertions are self-serving statements which attempt to
16 minimize and detract from the tangible benefits which
17 competitive wholesale plants can provide. While it is true
18 that the entry of competitive wholesale generators may reduce
19 the profitability of some of the incumbent utilities'
20 wholesale activities, the Commission's focus should be on the
21 broad interests of all Florida electric customers.
22 Wholesale-only plants, such as Calpine's Osprey Project, will
23 only operate when they are the lowest cost resource,
24 therefore, the conclusion that their entry will result in

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1 lower total electric costs considered as a whole, is
2 predictable. This will occur because no load-serving utility
3 is obligated to buy from Calpine or any other competitive
4 wholesale plant. In the case of merchant capacity, sales
5 will only be made when their incremental operating costs are
6 less than the incremental operating costs of other generation
7 units in Peninsular Florida.

8 Competition -- or the threat of competition -- will
9 often provoke hostile or negative reactions by incumbents,
10 particularly if the incumbents' markets are somewhat
11 protected against entry from new participants.

12 Maximizing the revenues from wholesale sales and flowing
13 back the profits (or some of the profits as proposed recently
14 by the investor-owned utilities) may be a laudable goal for
15 the utilities, but protection against competition from
16 wholesale-only plants in order for incumbent utilities to
17 maximize these profits may not equate to the lowest cost per
18 kilowatt-hour for all customers, which should be the
19 Commission's goal.

20 For instance, some of the Florida utilities have claimed
21 that merchant plants locating in Florida will, at times, sell
22 their power out-of-state and the local load-serving utilities
23 will, as a result, lose any sales benefits that would have
24 gone to their customers. As explained below, I strongly

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1 disagree with this assertion. Real-world conditions,
2 including high power production costs in Florida relative to
3 other regions, new efficient capacity being built in regions
4 adjacent to Florida, and transmission issues all make this
5 assertion grossly speculative at best. If the Osprey Project
6 were developed as a merchant plant, or if Calpine's contracts
7 with Florida load-serving utilities had option provisions
8 that enabled the purchasing utilities not to take the
9 Project's power, there could conceivably be times when the
10 Osprey Project would sell power into Georgia or the SERC
11 region. In such a scenario, however, Calpine would be at a
12 significant disadvantage since Calpine would be required to
13 reserve transmission paths on at least two or possibly three
14 transmission systems and pay the associated charges. The
15 incumbent utilities with rights to the Georgia/Florida
16 interface would only be required to "charge themselves,"
17 whereas, Calpine must actually pay the transmission owners.
18 Calpine would incur multiple transmission payments because
19 transmission rates are pancaked in Florida at this time.

20 Moreover, there are a number of wholesale-only plants
21 being developed in the SERC region which will have
22 geographical advantages over the Osprey Project in
23 transmission access and lower costs. These SERC based
24 generators will be located closer to the "Florida out-of-

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1 state markets" and will require crossing fewer transmission
2 systems than generators located in Peninsular Florida. The
3 bottom line is that the Florida utilities' sales out-of-state
4 will be more competitively challenged by generators located
5 closer to markets than the Osprey Project in Auburndale,
6 Florida. All things being equal, and even assuming that the
7 Osprey Project was developed or operating as merchant
8 capacity, the other wholesale plants located in the SERC
9 region, including Calpine's planned Alabama projects, will
10 make sales in and through the SERC region before sales are
11 made by the Osprey Project through the Florida/Georgia
12 interface. It is obvious from Calpine's ten-year site plan
13 that Calpine's decision to locate in Auburndale, Florida is
14 not based on making out-of-state sales but rather is
15 predicated on selling its output into the FRCC market. If
16 Florida's load-serving utilities are going to lose out-of-
17 state sales to non-load-serving, wholesale-only utilities,
18 those wholesale-only utilities will be probably located in
19 the SERC or other regions of the country. Thus, I strongly
20 disagree with the assertion made by opponents of non-load-
21 serving, wholesale-only utilities that these opponents' out-
22 of-state sales would be harmed by the introduction of the
23 Osprey Project or other wholesale-only plants into the
24 Peninsular Florida supply system. This is a grossly

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1 speculative assertion even in the scenario where the Project
2 was developed as merchant capacity.

3

4 Q: Some opponents of wholesale-only plants advocate that the
5 wholesale revenue impacts on existing load-serving utilities
6 should be determined before a new merchant plant is
7 certified. What is your opinion?

8 A: A requirement for a wholesale-only plant to attempt to
9 calculate the effects of their sales on the wholesale sales
10 of individual incumbent utilities is inappropriate.

11 In my experience, the determination of need process in
12 Florida requires load-serving utilities to justify resource
13 additions based on the additions being the most cost-
14 effective for that utility's customers. The approval process
15 for any given power plant is an independent event from the
16 needs of other load-serving utilities. A utility's need
17 application does not require an analysis of the financial
18 effects on other utilities wholesale revenues or any other
19 operating revenues. Applying such a benchmark to wholesale
20 plants would require these applicants to adhere to a standard
21 more severe than the incumbent utilities.

