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October 1, 1999

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RECORDS AND
REPORTING

Blanca Bayo
Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket # 981890-EU - Generic investigation into the aggregate electric utility reserve margins planned for Peninsular Florida - Orlando Utilities Commission

Dear Ms. Bayo:

Enclosed find original and fifteen (15) copies of Prehearing Statement of Orlando Utilities Commission for filing in the above-captioned case.

Thank you.

Very truly yours,

Roy C. Young
Roy C. Young

RCY:swp
Enclosures

AFA 2
APP _____
CAF _____
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FPSC-RECORDS/REPORTING

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
FILED: October 1, 1999

Prehearing Statement
Orlando Utilities Commission

Pursuant to Orders PSC-99-1274-PCO-EU dated July 1, 1999, PSC-99-1215-PCO-EU dated June 18, 1999, PSC-99-1042-PCO-EU dated May 21, 1999, and PSC-99-0706-PCO-EU dated April 20, 1999 Orlando Utilities Commission files its Prehearing Statement.

a. All Known Witnesses

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Myron R. Rollins	Orlando Utilities Commission	1 through 19

b. All Known Exhibits

None

c. Orlando Utilities Commission Basic Position

Orlando Utilities Commission (OUC) believes that the determination of criteria for determining reserves should be done on a case by case basis for each utility based on balancing all the unique circumstances surrounding the utility relative to reliability with the economic cost associated with providing reliability. OUC further believes that reliability is improved through the sharing of reserves among the utilities in the state and that each utility should provide their fair contribution to these shared reserves based on their unique circumstances. OUC believes that OUC's 15 percent reserve margin criterion is appropriate for OUC's system at this time and the 15 percent reserve margin criterion for Peninsular Florida is also appropriate at this time. OUC also believes that individual utilities' circumstances may change through time requiring changes to reliability criteria. Likewise, circumstances in Peninsular Florida may change through time requiring reliability criteria for Peninsular Florida to change.

d. Orlando Utilities Commission Issues and Positions

Issue 1: What is the appropriate methodology, for planning purposes, for calculating reserve margins for individual utilities and for Peninsular Florida?

Position: The appropriate methodology for planning purposes for calculating reserve margins for individual utilities should be a heuristic approach which includes but is not necessarily limited to the following unique aspects of each individual system including size and availability of generating units including availability of fuel, purchase power and sales arrangements, load shape and temperature sensitivity, participation in power pools or other reliability sharing entities, interconnections with surrounding utilities, and demand-side management and interruptible loads. For Peninsular Florida, the appropriate methodology for planning purposes for calculating reserve margin should be based on a more probabilistic approach such as LOLP incorporating consideration of the above factors and considering historical outages

Issue 2: **What is the appropriate methodology, for planning purposes, for evaluating reserve margins for individual utilities and for Peninsular Florida?**

Position: For individual utilities, the appropriate methodology for planning purposes for evaluating reserve margins is review of historical reliability taking into account factors listed in OUC's position for Issue 1. As a municipal utility, OUC must consider balancing costs and reliability. For Peninsular Florida, the appropriate methodology for planning purposes for evaluating reserve margins is a probabilistic approach such as LOLP taking into account factors listed in OUC's position for Issue 1 and historical performance.

Issue 3: **How should the individual components of an individual or peninsular Florida percent reserve margin planning criterion be defined:**

A. Capacity available at time of peak (Ex. QF capacity, firm and non-firm purchases and non-committed capacity). Should equipment delays be taken into account?

Position: The manner in which capacity should be counted relative to reserve margins should be done on a case-by-case basis taking into account the unique aspect of each generator and contract.

B. Seasonal firm peak demand. Over what period (hourly, 30 min., 15 min.) Should the seasonal firm peak demand be determined? What is the proper method of accounting for the diversity of the individual utilities seasonal firm peak demands and load uncertainty? Is sufficient load uncertainty data available and being used? How are interruptible, curtailable, load management and wholesale loads treated at the end of their tariff or contract termination period? How should demand and/or energy use reduction options be evaluated and included in planning and setting reserve margins?

Position: Seasonal firm peak demand should be determined on a hourly basis. Diversity should be considered on a Peninsular Florida basis and as result should also have

an effect on the individual utility reserve requirements. Load uncertainty is difficult to quantify analytically, but is being adequately considered on a case-by-case basis by the individual utilities. Loads governed by contracts should be based on the contract term. Continuation of those loads should be evaluated as sensitivity analyses. Reasonable projections for demand and/or energy use reduction options should be included in the planning process.

C. Should a percent reserve margin planning criterion be determined on an annual, seasonal, monthly, daily, or hourly basis?

Position: Reserve margin planning criterion should be determined on an annual basis taking into consideration seasonal, monthly, daily, and hourly considerations.

Issue 4: **How should generating units be rated (MW) for inclusion in a percent reserve margin planning criterion calculation?**

Position: Generating units should be rated under an industry standard specified approach.

Issue 5: **How should individual utility's reserve margins be integrated into the aggregated reserve margin for Peninsular Florida?**

Position: The uniqueness of each utility's individual reserve margin requirements precludes their direct allocation into the aggregated reserve margin for Peninsular Florida.

