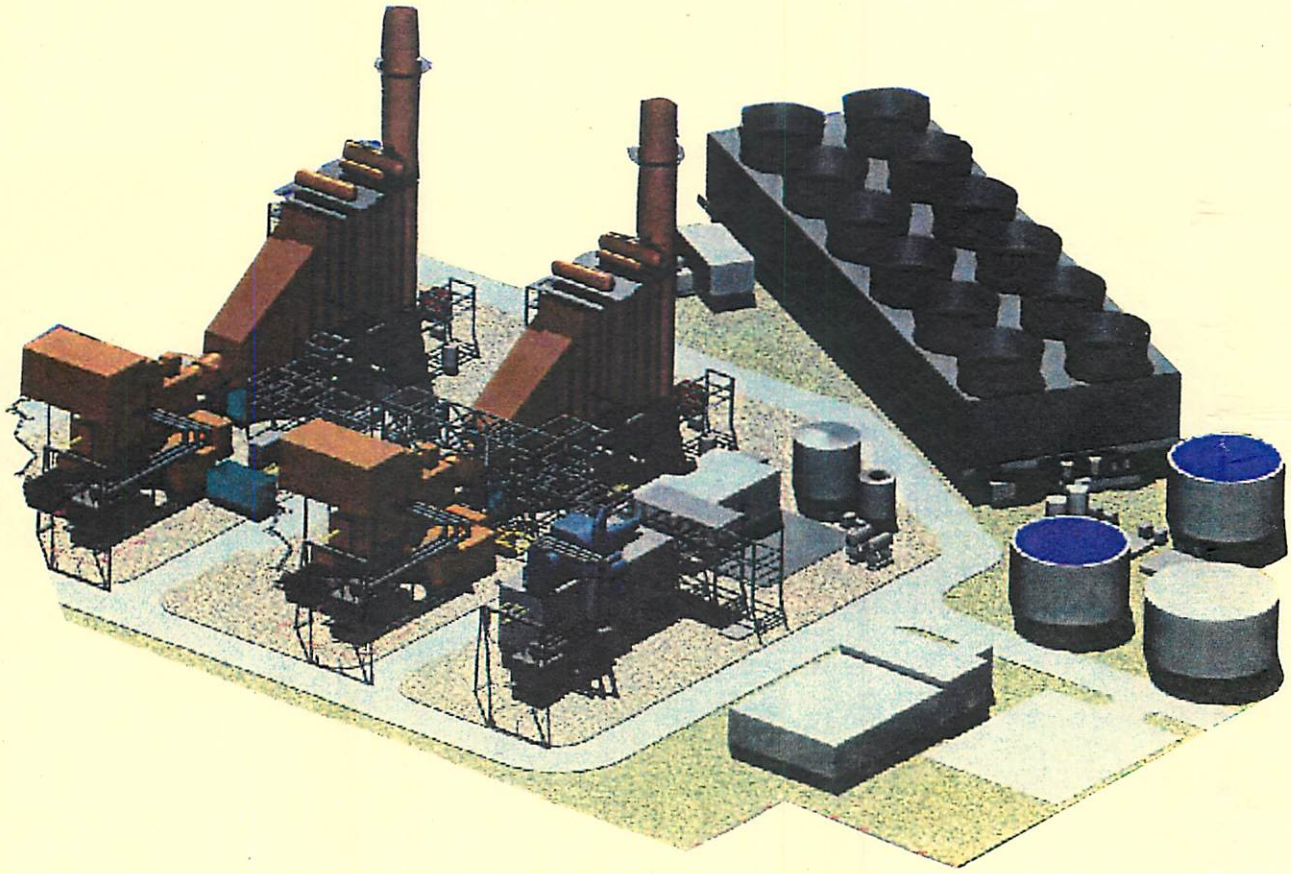
89

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH

DUKE ENERGY NEW SMYRNA BEACH POWER COMPANY LTD., L.L.P.

JOINT PETITION FOR DETERMINATION OF NEED FOR THE NEW SMYRNA BEACH POWER PROJECT



EXHIBITS

AUGUST 19, 1998

JOINT PETITION FOR DETERMINATION OF NEED FOR THE NEW SMYRNA BEACH POWER PROJECT

EXHIBITS

LIST OF TABLES

LIST OF FIGURES

JOINT PETITION FOR DETERMINATION OF NEED FOR THE NEW SMYRNA BEACH POWER PROJECT

EXECUTIVE SUMMARY

General Description of the New Smyrna Beach Power Project

The Utilities Commission, City of New Smyrna Beach, Florida ("UCNSB" or "Utilities Commission"), a municipal utility authorized under Chapters 67-1754 and 85-503, Laws of Florida, and Duke Energy New Smyrna Beach Power Company Ltd., L.L.P., a public utility subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under the Federal Power Act, apply for the Commission's determination of need for the New Smyrna Beach Power Project, a 514 MW natural gas fired combined cycle generating unit that will be located in New Smyrna Beach in Volusia County, Florida. Expected to achieve commercial in-service status in November 2001, the Project will supply 30 MW of capacity and associated energy to the Utilities Commission of the City of New Smyrna Beach ("UCNSB") for resale to its customers, with the balance of the Project's capacity and energy being made available for sale, at wholesale, to other utilities. Virtually all of these wholesale sales are expected to be made to other Peninsular Florida utilities.

The Project will include two advanced technology combustion turbines, two heat recovery steam generators, and one steam turbine generator. The Project will have a heat rate of approximately 6,832 Btu per kWh (based on the Higher Heating Value of natural gas) and will satisfy all applicable environmental requirements.

Most of the Project's process and make-up water will be supplied by an advanced wastewater treatment plant currently being constructed by the UCNSB adjacent to the Project site.

Duke New Smyrna's current projections indicate that the Project will operate between 7,000 and 8,500 hours per year, with projected generation between 3,700,000 and 4,200,000 MWH per year.

The Project will be interconnected to the Peninsular Florida transmission grid at the Smyrna Substation of the UCNSB. A firm delivered supply of natural gas will be provided to the Project pursuant to a long-term contract with Citrus Trading Corp., an affiliate of Florida Gas Transmission Company. Gas will be supplied via a 42-mile, 16-inch lateral pipeline that will be connected to the FGT main line near Mt. Plymouth in Lake County.

Ownership and Management

The New Smyrna Beach Power Project will be developed by Duke Energy Power Services, L.L.C. ("DEPS") and owned by Duke Energy New Smyrna Beach Power Project Ltd., L.L.P., an affiliate of DEPS. Duke Energy Power Services is the power plant development affiliate of Duke Energy Corporation. Engineering and construction of the Project will be performed by Duke/Fluor Daniel, a partnership of Duke Project Services, Inc. and FD Illinois, Inc. The Project will be managed, operated, and maintained by the operations and maintenance group of Duke/Fluor Daniel.

Power produced by the New Smyrna Beach Power Project will be sold at wholesale to other utilities for resale to their customers. As outlined in the Participation Agreement bewtween Duke New Smyrna

and the UCNSB, the UCNSB will receive 30 MW of the Project's capacity and associated energy for resale to its retail electric customers (or to other wholesale customers, if the UCNSB chooses to make such sales).

Site Description and Location

The Project will be located in the northwest quadrant of the intersection of Interstate Highway 95 and Florida State Road 44, within the city limits of New Smyrna Beach in west central Volusia County. The site consists of approximately 30.5 acres immediately adjacent to the Smyrna Substation of the UCNSB and also adjacent to an advanced wastewater treatment plant currently being constructed by the UCNSB.

Description of the Power Plant and Related Facilities

The power plant will consist of two advanced technology combustion turbine generators ("CTGs") (GE Frame 7FA or equivalent) with two matched heat recovery steam generators ("HRSGs"). Steam from both HRSGs will feed into one steam turbine generator ("STG"). The total electrical output of the plant will be 514 MW at ISO temperature and humidity conditions.

Water supply for the Project will be provided by reuse water from the UCNSB's adjacent wastewater treatment plant and from on-site or off-site wells. Most of the Project's process and make-up water is expected to be reuse water from the wastewater treatment plant; supplemental water is expected to be provided from wells providing raw water that will be treated on the Project site.

The Project will be electrically interconnected to the Peninsular Florida transmission grid at the Smyrna Substation, a 115 kV substation owned by the UCNSB. To facilitate and support power deliveries from the Project to other Peninsular Florida utilities located south of the Project, a second circuit is planned to be added to the 18-mile 115 kV Smyrna-Cassadaga transmission line, and a new 7.5-mile 115 kV circuit is planned to connect the Cassadaga substation to the Lake Helen substation.

Fuel Supply

The Project will be fueled by natural gas. Gas for the Project will be delivered to the Project by a 42-mile, 16-inch lateral pipeline that will originate at Florida Gas Transmission Company's ("FGT") main pipeline near Mt. Plymouth, Florida. The gas will be supplied by Citrus Trading Corp., an affiliate of FGT and Enron Corp., pursuant to a long-term contract for delivered firm gas supply.

Project Costs and Financing

The Project's direct construction cost, including all engineering, procurement, and construction functions, is expected to be approximately $160 million, reflecting a cost of approximately $311 per kW of installed capacity. The Project will be constructed and brought into commercial service solely with internal Duke New Smyrna funds.

I. INTRODUCTION

The purpose of the Joint Petition for Determination of Need submitted by the Utilities Commission of New Smyrna Beach and Duke New Smyrna is to obtain the Florida Public Service Commission's affirmative determination of need for the New Smyrna Beach Power Project, a 514 MW (at ISO temperature and humidity conditions) natural gas fired combined cycle generating unit that will be located in New Smyrna Beach in Volusia County, Florida.

The Commission's determination of need pursuant to Section 403.519, Florida Statutes, is part of the comprehensive permitting process for the Project under the Florida Electrical Power Plant Siting Act, Sections 403.501 through 403.518, Florida Statutes ("the Siting Act"). Under Section 403.519, the Commission is to consider the following factors when making its decision whether to grant a determination of need for a power plant subject to the Siting Act:

1. The need for electric system reliability and integrity;
2. The need for adequate electricity at a reasonable cost;
3. Whether the proposed plant is the most cost-effective alternative available for serving an identified need for power;
4. Conservation measures taken by, or reasonably available to, the affected utility or utilities which might mitigate the need for the proposed plant; and
5. Other matters within the Commission's jurisdiction which the Commission deems relevant to its determination.

In these Exhibits, the UCNSB and Duke New Smyrna demonstrate that the New Smyrna Beach Power Project satisfies all relevant criteria under Section 403.519. The Project will provide a power

supply resource with proven, reliable, highly efficient, highly available, and environmentally benign technology. Pursuant to the Participation Agreement between the UCNSB and Duke New Smyrna, the Project will provide 30 MW of capacity and associated energy to the UCNSB at very cost-effective wholesale rates. As a wholesale power plant offering capacity and energy to other utilities in Peninsular Florida at negotiated, market-based prices, the output of which no utility (other than the UCNSB) is obligated to buy, the Project also provides a cost-effective power supply alternative for meeting the needs of other utilities in Peninsular Florida.

The Project will contribute significantly to the reliability of the power supply system in Peninsular Florida, to lower cost generation, to enhanced efficiency in electricity generation in Peninsular Florida, and to improvements in the environmental profile of power generation in Florida.

Section II of these Exhibits provides a description of the joint applicants, the Utilities Commission of the City of New Smyrna Beach, Florida and Duke Energy New Smyrna Beach Power Company Ltd., L.L.P. Section III describes the Project, including the site, generating technology, operational reliability and related information, major systems, associated facilities, fuel supply, and the schedules for permitting and constructing the Project. Section IV describes the consistency of the Project with the power supply needs of the UCNSB and with the power supply needs of Peninsular Florida. Section V describes the cost-effectiveness of the Project, and Section VI addresses the adverse consequences

on power supply reliability, power supply cost, and Florida's environment of delaying the construction and operation of the New Smyrna Beach Power Project.

II. THE APPLICANTS

The joint applicants for the Commission's determination of need are the Utilities Commission, City of New Smyrna Beach, Florida, and Duke Energy New Smyrna Beach Power Company Ltd., L.L.P. This section of the Exhibits describes the organization and ownership structure of the Project and of both applicants, including Duke New Smyrna's affiliates that are also involved in the energy industry.