22

23

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GENERATING RESERVES AND SYSTEM RELIABILITY

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Q: How are the reserve obligations of individual load-serving utilities affected by the entry of projects such as the Osprey Project or by the entry of pure merchant plants?

A: The output of Calpine's Osprey Project will be contractually committed to load-serving utilities and thus fully "countable" toward satisfying those utilities' reserves and reliability criteria. To the extent that the Osprey Project offers favorable pricing and other terms, it will make it more feasible and cost-effective for purchasing utilities to enhance their reserves and reliability. Even pure merchant plants are, for all practical and meaningful purposes, similar to any other generating units located in Peninsular Florida, in that they could -- and would be expected to -- be available to load-serving utilities during times of shortage in order to help serve peak loads. Just the presence of an increased number of generating units will contribute to increased reliability.

An individual utility should not, however, count merchant capacity (which is, by definition, uncommitted and non-firm capacity) as part of its long-term reserves. Only a firm contract with the wholesale supplier should be counted toward an individual utility's reserves.

This does not mean, however, that the capacity of

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1 merchant plants cannot be counted in evaluating the overall
2 reliability and reserves of Peninsular Florida. In my
3 opinion, the availability of such capacity and the general
4 likelihood that it will be available to serve Peninsular
5 Florida in an emergency situation, which is when reserves are
6 most critical, indicate that the Commission should include
7 merchant capacity in evaluating overall Peninsular Florida
8 reserves and reliability.

9 In the case of a pure merchant plant, since this
10 capacity can, as I understand it, be required under a
11 statewide emergency to be sold into the Florida grid, it is
12 appropriate that this capacity be used in calculating the
13 aggregate reserve margin for Peninsular Florida. Since
14 merchant utilities make their revenues by selling power to
15 load-serving utilities, they would be expected to be making
16 sales well in advance of any declaration of an energy alert
17 or emergency. Having merchant capacity in the Peninsula
18 should be as reliable as utility load-serving generation
19 during energy emergencies and far better than relying on
20 import power across the Florida/Georgia interface, the
21 availability of which will depend on the levels of capacity
22 demand in Georgia, the SERC region and alternate capacity
23 needs and requests from other regions. This conclusion would
24 also apply to the hypothetical future event of the Osprey

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1 Project having merchant capacity for sale.

2

3 Q: If, in the future, the Osprey Project came to have
4 uncommitted, merchant-type capacity, how might the Project
5 affect reliability in Peninsular Florida?

6 A: Contracts for power to cover short-term operating reserves
7 deficiencies of load-serving utilities may be very common
8 place in the day-to-day market transactions. Merchant
9 capacity (if lawful) can also be expected to augment the
10 ability of load-serving utilities to find wholesale power for
11 large industrial and commercial customers who want to
12 exercise third-party purchase rights under a number of the
13 utilities' interruptible and commercial/industrial load
14 management rate schedules.

15 Merchant capacity offers more flexibility than the
16 current wholesale bilateral interchange agreements between
17 the load-serving utilities in meeting their retail service
18 obligations. For instance, if a load-serving utility were in
19 an emergency situation (i.e., if the utility were unable to
20 meet all of its firm load requirements), this utility could
21 be required to interrupt its non-firm load in order to make
22 a purchase to cover its firm load requirements. If that
23 utility were to purchase from a merchant plant, the utility
24 would not be required to interrupt any customers. The

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1 utility will use part of the purchase to meet its firm
2 customer requirements, and the balance of the purchase can be
3 flowed through to the appropriate non-firm customers under
4 the optional purchase provisions of their tariffs.

5
6 Q: Mr. Kordecki, if the Commission continues to require the
7 individual load-serving utilities to meet their planning
8 reserve levels and also allows merchant capacity to be built,
9 isn't there the potential to have more reserves than
10 necessary?

11 A: For reliability purposes, the more units and capacity
12 available, the more reliable the grid will be. The
13 Commission reviews the level of reserves on an annual basis
14 for each of the State's major load-serving utilities
15 individually and for Peninsular Florida as a whole. The
16 calculation of Peninsular Florida reserves to date has been
17 a sum function and not an allocated function. To my
18 knowledge, the Peninsular Florida reserves have not been
19 calculated with proposed merchant capacity.

20 The question regarding the possibility of having "more
21 reserve capacity than necessary" must be answered from the
22 perspective of the State's electric customers' costs for
23 capacity. Clearly, no one wants his or her lights to go out.
24 If reserve capacity were effectively free, then the amount of

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1 reserves that would be considered "necessary" or at least
2 "reasonable and prudent" would probably approach 100 percent.
3 If, on the other hand, the cost of reserves were
4 prohibitively expensive, the answer would likely be that a
5 lower level of reserves than at present would be considered
6 "necessary."