Issue 6: **Should there be a limit on the ratio of non-firm load to MW reserves? If so, what should that ratio be?**

Position: The ratio of non-firm load to MW reserves should be considered on a case-by-case basis.

Issue 7: **Should there be a minimum of supply-side resources when determining reserve margins? If so, what is the appropriate minimum level?**

Position: The minimum of supply-side resources when determining reserve margins should be determined on a case-by-case basis.

Issue 8: **What, if any, planning criteria should be used to assess the generation adequacy of individual utilities?**

Position: The planning criteria determined by the individual utilities should be used to assess their generation adequacy.

Issue 9: Should the import capability of Peninsular Florida be accounted for in measuring and evaluating reserve margins and other reliability criteria, both for individual utilities and for Peninsular Florida?

Position: It should be accounted for and any transmission constraints should be part of the evaluation process.

Issue 10: Do the following utilities appropriately account for historical winter and summer temperatures when forecasting seasonal peak loads for purposes of establishing a percent reserve margin planning criterion?

- A. City of Homestead
- B. City of Lake Worth Utilities
- C. City of Lakeland
- D. City of Tallahassee
- E. Florida Power and Light Company
- F. Florida Power Corporation
- G. Florida Municipal Power Agency
- H. Gainesville Regional Utilities
- I. Jacksonville Regional Authority
- J. Kissimmee Utility Authority
- K. Orlando Utilities Commission
- L. Reedy Creek Improvement District
- M. Seminole Electric Cooperative
- N. Tampa Electric Company
- O. Utilities Commission of New Smyrna Beach

Position: OUC appropriately accounts for historical winter and summer temperatures when forecasting seasonal peak loads for purposes of establishing a percent reserve margin planning criterion.

Issue 11: Has the Florida Reliability Coordinating Council's 15 percent reserve margin planning criterion, or any other proposed reserve margin criterion, been adequately tested to warrant using it as a planning criterion for the review of generation adequacy on a Peninsular Florida basis? If the answer is no, what planning criterion should be used.

Position: Yes. With a 15 percent reserve margin planning criterion, Peninsular Florida appears to have demonstrated a reasonable balance between economics and reliability.

Issue 12: What percent reserve margin is currently planned for each of the following utilities and is it sufficient to provide an adequate and reliable source of energy for operational and emergency purposes in Florida?

- I. City of Homestead

II.	City of Lake Worth Utilities
III.	City of Lakeland
IV.	City of Tallahassee
V.	Florida Power and Light Company
VI.	Florida Power Corporation
VII.	Florida Municipal Power Agency
VIII.	Gainesville Regional Utilities
IX.	Jacksonville Regional Authority
X.	Kissimmee Utility Authority
XI.	Orlando Utilities Commission
XII.	Reedy Creek Improvement District
XIII.	Seminole Electric Cooperative
XIV.	Tampa Electric Company
XV.	Utilities Commission of New Smyrna Beach

Position: OUC uses a 15 percent reserve criterion and it is adequate at this time.

Issue 13: **How does the reliability criteria adopted by the FRCC compare to the reliability criteria adopted by other reliability councils?**

Position: It is similar to other regions. It is, however, not rational to compare the quality of FRCC's recommendation with the standards adopted in other regions, since the circumstances in other regions may be different.

Issue 14: **Should the Commission adopt a reserve margin standard for individual utilities in Florida. If so, what should be the appropriate reserve margin criteria for individual utilities in Florida? Should there be a transition period for utilities to meet that standard?**

Position: Municipal utilities should be allowed to determine their own reserve margin criteria on a case-by-case basis. If a municipal utility changes its reserve margin criteria, it should be allowed a transition period.

Issue 15: **Should the Commission adopt a reserve margin standard for Peninsular Florida? If so, what should be the appropriate reserve margin criteria for Peninsular Florida?**

Position: Import capability should be considered in determining reserve margins for individual utilities and Peninsular Florida as a whole. Both the physical transmission import capability and the generating resources available should be considered. With a 15 percent reserve margin planning criterion, Peninsular Florida appears to have demonstrated a reasonable balance between economics and reliability.

Issue 16: Should the Commission adopt a maximum reserve margin criterion or other reliability criterion for planning purposes; e.g., the level of reserves necessary to avoid interrupting firm load during weather conditions like those experienced on the following dates: 01/08/70, 01/17/77, 01/13/81, 01/18/81, 12/19/81, 12/25/83, 01/21/85, 01/21/86 and 12/23/89?

Position: Reliability is very important to all customers, but a reasonable balance must be struck between the reliability level and the cost of achieving the reliability level. It is unlikely that the cost of serving all loads under the most extreme conditions can be justified, nor is it desired by the customers. Under extreme conditions, such as extremely cold temperatures, problems besides lack of generation often contribute to customer interruptions such as problems in the distribution system. Expenditures for increased reliability need to be properly balanced between distribution, transmission, and generation.