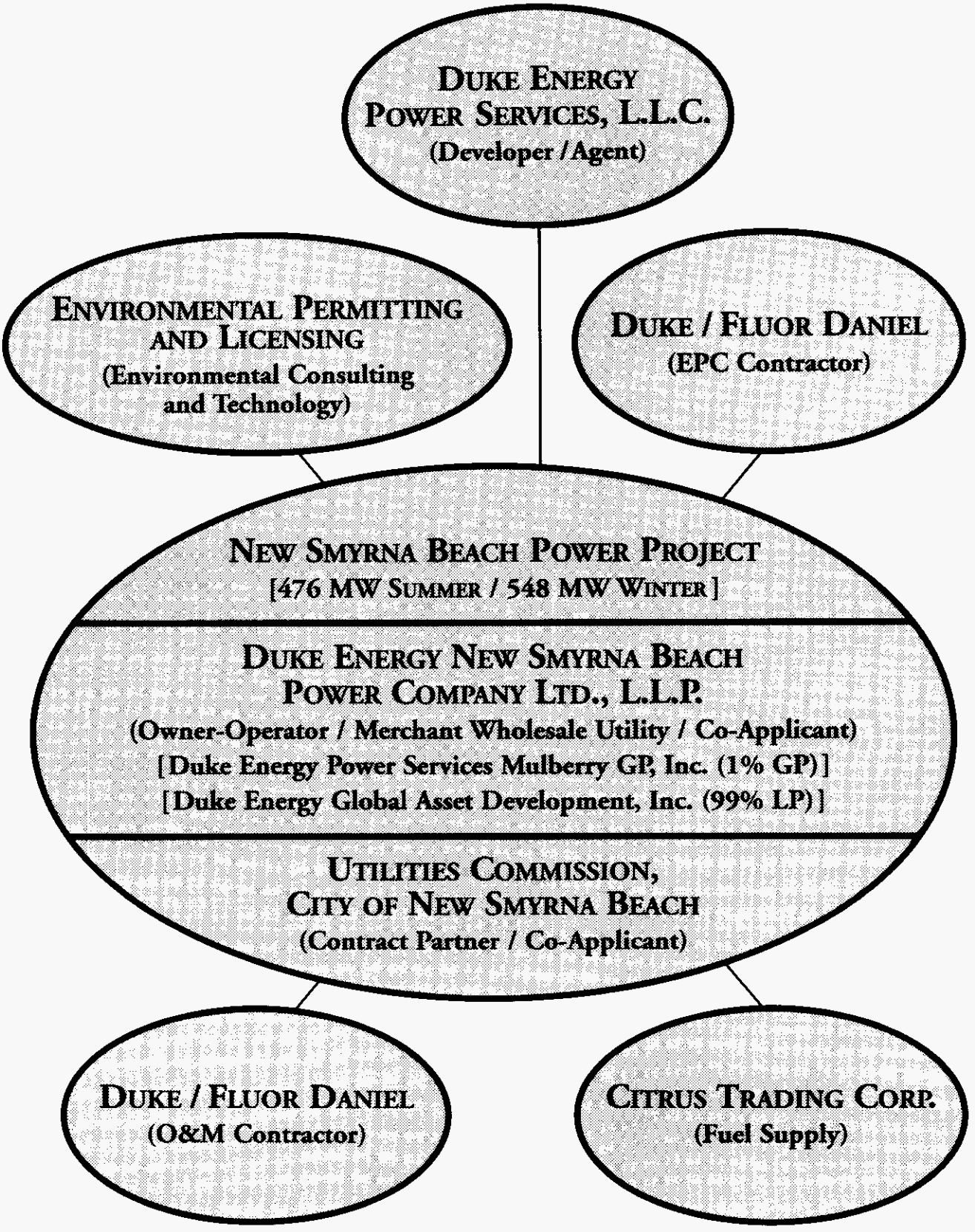
A. Overview and Project Structure

Figure 1 depicts the overall structure of the New Smyrna Beach Power Project. Duke Energy New Smyrna Beach Power Company Ltd., L.L.P. is the owner of, and has operational responsibility for, the New Smyrna Beach Power Project. Duke New Smyrna is a FERC-jurisdictional, FERC-regulated wholesale public utility that will sell the Project's merchant capacity and energy at wholesale directly to other utilities. The Utilities Commission of New Smyrna Beach is Duke New Smyrna's contract partner and co-applicant for the Commission's determination of need for the Project. Duke Energy Power Services, L.L.C. ("DEPS") is the developer of the Project, and in that role functions as Duke New Smyrna's agent for arranging the various contracts that will support the Project's development, construction, and operation. Financing will be provided by Duke New Smyrna. As the engineering, procurement, and construction ("EPC") contractor for the Project, Duke/Fluor Daniel will design, engineer, and construct the Project. The contractor for environmental licensing and permitting activities is

Figure 1

New Smyrna Beach Power Project

Project Structure



Environmental Consulting and Technology, Inc. Natural gas will be supplied by Citrus Trading Corp., an affiliate of Enron Corp. and Florida Gas Transmission Company, pursuant to a long-term contract with DEPS. Duke/Fluor Daniel's operations and maintenance group will be the actual operator of the Project.

B. The Utilities Commission, City of New Smyrna Beach, Florida

The Utilities Commission of New Smyrna Beach is a legislatively created unit of the City of New Smyrna Beach. The UCNSB was created by Chapters 67-1754 and 85-503, Laws of Florida. The UCNSB provides electric, water, wastewater, reuse water, and internet access services to the citizens of the City of New Smyrna Beach and surrounding areas of Volusia County. With respect to the jurisdiction of the Commission, the UCNSB is an electric utility, specifically a municipal electric utility, under Section 366.06(2), Florida Statutes. The UCNSB is governed by a board of five commissioners who are appointed by the City Commission for three-year terms. Pursuant to its authorizing legislation, the UCNSB has broad authority to provide various utility services.

The UCNSB serves approximately 19,900 electric customers within its 72-square-mile service area, which consists of the City of New Smyrna Beach and surrounding unincorporated areas, mainly to the south and west of the City. The UCNSB's customer base is largely residential; residential customers comprise approximately 90 percent (by number) of the UCNSB's total customers, and residential use accounts for approximately 65 percent of total system electric consumption.

The UCNSB is a winter peaking electric system. Its historic peak demand of 89 MW was experienced in the winter of 1996. The UCNSB's historic summer peak was 80.2 MW, registered in June 1998. Since 1992, the UCNSB's net energy for load ("NEL") has grown at an annual average rate of 2.6 percent, from 287,167 MWH in 1992 to 325,229 MWH in 1997. The UCNSB's peak demands and NEL are projected to grow steadily over the next ten years, due largely to steady growth in the system's residential customer base.

The UCNSB presently owns and operates two power plants with total generating capacity of 18.8 MW. The UCNSB has an entitlement to a portion of the capacity of the St. Lucie No. 2 nuclear unit through the Florida Municipal Power Agency and partial ownership in the Crystal River No. 3 nuclear unit. The UCNSB also has power purchase contracts with Tampa Electric Company, Florida Power Corporation, and Enron Power Marketing, Inc.

The UCNSB offers a load management program and energy audits on request. The UCNSB's load management program enables the UCNSB to reduce its summer and winter peak demands by approximately 10 percent, or by 8 to 9 MW. In emergency conditions, the UCNSB can achieve reductions between 12 and 13 MW by implementing full, unlimited exercise of the load management program.

C. Duke Energy New Smyrna Beach Power Company Ltd., L.L.P.

Duke New Smyrna is a Florida limited liability partnership created in 1997. The general partner is Duke Energy Power Services Mulberry GP, Inc., which has a 1 percent ownership interest, and the sole limited partner is Duke Energy Global Asset Development,

Inc., which has a 99 percent ownership interest in Duke New Smyrna The ownership structure of Duke New Smyrna is shown in Figure 2.

Duke New Smyrna is a public utility under Section 201 of the Federal Power Act. By its order issued on June 25, 1998, the Federal Energy Regulatory Commission ("FERC") approved Duke New Smyrna's Rate Schedule No. 1, which permits Duke New Smyrna to enter into negotiated wholesale power sales agreements with willing purchasers. Duke Energy New Smyrna Beach Power Company Ltd., L.L.P., 83 FERC §61,316. Pursuant to a FERC order issued on June 9, 1998, Duke New Smyrna is also an Exempt Wholesale Generator ("EWG"). Duke Energy New Smyrna Beach Power Company Ltd., L.L.P., 83 FERC §62,220. Copies of these orders are included in the Appendix to these Exhibits.

D. Duke Energy Power Services, L.L.C.

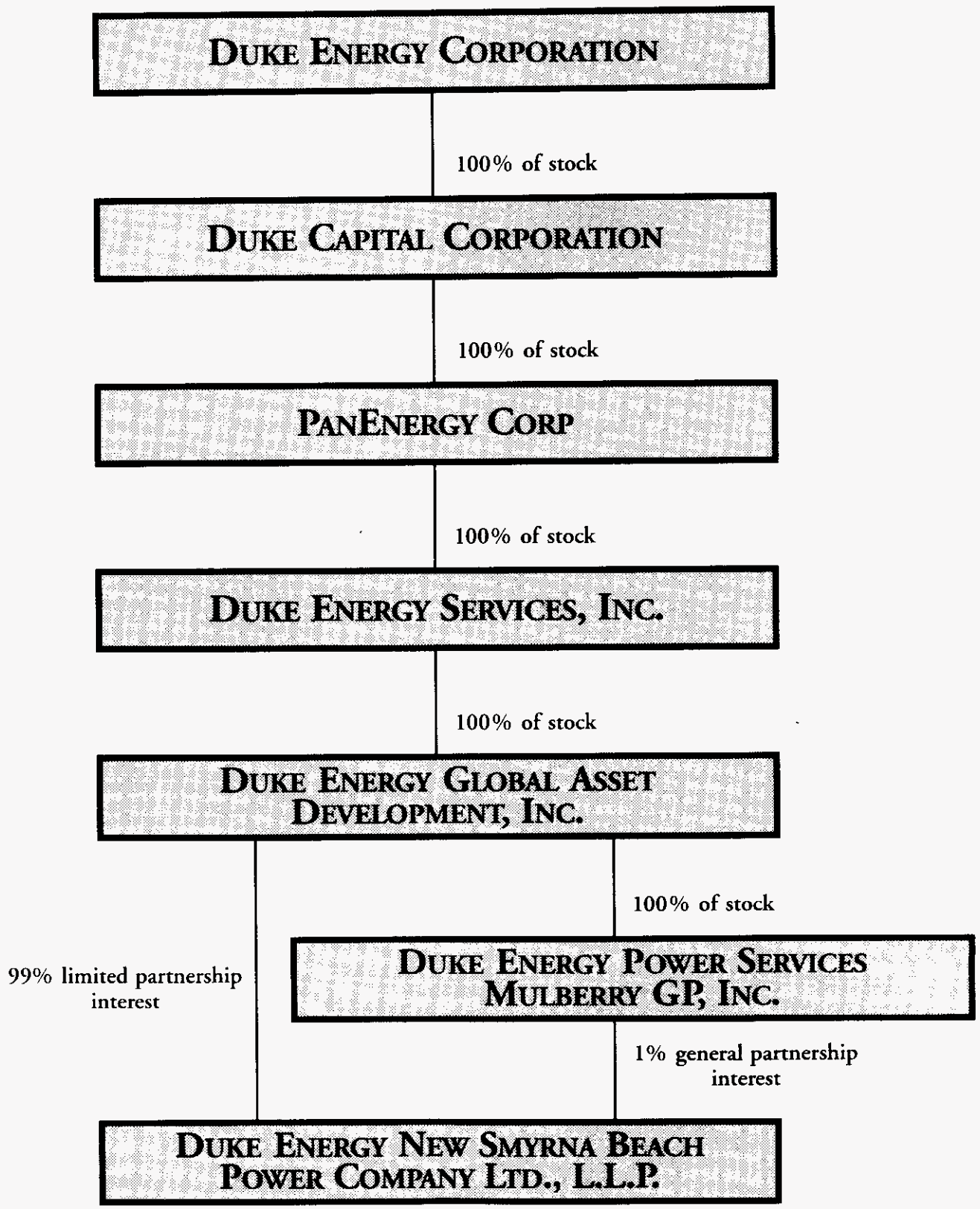
Duke Energy Power Services, L.L.C. ("DEPS") is a Delaware limited liability corporation created in 1997. DEPS is a subsidiary of Duke Energy Corporation engaged in the business of developing and acquiring power plants to be operated as wholesale "merchant" power plants selling power to wholesale customers for resale.

DEPS is the developer of the New Smyrna Beach Power Project. Pursuant to agreements with several experienced contractors, DEPS is arranging for the permitting of the Project, for the engineering, procurement, and construction of the Project, for the Project's fuel supply, and for other services necessary to bring the Project to commercial operation. The engineering, procurement,

Figure 2

DUKE ENERGY NEW SMYRNA BEACH POWER COMPANY LTD., L.L.P.