7 Merchant capacity does not obligate retail customers in
8 advance to pay for capacity. Such capacity does not require
9 individual load-serving utilities to make decisions about the
10 costs of increased reliability. Granted, merchant capacity
11 is not the same as a utility having its own owned resources,
12 but the load-serving utilities will be able to contract with
13 merchant capacity suppliers for potential firm purchases
14 under FERC approved bilateral agreements. Moreover, based on
15 my regulatory experience, it is my understanding (not as an
16 attorney) of the regulatory regime in Florida that merchant
17 utilities can be required to sell into the grid during
18 statewide emergencies if they are not already selling all
19 their output.

20
21 CONDITIONAL DETERMINATIONS OF NEED

22 Q: In the event that it does not have contractual commitments to
23 sell the output of the Osprey Project to Florida retail-
24 serving utilities by the time of the October hearings in this

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1 proceeding, Calpine has asked the Commission for a
2 conditional affirmative determination of need. Please
3 explain this.

4 A: If Calpine does not have contracts or other evidence of
5 utility-specific commitment for the Project's full output
6 with Florida retail-serving utilities before the hearing in
7 this case, Calpine has asked the Commission to grant an
8 affirmative determination of need subject to a condition that
9 Calpine must demonstrate utility-specific commitments and
10 utility-specific cost-effectiveness before it may begin
11 building the Project.

12
13 Q: Mr. Kordecki, do you believe that a "conditional" approval of
14 Calpine's Osprey Project would be good public policy?

15 A: Yes, I believe that it would be good public policy for the
16 Commission to grant a "conditional" approval of the Osprey
17 Project in the event that Calpine does not furnish evidence
18 of contractual commitments before the currently scheduled
19 hearings in this case. Such a "conditional" approval, based
20 on and contingent upon Calpine's contracting the Project's
21 output to load-serving Florida utilities could accomplish a
22 number of goals and objectives of both this Commission and
23 Florida load-serving utilities.

24 First, if Calpine accomplishes its sales objectives for

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1 the Osprey Project, allowing the Osprey Project's permitting
2 schedule to proceed with the Commission's "conditional"
3 approval will mean that load-serving utilities will have
4 capacity purchases available to them earlier than if the
5 Project's permitting were held up while Calpine completed its
6 contract negotiations. This "earlier" capacity will add to
7 the reliability of the purchasing utilities and thus to the
8 reliability of Peninsular Florida.

9 Second, since load-serving utilities are expected (as a
10 general duty to their customers) to build or purchase the
11 most cost-effective capacity and energy available to them,
12 Calpine's Osprey Project will be available to provide cost-
13 effective power supply to the purchasing utilities sooner if
14 the Commission allows the case to proceed as requested (on a
15 contingent basis) by Calpine. Thus, allowing the Osprey need
16 determination case to proceed as requested by Calpine will
17 result in savings to Florida electric ratepayers beginning
18 sooner than if the case were delayed until the Project's
19 output was subscribed under power sales contracts.

20 Third, if the Project's output is subscribed by a number
21 of utilities, a number of efficiencies may be realized. The
22 most obvious would be that marketing the Osprey Project's
23 output to a number of utilities could also bring about a more
24 cost-effective capacity addition than if the individual

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1 utilities' specific capacity and energy needs were being met
2 by each utility individually. Generation additions are made
3 to meet utilities' peak demands, supply lower cost energy, or
4 meet reserve requirements. Since individual utilities will
5 meet their needs through the most cost-effective purchase or
6 construction of additional capacity, the highly efficient
7 Osprey Project would likely represent a more efficient
8 alternative than if the individual utilities built or
9 purchased from a number of smaller, less efficient, and less
10 cost-effective units, even though each such unit might be the
11 most cost-effective alternative to each utility individually.
12 Multiple purchases meeting multiple and varied needs of
13 individual utilities could provide a better integrated and
14 cost-effective approach.

15
16 **Q: Mr. Kordecki, please summarize your testimony.**

17 **A:** The construction and operation of the Osprey Project will
18 help to reduce Florida retail electric customers' electric
19 bills. The Project would be constructed to make wholesale-
20 only sales to Peninsular Florida load-serving utilities.
21 Purchases from the Project would only be made by utilities
22 when the Osprey Project was expected to have lower costs than
23 other resources available to the load-serving utilities. The
24 retail customers' obligation for the Project is limited to

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1 paying for the capacity and energy that the Project provides
2 under a specific contract. As compared to traditional
3 utility-built plants, there will be no rate base obligation
4 for customers. The Osprey Project will add to overall
5 Peninsular Florida reliability and will, under all reasonably
6 conceivable scenarios, be available (subject to outages) to
7 be sold into the grid in times of individual utility or
8 statewide capacity needs.

9

10 **Q: Does this conclude your direct testimony?**

11 **A: Yes, it does.**

12

13