Issue 17: What percent reserve margin is currently planned for Peninsular Florida and is it sufficient to provide an adequate and reliable source of energy for operational and emergency purposes in Peninsular Florida?

Position: See Appendix A. As mentioned earlier a 15 percent reserve margin has demonstrated a reasonable balance between economics and reliability. Therefore the reserve margins shown in Appendix A seem reasonable for reliability purposes.

Issue 18: Can out-of-Peninsular Florida power sales interfere with the availability of Peninsular Florida reserve capacity to serve Peninsular Florida consumers during a capacity shortage? If so, how should such sales be accounted for in establishing a reserve margin standard?

Position: Yes. Firm sales should be added to load.

Issue 19: Based on the resolution of Issues 1 through 18, what follow-up action, if any, should the Commission pursue?

Position: The Commission should continue to monitor the reliability of individual utilities and Peninsular Florida as a whole.

e. **Questions of Law**

None at this time.

f. Policy Questions

None at this time.

g. Stipulated Issues

None at this time.

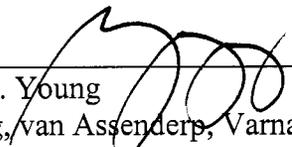
h. Pending Motions

None at this time.

i. Compliance with Orders PSC-99-1274-PCO-EU, PSC-99-1215-PCO-EU, PSC-99-1042-PCO-EU, and PSC-99-0760-PCO-EU

Orlando Utilities Commission has complied with all requirements of Orders PSC-99-1274-PCO-EU, PSC-99-1215-PCO-EU, PSC-99-1042-PCO-EU, and PSC-99-0760-PCO-EU.

Respectfully submitted this 1st day of October, 1999.



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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

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the Prehearing Statement for Orlando Utilities
Commission, has been furnished via U.S. Mail this 1st day of October, 1999, to the following:

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Appendix A

PLANNED SUMMER RESERVE MARGINS (%)										
Utility	Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
City of Homestead	?	?	?	?	?	?	?	?	?	?
City of Lake Worth	?	?	?	?	?	?	?	?	?	?
City of Lakeland	57	52	25	45	26	48	45	42	39	37
City of Tallahassee	17	34	31	23	21	19	17	15	13	9
Florida Power & Light	16.1	15.4	16.1	20.3	22.8	20.8	18.9	18.6	19.0	19.5
Florida Power Corporation	16	18	17	19	25	21	23	19	22	18
Florida Municipal Power Agency	25	21	20	18	18	18	18	18	18	18
Gainesville Regional Utilities	21	36	47	43	40	37	34	31	29	26
Jacksonville Electric Authority	15	15	15	20	18	16	18	15	17	15
Kissimmee Utility Authority	18	18	40	29	21	50	42	?	?	?
Orlando Utilities Commission	34	38.1	42.5	27.3	27.2	27.0	31.6	42.0	40.0	36.6
Reedy Creek Improvement District	?	?	?	?	?	?	?	?	?	?
Seminole Electric Cooperative	19.2	20.6	26.5	26.1	22.9	21.7	23.3	24.3	25.3	26.2
Tampa Electric Company	15	15	19	16	15	17	18	15	16	17
Utilities Commission of New Smyrna Beach	?	?	?	?	?	?	?	?	?	?
FRCC Region	17	16	18	20	20	19	18	17	18	17

Reference: Direct Testimony of Robert L. Trapp. Appearing on Behalf of Staff. Date Filed: August 31, 1999

PLANNED WINTER RESERVE MARGINS (%)											
Utility	Year										
	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09
City of Homestead	?	?	?	?	?	?	?	?	?	?	?
City of Lake Worth	?	?	?	?	?	?	?	?	?	?	?
City of Lakeland	14	42	30	33	16	48	29	26	22	20	?
City of Tallahassee	26	18	51	47	39	37	34	32	29	26	?
Florida Power & Light	20.3	18.7	17.7	21.8	24.5	22.1	19.8	19.4	19.7	19.9	?
Florida Power Corporation	?	16	17	18	24	20	22	19	23	20	17
Florida Municipal Power Agency	?	21	20	16	15	15	15	15	15	15	?
Gainesville Regional Utilities	60	70	82	77	73	68	64	60	56	52	?
Jacksonville Electric Authority	18	15	20	15	22	18	17	20	16	19	?
Kissimmee Utility Authority	30	30	15	43	34	21	56	?	?	?	?
Orlando Utilities Commission	35.2	37.9	44.2	29.4	27.8	29.7	34.6	45.3	43.5	40.1	?
Reedy Creek Improvement District	?	?	?	?	?	?	?	?	?	?	?
Seminole Electric Cooperative	21.1	19.8	21.0	22.8	18.2	21.3	17.8	18.4	19.1	19.5	?
Tampa Electric Company	19	15	15	16	16	17	19	16	18	19	?
Utilities Commission of New Smyrna Beach	?	?	?	?	?	?	?	?	?	?	?
FRCC Region	?	16	18	20	21	19	19	18	18	18	15

Reference: Direct Testimony of Robert L. Trapp. Appearing on Behalf of Staff. Date Filed: August 31, 1999