OWNERSHIP STRUCTURE



and construction for the Project will be performed by Duke/Fluor Daniel, a joint venture of Duke Project Services, Inc. and FD Illinois, Inc.

Duke Energy Power Services has closed on the acquisition of three power plants in California, with total generating capacity of 2,645 MW. These power plants are now owned by three affiliated entities of DEPS. Duke Energy Morro Bay, L.L.C. owns and operates the Morro Bay Generating Station, a 1,002 gas-fired unit. Duke Energy Moss Landing, L.L.C. owns and operates the Moss Landing Generating Station, a 1,478 MW gas-fired unit. Duke Energy Oakland, L.L.C. owns and operates the Oakland Generating Station, a 165 MW diesel-fueled unit. These plants are operated as merchant plants, selling power predominantly into the California wholesale market.

DEPS is presently developing the Bridgeport Energy Project, a 520 MW (nominal) natural gas fired combined cycle power plant that will, as an EWG and FERC-regulated public utility, provide wholesale power to the United Illuminating Company, based in New Haven, Connecticut, and to other wholesale customers in New England. The Bridgeport Project is presently under construction: Phase I of the Project, 350 MW of combustion turbine capacity, is currently producing test power and is scheduled to achieve commercial operation in the fall of 1998. The complete combined cycle plant, including 170 MW of steam turbine generation, is expected to achieve commercial operation status in July 1999. Like the New Smyrna Beach Power Project, the Bridgeport Power Project

will be operated by a Duke subsidiary, Duke Bridgeport Energy, L.L.C., which is also the majority (95.9 percent) owner of the Bridgeport Project.

In conjunction with Associated Electric Cooperative, Inc. ("AECI"), Duke is developing a 250 MW gas-fired combined cycle power plant in Southeast Missouri. This power plant is expected to achieve commercial operation in mid-1999. DEPS is pursuing additional development opportunities in the United States.

E. Duke Energy Corporation

Duke Energy Corporation ("Duke Energy") was formed in 1997 by the merger of Duke Power Company and PanEnergy Corp. With more than 20,000 MW of power generation in operation and moving approximately 12 percent of all natural gas in interstate commerce in the United States, Duke Energy is the seventh largest energy company in the world. Other Duke Energy activities and operations include power generation development and operation, power plant engineering services, pipeline operations, and energy marketing.

Through Duke Power Company and Nantahala Power & Light Company, Duke Energy provides retail electric service to approximately two million customers in North Carolina and South Carolina.

F. The Participation Agreement Between the UCNSB and Duke New Smyrna

The Utilities Commission of New Smyrna Beach and Duke New Smyrna entered into a negotiated Participation Agreement earlier this year. The Agreement has been approved by Duke New Smyrna, by

the Utilities Commission of the City of New Smyrna Beach, and by the New Smyrna Beach City Commission.

The key features of the Participation Agreement are as follows.

1. The UCNSB will furnish the site for the New Smyrna Beach Project to Duke New Smyrna.

2. The UCNSB will also furnish an interconnection point for the New Smyrna Beach Project to the 115 kV bus at the UCNSB's Smyrna Substation.

3. The UCNSB will provide reuse water from its adjacent wastewater treatment plant (currently under construction) and will provide other water supply sufficient for the process and make-up water requirements of the Project. More than 50 percent of the water required for the Project will be supplied by reuse water from the adjacent UCNSB wastewater treatment plant which is currently under construction.

4. The UCNSB will design, engineer, and construct modifications of the UCNSB Smyrna Substation to accommodate the proposed plant.

5. Duke New Smyrna has granted to the UCNSB an "entitlement" to 30 MW of the Project's capacity and associated energy for the technical and economic life of the Project. Duke New Smyrna will provide the energy associated with the entitlement capacity at agreed-upon pricing. When the final power purchase agreement is negotiated and executed, Duke New Smyrna will, consistent with FERC regulations, file that agreement with the FERC.

6. Duke New Smyrna will design, engineer, construct, finance, own, and operate the Project, and will market all capacity, energy, and, subject to future FERC approval, ancillary services provided from the Project. Duke New Smyrna is also responsible for the provision of natural gas fuel to the Project.

III. DESCRIPTION OF THE NEW SMYRNA BEACH POWER PROJECT

This section of the Exhibits describes the New Smyrna Beach Power Project, including the Project's location, site arrangement, major systems and facilities, associated facilities, capital costs and financing, fuel supply, operational reliability, construction and permitting schedules, and operation and maintenance plan.

A. Site Location

The Project will be located in the northwest quadrant of the intersection of Interstate Highway 95 and Florida State Road 44, within the city limits of New Smyrna Beach in west central Volusia County. The site consists of approximately 30.4 acres immediately adjacent to the Smyrna Substation of the UCNSB and also adjacent to an advanced wastewater treatment plant currently being constructed by the UCNSB. A 115 kV transmission line owned and operated by Florida Power & Light Company runs through the site approximately parallel to I-95. Another 115 kV transmission line owned by Florida Power Corporation originates at the Smyrna Substation and runs northward from the substation in the same corridor as the FPL line before turning west to FPC's Cassadaga substation. A map of the site location is included here as Figure 3.

B. Site Arrangement

The general arrangement of the power plant and substation on the Project site is shown in Figure 4. A detailed drawing of the layout of the actual generators, cooling towers, water processing and storage facilities, substation facilities, and stormwater

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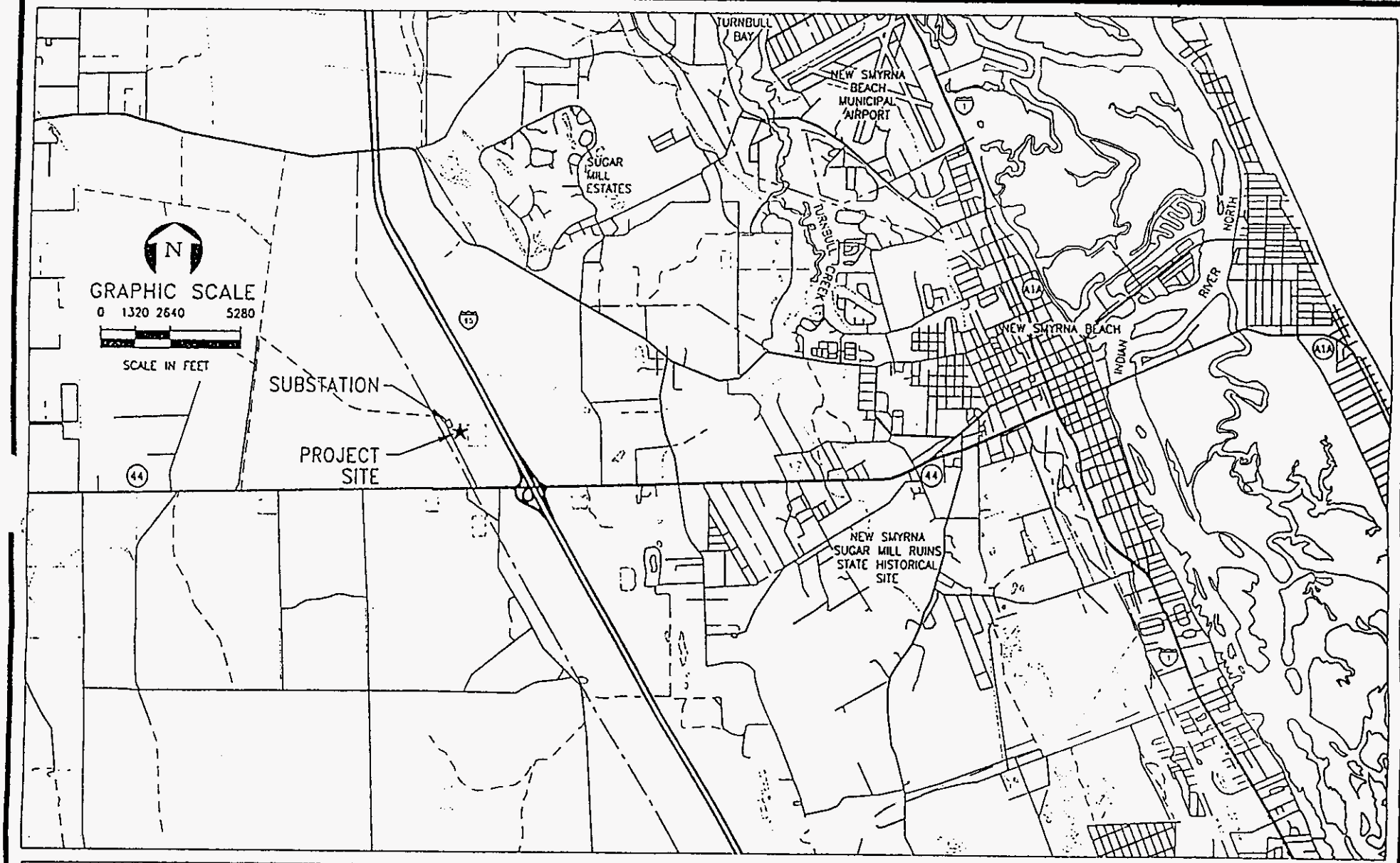

FIGURE 3
NEW SMYRNA BEACH POWER PROJECT
SITE LOCATION RELATIVE TO LOCAL LANDMARKS

Source: USGS Quads: New Smyrna Beach, FL, 1993; Edgewater, FL, 1970; Samsula, FL, 1993; Lake Ashby, FL, 1988.

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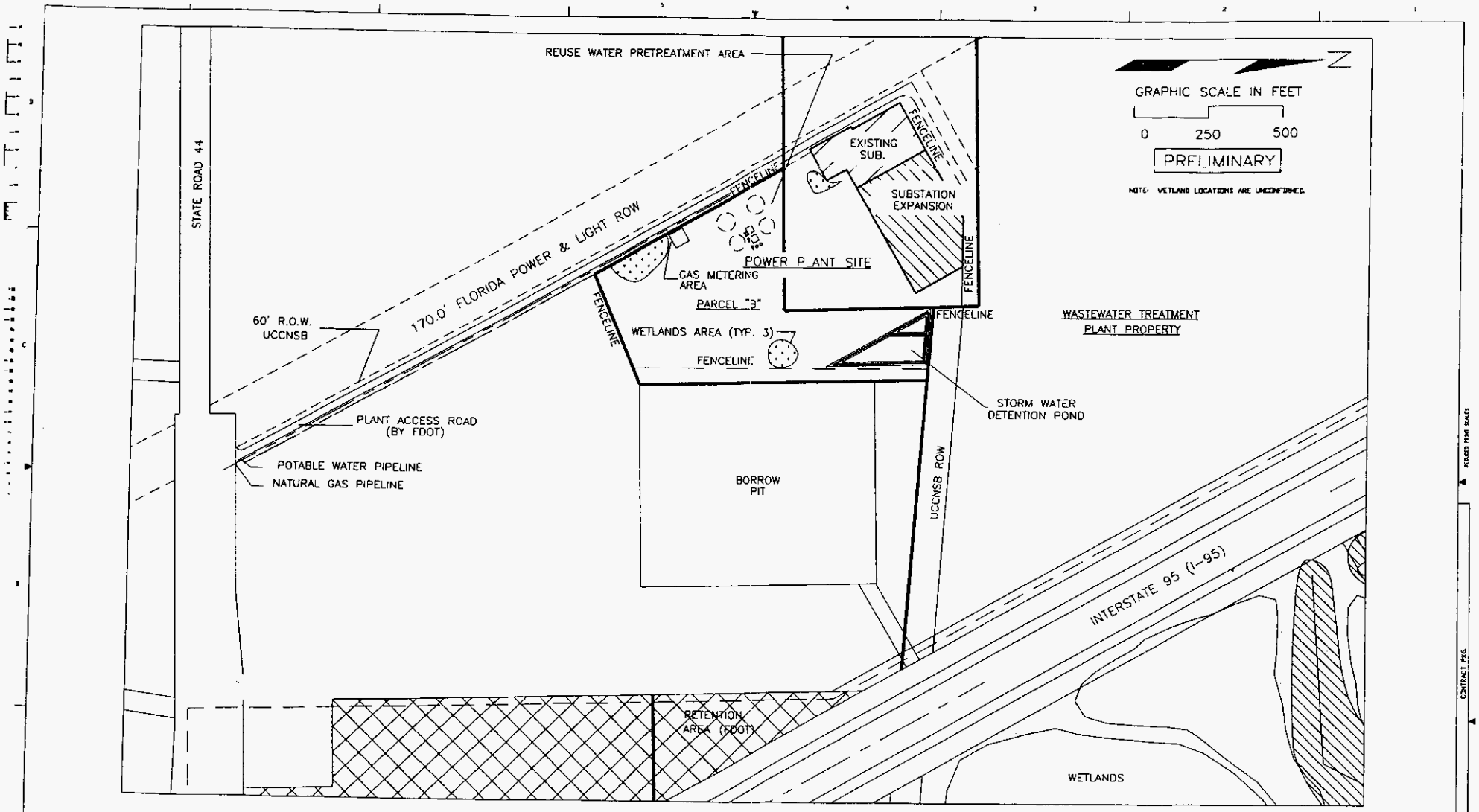
Environmental Consulting & Technology, Inc.



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A	7/29/98	ISSUED FOR INFORMATION	JB	SAMPATH AKS

DUKE/FLUOR DANIEL

POWER ENGINEERING • CONSTRUCTION • OPERATIONS & MAINTENANCE

FIGURE 4
NEW SMYRNA BEACH POWER PROJECT
SITE PLAN

SCALE	DRAWING NUMBER	REV.
NONE	06877401-00-51T-03	A

CAD DRAWING No. 0051T03A

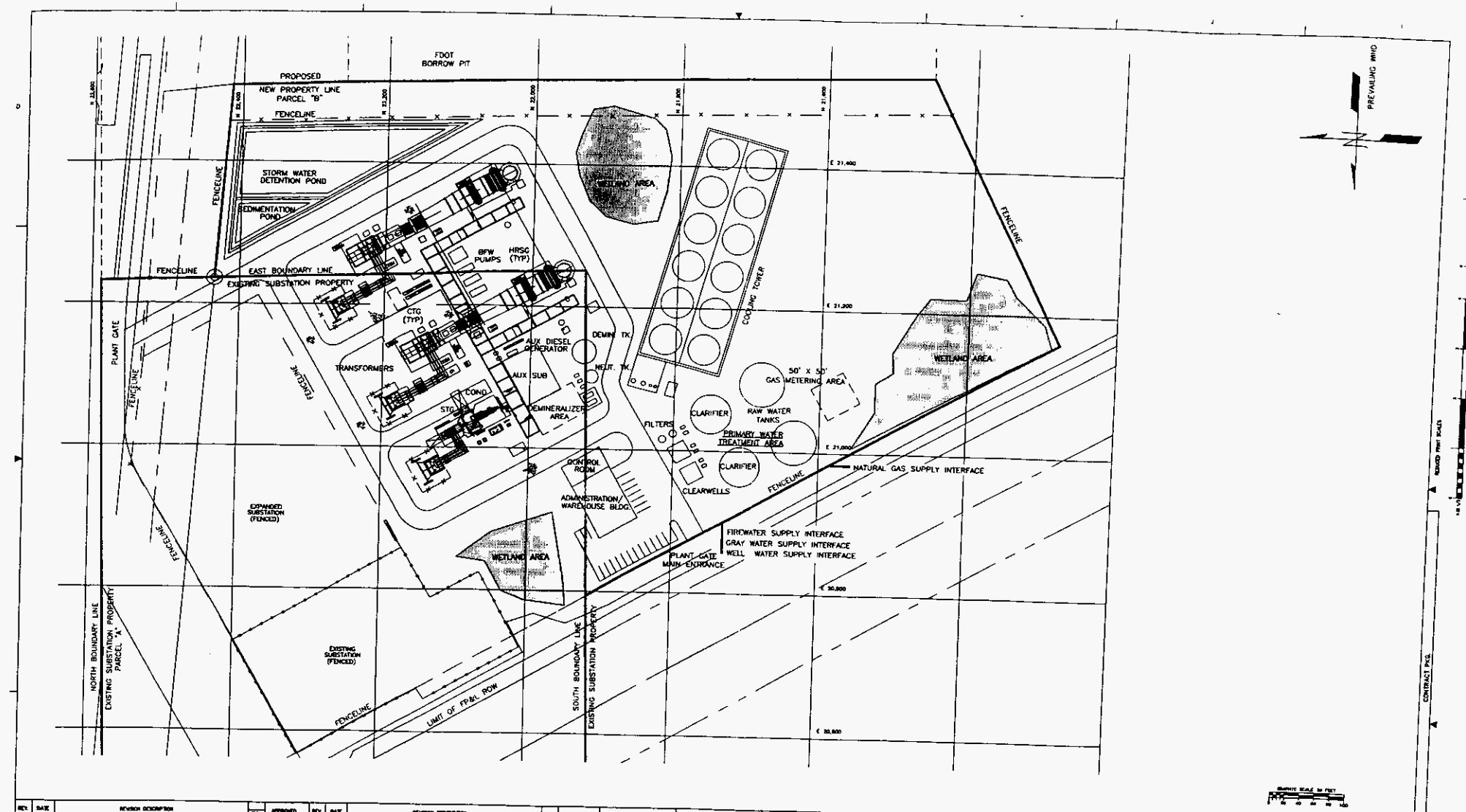
retention ponds, is shown in Figure 5, the plot plan for the Project. Graphic renditions of the power plant and major structures are depicted in Figures 6 and 7.

C. Description of Major Systems and Facilities

The Project will have 514 MW of capacity at ISO temperature and humidity conditions; the Project is rated at 476 MW for summer operation and 548 MW for winter operation. The power block will consist of two advanced technology combustion turbines (General Electric Frame 7FA or equivalent), two matched heat recovery steam generators, and one steam turbine generator. Process and makeup water will be supplied by reuse water from the adjacent UCNSB wastewater treatment plant (initially approximately 2.0 million gallons per day) and from on-site or off-site wells (initially at an annual average rate of approximately 1.8 million gallons per day). Wastewater will be returned to the UCNSB's wastewater treatment plant for treatment and reuse. Preliminary water balances are shown in Figures 9 and 10.

The Project is expected to have an equivalent availability factor of 96 percent, and a capacity factor ranging from approximately 83 percent in 2002 to 94 percent or more by 2012. The Project's direct construction cost is projected to be approximately $160 million, or approximately $311 per kW of nominal capacity. The Project will utilize low-NOx combustors and will have very low gaseous emissions and no heavy metals emissions.

These and additional data are presented in Table 1, Project Profile. More detailed plant performance and emissions data are



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C	2/98	ISSUED FOR INFORMATION ONLY	DB	
D	2/98	ISSUED FOR SITE BORING & RESIST. TESTS	DB	
E	4/98	ISSUED FOR NEW ORIENTATION AND SUBSTATION	DB	
F	4/98	INDICATED SOIL BORINGS LOCATIONS FOR TANKS	DB	
G	5/98	ISSUED FOR GEOTECH INVESTIGATION	DB	DS
H	6/98	REV. BORING "7", ROADS, PARKING, POND	DB	DS
J	6/98	ADDED AUX. DIESEL GENERATOR	DB	DS
K	7/98	ADDED PARCEL B & GEN. REVISION	DB	DS
L	8/98	ADDED WETLANDS & REV. METERING AREA	DB	DS
M	9/11/98	REV. WETLANDS, EQUIP. LOCATIONS	DB	DS

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FIGURE 5
NEW SMYRNA BEACH POWER PROJECT
PROPOSED PLOT PLAN

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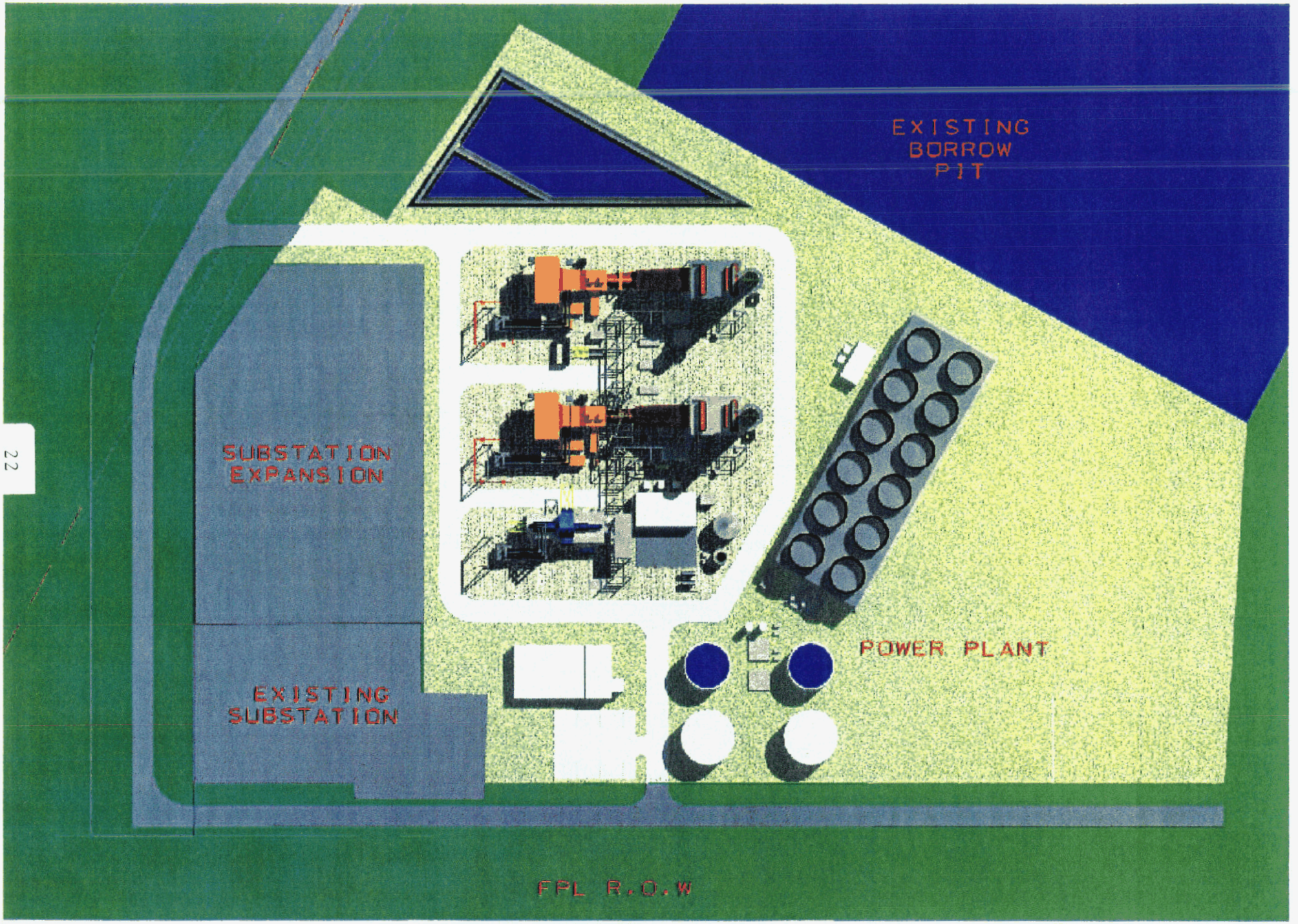


FIGURE 6
NEW SMYRNA BEACH POWER PROJECT
OVERHEAD RENDITION

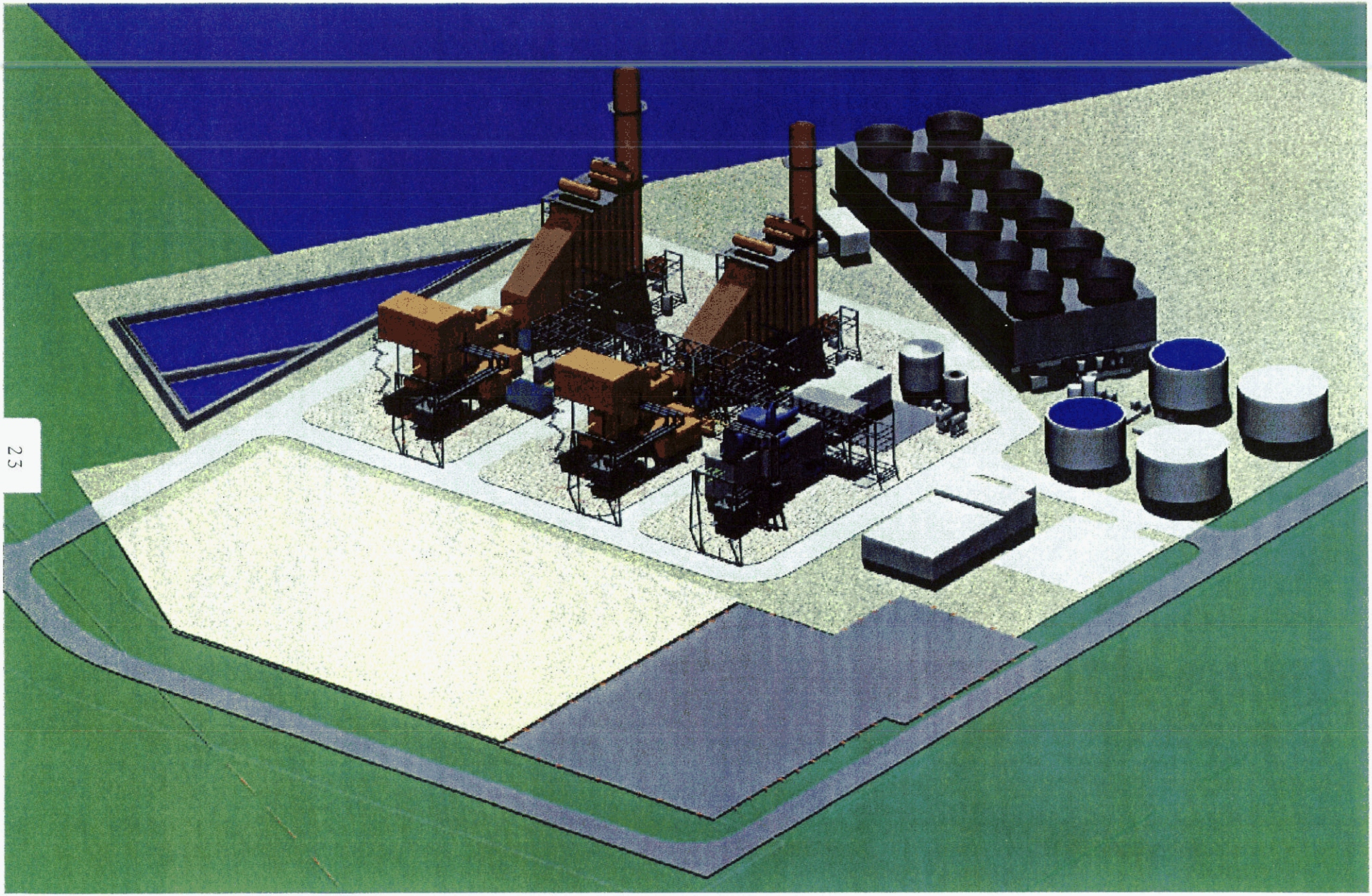
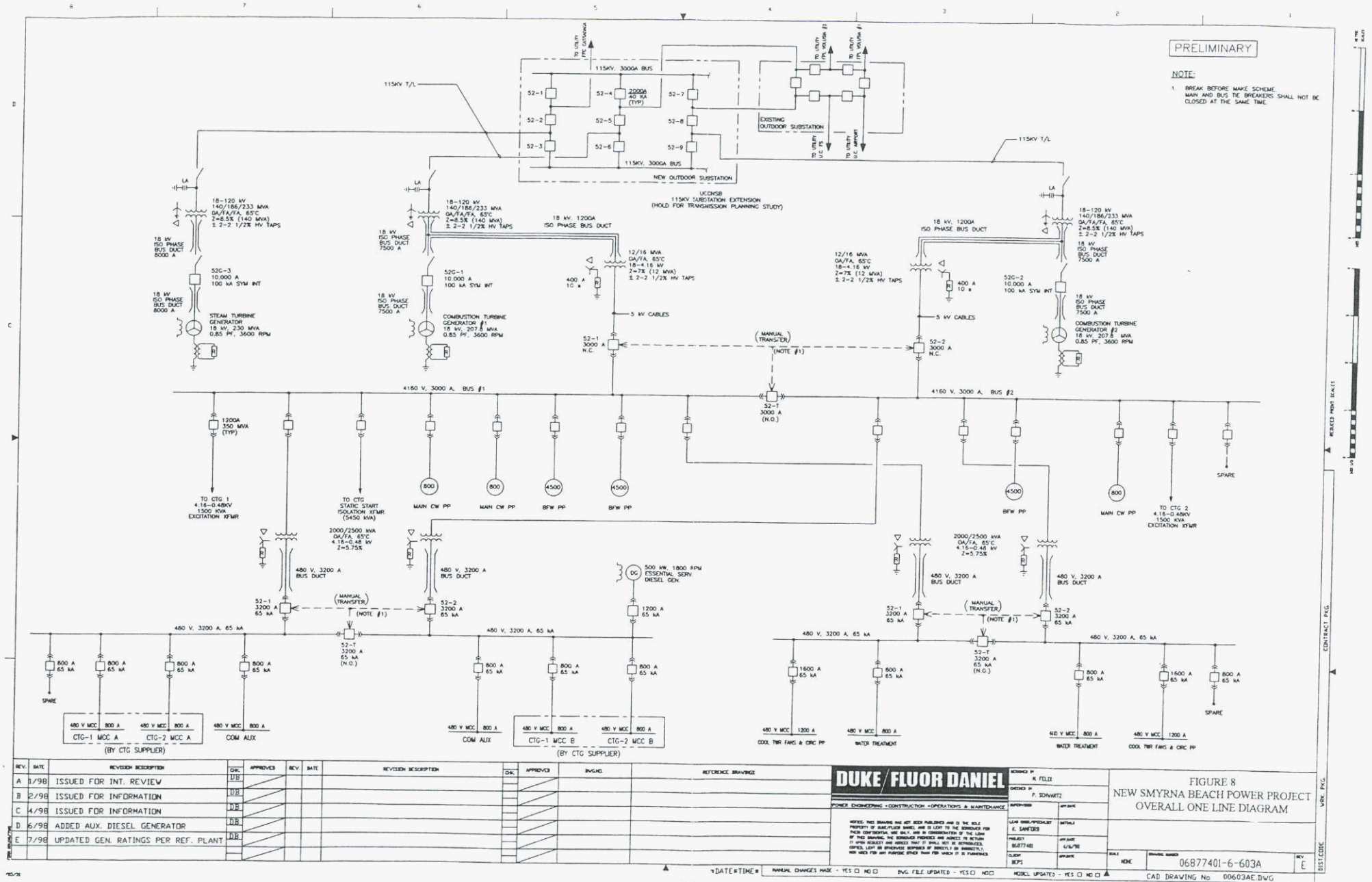


FIGURE 7
NEW SMYRNA BEACH POWER PROJECT
PERSPECTIVE RENDITION



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C	4/98	ISSUED FOR INFORMATION	DB								
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E	7/98	UPDATED GEN. RATINGS PER REF. PLANT	DB								

DUKE/FLUOR DANIEL
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DESIGNED BY: M. FELDI
CHECKED BY: P. SCHWARTZ
APPROVED: APP. DATE:
LEAD DISCIPLINE/SPECIALIST: E. SANFORD — DETAILED: 06877401 — 4/16/98
PROJECT: APP. DATE:
CLIENT: NUPS — APP. DATE:

FIGURE 8
NEW SMYRNA BEACH POWER PROJECT
OVERALL ONE LINE DIAGRAM

SCALE: NONE
DRAWING NUMBER: 06877401-6-603A
REV.: E
CAD DRAWING No. 00603AE.DWG

WORK PKG.
CONTRACT PKG.
DIST CODE

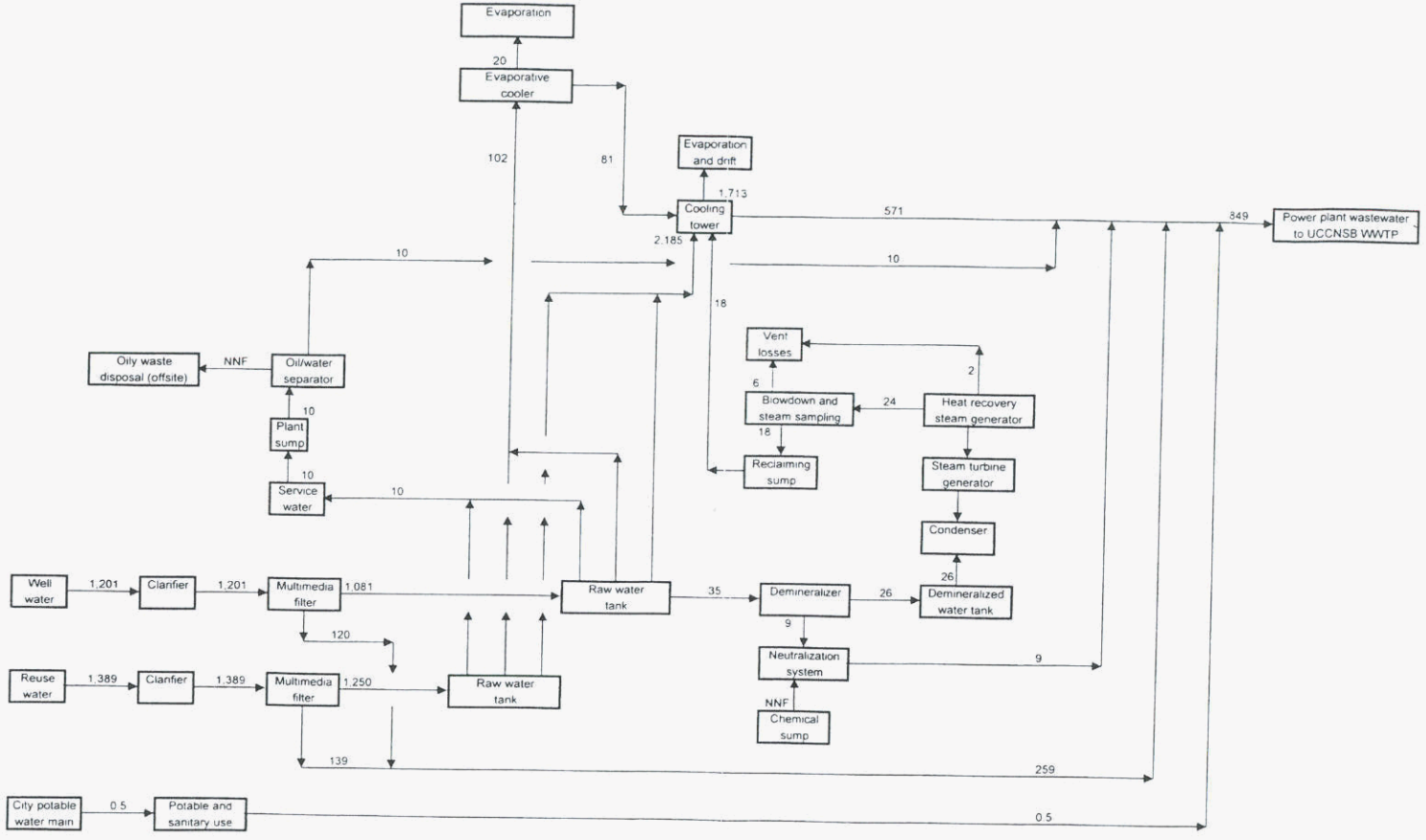
DATE/TIME | MANUAL CHANGES MADE - YES ☐ NO ☐ | DWG. FILE UPDATED - YES ☐ NO ☐ | MODEL UPDATED - YES ☐ NO ☐

Duke Energy Power Services
New Smyrna Beach Power Project
New Smyrna Beach, Florida

FIGURE 9

Preliminary Water Balance
ISO Temperature & Relative Humidity
100% CTG Load, 59°F, 60% Relative Humidity
Reuse Water Flow = 2.0 MGD

Duke/Fluor Daniel
Contract 06-605102
August 5, 1998



NOTES
1) Flows are in gpm
2) Cooling tower blowdown is based on four cycles of concentration
3) NNF - normally no flow

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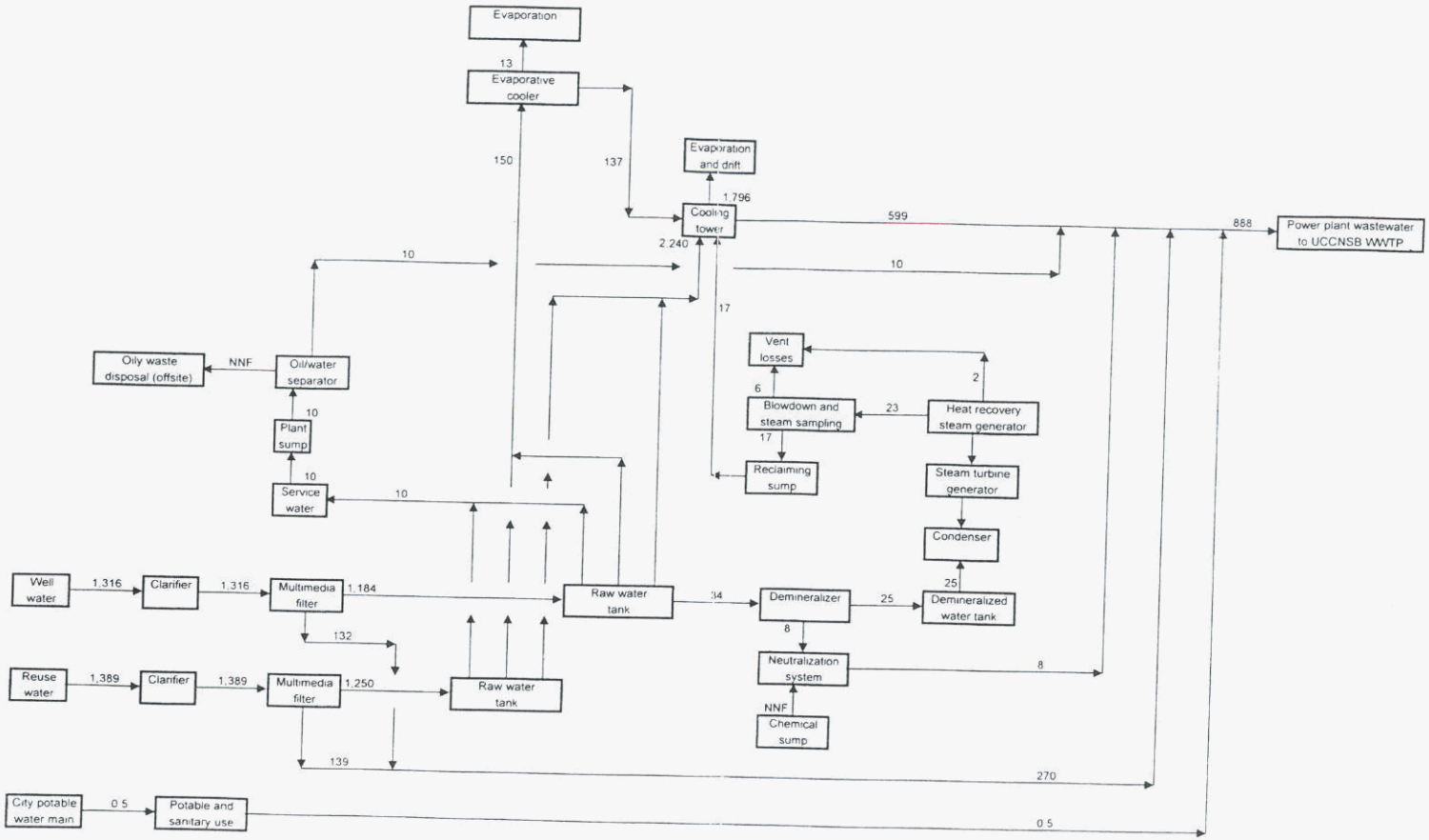
Duke Energy Power Services
New Smyrna Beach Power Project
New Smyrna Beach, Florida

FIGURE 10

Preliminary Water Balance
Max Annual 24 Hour
100% CTG Load, 73°F, 78% Relative Humidity
Reuse Water Flow = 2.0 MGD

Duke/Fluor Daniel
Contract 06-605102
August 6, 1998



NOTES
1) Flows are in gpm
2) Cooling tower blowdown is based on four cycles of concentration
3) NNF - normally no flow

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TABLE 1

NEW SMYRNA BEACH POWER PROJECT
PROJECT PROFILE

Expected Plant Capacity:

a.	Nominal rating:	500 MW
b.	Annual average (71F°, 78%RH):	496 MW
c.	Summer (84F°, 80%RH):	476 MW
d.	Winter (15F°, 78%RH):	548 MW
e.	ISO Temperature and Humidity (59F°, 60%RH):	514 MW

Project Energy Production: Approximately 4,000,000 MWH/year

Technology Type: Two Advanced Firing Temperature Technology Combustion Turbines, Two Heat Recovery Steam Generators, and One Steam Turbine Generator in Combined Cycle Configuration

Anticipated Construction Schedule:

a.	Project release date:	December 1999
b.	Construction mobilization date:	May 2000
c.	Commercial in-service date	October 2001

Fuel Type

a.	Primary Fuel	Natural Gas
b.	Alternate Fuel	None

Fuel Use: Approximately 85 Million Standard Cubic Feet of Natural Gas/day, annual average (71F, 78%RH), full load

Air Pollution Control Strategy: Low NOx Burners

Cooling Method: Cooling Tower

Total Site Area: 30.5 acres (approximate)

Construction Status: Planned

Certification Status: Need Determination application filed, anticipate filing Site Certification application Fall 1998

Status with Federal Agencies: EWG Status certified by FERC; market-based rates approved by FERC; federal environmental permit applications under preparation

TABLE 1

NEW SMYRNA BEACH POWER PROJECT
PROJECT PROFILE
(CONTINUED)

Projected Unit Performance Data:	
Planned Outage Factor (POF):	3 %
Forced Outage Factor (FOF):	1 %
Equivalent Availability Factor (EAF):	96 %
Resulting Capacity Factor(%):	75-92 % (first 10 years)
Average Net Operating Heat Rate (ANHOR):	6,832 Btu/kWh (HHV) (59F°, 60%RH)expected

Projected Unit Financial Data (per Duke Energy):	
Book Life (years):	30 years
Direct Construction Cost (Actual):	$160 Million
AFUDC Amount:	Not applicable
Escalation ($/kW):	Not applicable
Fixed O&M ($/kW per year):	Proprietary
Variable O&M ($/MWH):	Proprietary
K-Factor:	Not applicable
Project Life:	30 years

Expected Plant Air Emissions:	NOx: 12 ppmvd @15% O_2 CO: 9 ppmvd PM: 18 lbs./hour SO_2: 20 lbs./hour Uncombusted Hydrocarbons: 7 ppmvw
Transmission Lines Required:	Approx. 150 feet of 115 kV conductor from step-up transformer to bus at Smyrna Substation
Gas Pipeline Required: (per Duke Energy)	Approx. 42 miles of 16-inch (tentative size) lateral pipeline
Water Requirements:	Approx. 3.9 MGD, annual average (71F°, 78%RH), at full load
Wastewater Discharge:	Zero offsite discharge: wastewater returned to UCNSB treatment plant for reuse

shown in Table 2 of the Exhibits. An overall process flow diagram is presented in Figure 11.

D. Transmission Facilities

The Project will be electrically interconnected to the Peninsular Florida transmission system at the Smyrna Substation, providing connections to both FPL's and FPC's transmission systems. The direct interconnection will be accomplished by 18 kV-to-115 kV step-up transformers (one for each generation source), short lengths (approximately 150 feet) of appropriately sized 115 kV conductor, and appropriate switchgear. These facilities are illustrated, schematically, on the electrical one line diagram included here as Figure 8.

To facilitate and support power deliveries from the Project to other Peninsular Florida utilities located south of the Project, a second circuit is planned to be added to the 18-mile 115 kV Smyrna-Cassadaga transmission line, and a new 7.5-mile 115 kV circuit is planned to connect the Cassadaga substation to the Lake Helen substation. These transmission circuits are depicted in the transmission system map in Figure 12.

E. Associated Facilities

Natural gas will be provided to the Project via a 42-mile long, 16-inch lateral pipeline that will originate at FGT's main pipeline near Mt. Plymouth, in Lake County, Florida, and run through Lake, Seminole, and Volusia Counties to the Project. The permits for the lateral gas pipeline will be obtained by FGT. The

TABLE 2

Estimated Plant Performance and Emissions Data
2 x 1 Combined Cycle Plant
Two General Electric Model PG7241(FA) Combustion Turbine Generators
Two Unfired Heat Recovery Steam Generators
One Reheat Condensing Steam Turbine Generator

Combustion turbine load	100%	100%	100%	100%	75%	75%	75%	75%	50%	50%	50%	50%
Ambient temperature (°F)	84	71	59	15	84	71	59	15	84	71	59	15
Relative humidity	80%	78%	60%	78%	80%	78%	60%	78%	80%	78%	60%	78%
Net plant power output (kW)	476,273	496,303	514,328	548,041	384,705	400,592	415,310	438,015	283,468	295,527	309,021	324,276
Net CTG power output (kW)	303,827	318,037	333,072	364,908	229,772	240,897	252,040	273,783	153,365	160,680	167,862	182,095
Net STG power output (kW)	172,446	178,266	181,256	183,133	154,933	159,695	163,270	164,232	130,103	134,847	141,159	142,181
Net plant heat rate, LHV basis (btu/kWh)	6,265	6,217	6,211	6,263	6,532	6,446	6,439	6,417	7,017	6,896	6,907	6,852
Net plant heat rate, HHV basis (btu/kWh)	6,892	6,839	6,832	6,889	7,185	7,091	7,083	7,059	7,719	7,586	7,598	7,537
Net CTG heat rate, LHV basis (btu/kWh)	9,820	9,701	9,591	9,406	10,937	10,719	10,610	10,266	12,970	12,684	12,715	12,203
Net CTG heat rate, HHV basis (btu/kWh)	10,802	10,671	10,550	10,347	12,031	11,791	11,671	11,293	14,267	13,952	13,987	13,423
CTG fuel flow rate (lb/h) - total for two CTGs	138,662	143,389	148,458	159,514	116,789	120,007	124,272	130,627	92,442	94,717	99,192	103,266
CTG heat input, LHV basis (mmbtu/h) - total for two CTGs	2,984	3,085	3,194	3,432	2,513	2,582	2,674	2,811	1,989	2,038	2,134	2,222
CTG exhaust gas flow (lb/h) - total for two CTGs	6,690,340	6,916,800	7,139,660	7,622,280	5,654,260	5,758,760	5,948,460	6,051,540	4,761,600	4,819,320	5,023,200	5,043,300
CTG exhaust gas composition (by volume)												
- Nitrogen + argon	73.64%	74.50%	75.17%	75.93%	73.65%	74.49%	75.16%	75.83%	73.80%	74.65%	75.31%	75.99%
- Oxygen	12.25%	12.45%	12.58%	12.70%	12.27%	12.40%	12.54%	12.45%	12.75%	12.86%	12.98%	12.88%
- Carbon dioxide	3.66%	3.68%	3.70%	3.74%	3.65%	3.70%	3.72%	3.86%	3.44%	3.49%	3.52%	3.66%
- Water	10.45%	9.37%	8.55%	7.63%	10.43%	9.41%	8.58%	7.86%	10.01%	9.00%	8.19%	7.47%
NOx as NO2 (lb/h) - 12 ppmvd @15% O2 - total for two stacks	144	149	154	166	121	125	129	135	95.8	98.2	103	107
CO (lb/h) - 9 ppmvd - total for two stacks	53.6	55.9	58.0	62.3	45.3	46.5	48.3	49.4	38.3	39.1	41.0	41.3
UHC as CH4 (lb/h) - 7 ppmvd - total for two stacks	26.6	27.4	28.2	30.0	22.5	22.8	23.5	23.8	18.9	19.1	19.8	19.8
VOC as CH4 (lb/h) - 1.4 ppmvd - total for two stacks	5.32	5.48	5.64	6.00	4.50	4.56	4.70	4.76	3.78	3.82	3.96	3.97
SOx as SO2 (lb/h) - total for two stacks	18.8	19.4	20.1	21.6	15.8	16.3	16.8	17.7	12.5	12.8	13.4	14.0
Particulates (lb/h) - total for two stacks	18	18	18	18	18	18	18	18	18	18	18	18
Stack velocity (ft/s) - based on a 19 ft diameter stack	55.5	56.9	58.2	61.8	46.0	46.3	47.5	47.8	38.1	38.1	39.3	39.1
Stack temperature (°F)	193	190	187	185	181	176	173	168	171	166	161	157

NOTES:
1) SOx emissions are based on firing pipeline quality natural gas with a maximum sulfur content of 2 grains/100 scf

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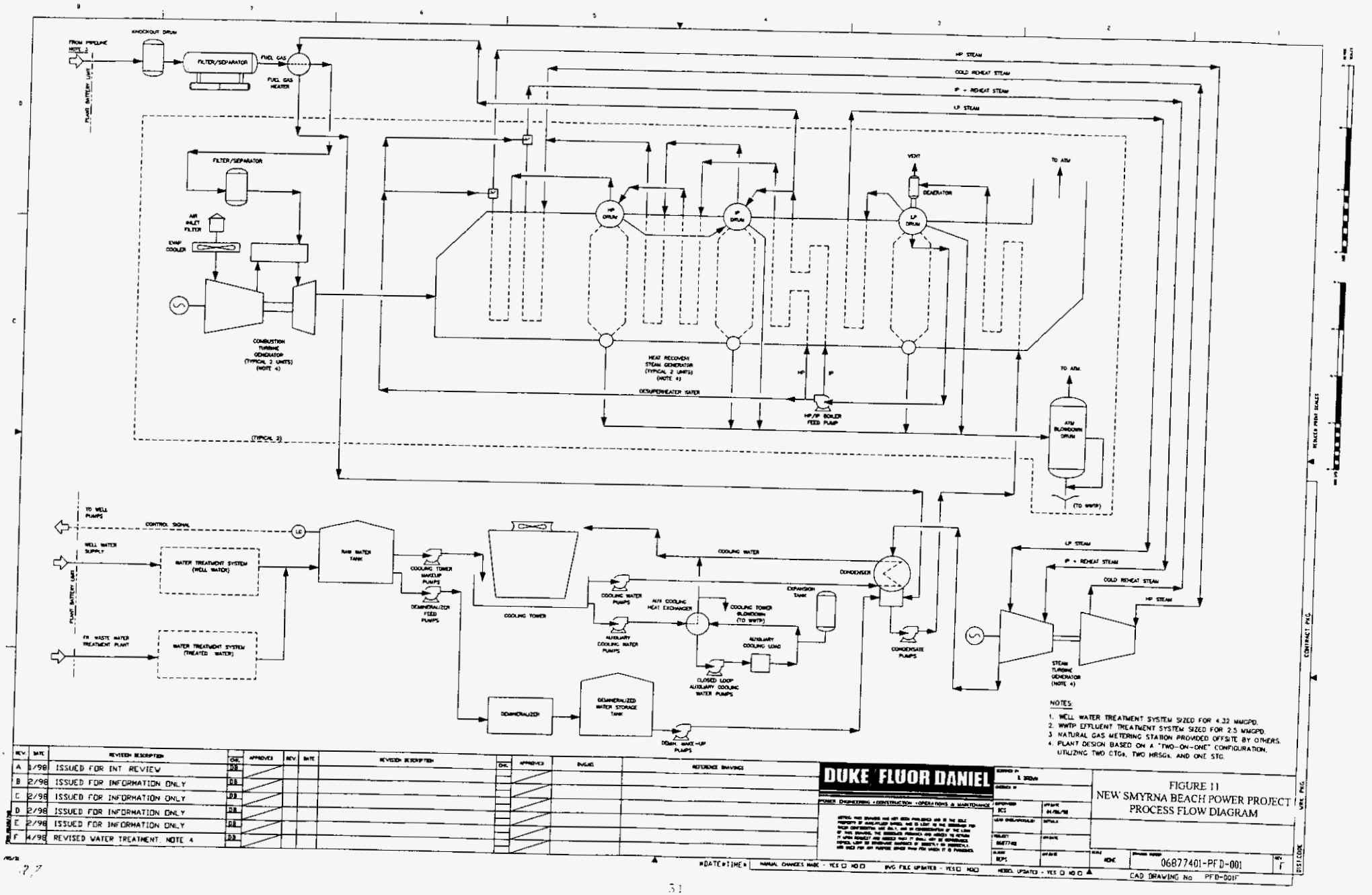


REV.	DATE	REVISION DESCRIPTION	CHK.	APPROVED
A	1/98	ISSUED FOR INT REVIEW	DB	
B	2/98	ISSUED FOR INFORMATION ONLY	DB	
C	2/98	ISSUED FOR INFORMATION ONLY	DB	
D	2/98	ISSUED FOR INFORMATION ONLY	DB	
E	2/98	ISSUED FOR INFORMATION ONLY	DB	
F	4/98	REVISED WATER TREATMENT, NOTE 4	DB	

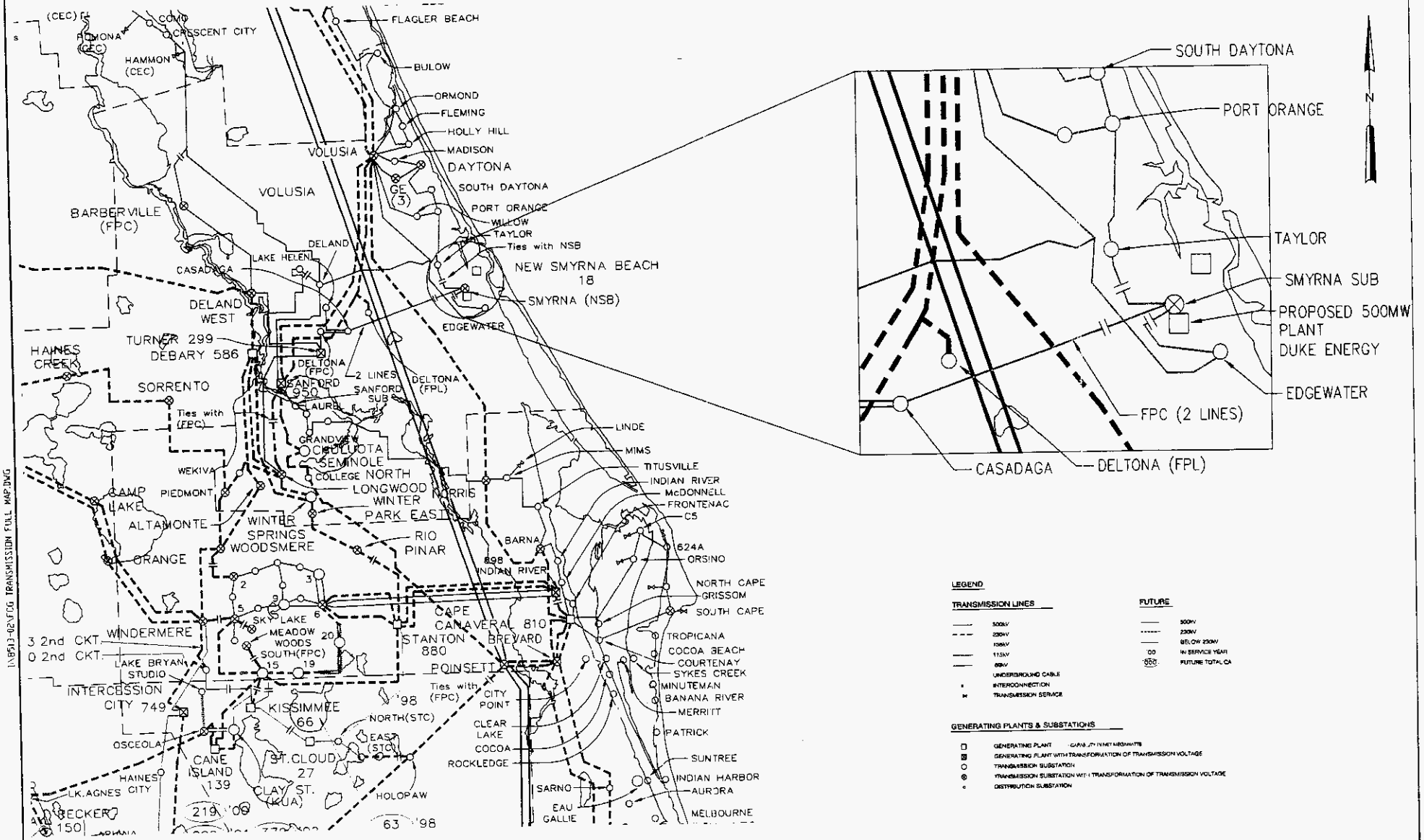
DUKE FLUOR DANIEL

POWER ENGINEERING • CONSTRUCTION • OPERATIONS & MAINTENANCE

FIGURE 11
NEW SMYRNA BEACH POWER PROJECT
PROCESS FLOW DIAGRAM

06877401-PFD-001 F

CAD DRAWING No PFD-001F



I:\8513-02\FDG TRANSMISSION FULL MAP.DWG

DRAWN: LARRY JAMES	FRANK ALONSO PE 38091	RMI Resource Management International, Inc.	SCALE: NONE CAD FILE: FDG TRANSMISSION FULL MAP PROJ. NO.: 8513.02	DUKE ENERGY POWER SERVICES	FIGURE 12 NEW SMYRNA BEACH POWER PROJECT TRANSMISSION INTERCONNECTION	DATE: AUGUST 1998 SHEET: — OF — DRAWING: E-1

route of the planned lateral pipeline is shown on Figure 13.

F. Capital Cost of the New Smyrna Beach Power Project

The projected direct construction cost of the New Smyrna Beach Power Project is $160 million, including the direct transmission interconnection facilities (step-up transformer, switchgear, and conductor to the bus at the Smyrna Substation), but not including the cost of the lateral gas pipeline. (The pipeline will be installed by FGT at its expense.)

G. Financing of the Project

At this time, Duke New Smyrna anticipates that the Project will be constructed and brought into commercial service with internal funds. While Duke New Smyrna may ultimately refinance part of its investment in the Project with debt instruments, there are no plans to do so at this time.

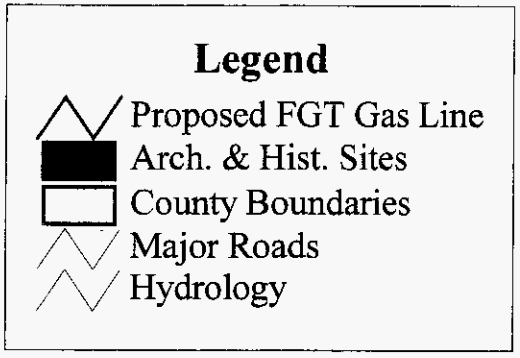
H. Fuel Supply

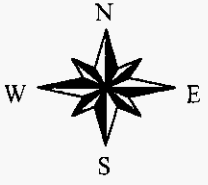
The Project will be fueled by natural gas. Gas will be delivered to the Project by a 42-mile, 16-inch lateral pipeline that will originate at FGT's main pipeline near Mt. Plymouth, Florida. The gas will be supplied by Citrus Trading Corp., an affiliate of FGT and Enron Corp., pursuant to a long-term contract for delivered firm gas supply.

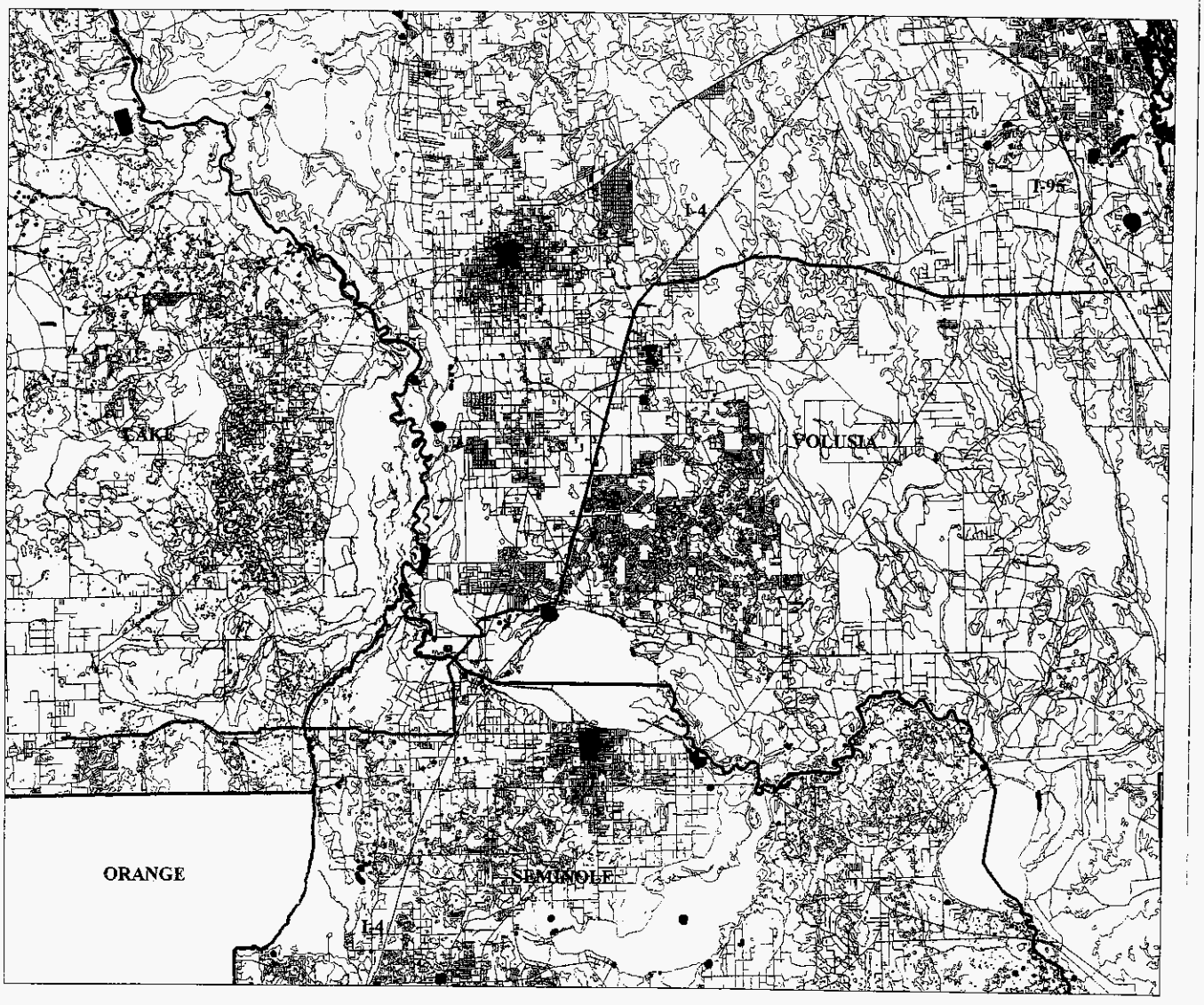
The initial term of the DEPS-Citrus firm gas supply contract is 20 years. After the initial 20-year term, the gas supply contract is renewable from year to year. If the contract is terminated, Duke Energy Power Services, Duke New Smyrna's agent for

Figure 13

Proposed Route Map for 16-Inch
New Smyrna Beach Lateral Gas Pipeline
Florida Gas Transmission Company







Data Source: Bureau of Archaeological Research
Projection: Albers, NAD 1927, FL East, meters
July 23, 1998

DRAFT

NATURAL SYSTEMS ANALYSIS, INC.
Mapping
Geographic Information Systems
Environmental Consulting

purposes of the gas contract, has the right to acquire Citrus's gas transportation capacity on FGT's system.

I. Projected Operational Reliability

The combined cycle generating unit is projected to have high efficiency and availability. With a heat rate of 6,832 Btu per kWh (based on the Higher Heating Value of natural gas), the net thermal efficiency is expected to be approximately 50 percent. Based on its heat rate of 6,211 Btu/kWh with the Lower Heating Value of natural gas, the Project's efficiency is 55 percent. The Project is expected to have an Equivalent Availability Factor of 96 percent, a Forced Outage Rate of 1 percent and a Planned Outage Rate of 3 percent. The Project is expected to operate at Capacity Factors ranging from approximately 83 percent in 2002, its first full year of operation, to approximately 94 percent in 2012. Basic operational reliability information for the Project is shown on the Project Profile included here as Table 1. Projected operation levels are shown on Table 10.

J. Project Schedule

The preliminary site evaluation is complete, and detailed site analyses -- geotechnical and hydrogeological evaluations -- are in progress. Preliminary engineering is scheduled to begin in April 1999, and detailed design and engineering are scheduled to begin in October 1999. Full release of the long-lead-time components -- the combustion turbines, heat recovery steam generators, and steam turbine generator -- is projected to be issued, and construction is

expected to begin, immediately following issuance of the site certification in late 1999. The Project is scheduled to achieve commercial in-service status in the fall of 2001. The Project engineering and construction schedule is depicted in Figure 14.

K. Regulatory and Permitting Schedules

This need determination application was filed on August 19, 1998, and the need determination hearing is expected to be held in November 1998. The Commission's order is expected by the end of January 1999. The Site Certification Application for the Project will be filed in late September or early October 1998. The land use hearing is expected to be held by May 1999, and the site certification hearing is expected to be held by July 1999. Final certification by the Siting Board is expected by December 1999. Detail of the permitting schedule is shown in Figure 15, and a detailed listing of all federal, state, regional, and local permitting requirements is shown in Table 3.

L. Operations and Maintenance

The New Smyrna Beach Power Project will be operated by Duke/Fluor Daniel's operations and maintenance group.

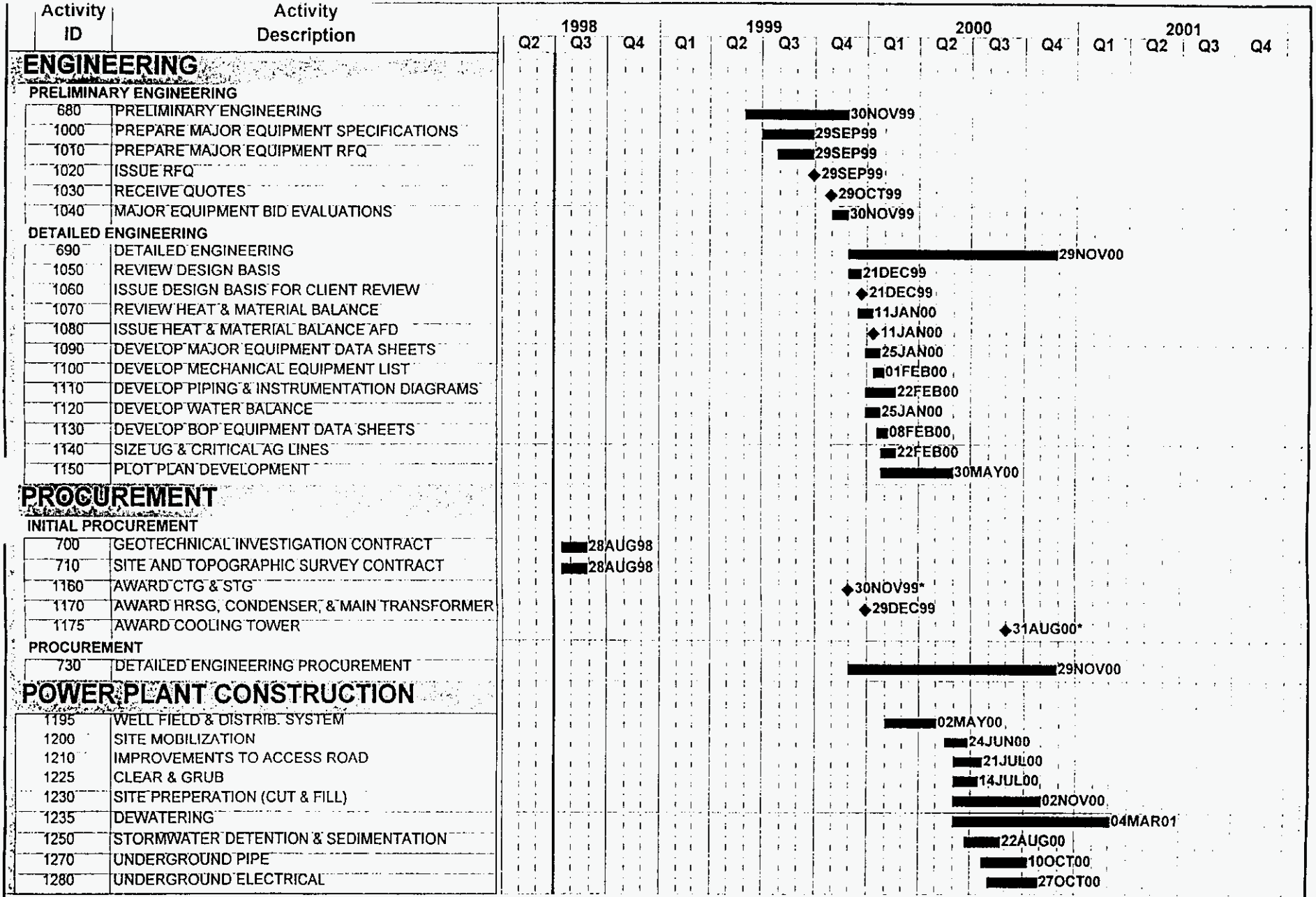
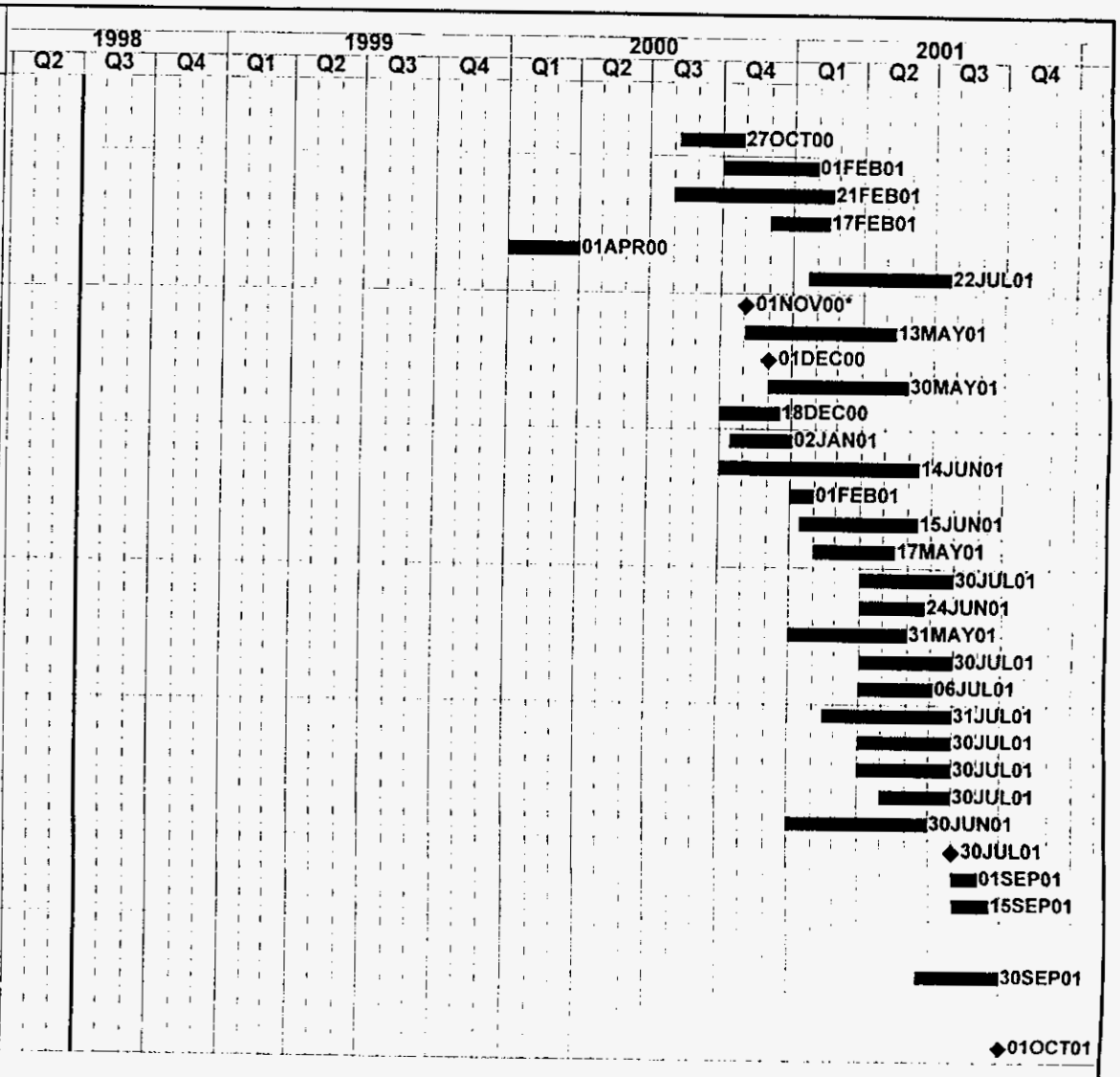


FIGURE 14
NEW SMYRNA BEACH POWER PROJECT
PROJECT SCHEDULE

DUKE/FLUOR DANIEL

Activity ID	Activity Description
POWER PLANT CONSTRUCTION	
1300	PILING
1310	ADMIN/WAREHOUSE & CONTROL ROOM
1320	CONCRETE
1330	PIPERACK ERECTION
1335	REUSE WATER SYSTEM TO PLANT
1340	BOP MECHNICAL
1370	CTG 1 DELIVERY
1380	CTG 1 INSTALLATION
1400	CTG 2 DELIVERY
1410	CTG 2 INSTALLATION
1420	HRSG 1 DELIVERY
1430	HRSG 2 DELIVERY
1440	HRSG INSTALLATION (1 & 2)
1442	STG DELIVERY
1444	STG INSTALLATION
1450	COOLING TOWER BASIN
1460	COOLING TOWER ERECTION
1480	ERECT TANKS & CLARIFIERS
1482	SUBSTATION
1484	115 KV XMISSION LN. DBL. CIRCUITING
1486	TRANSFORMER INSTALLATION
1488	BOP ELECTRICAL
1490	CEMS
1492	DCS
1494	PAINTING & INSULATION
1496	GAS SUPPLY PIPELINE & METERING STATION
1500	MECHANICAL COMPLETION
1505	IN-PLANT ROADS
1510	PAVING PLANT ACCESS ROAD FROM SR 44
COMMISSIONING, STARTUP, & PERF. T	
770	COMMISSIONING, STARTUP, PERFORMANCE
COMMERCIAL OPERATION	
780	COMMERCIAL OPERATION



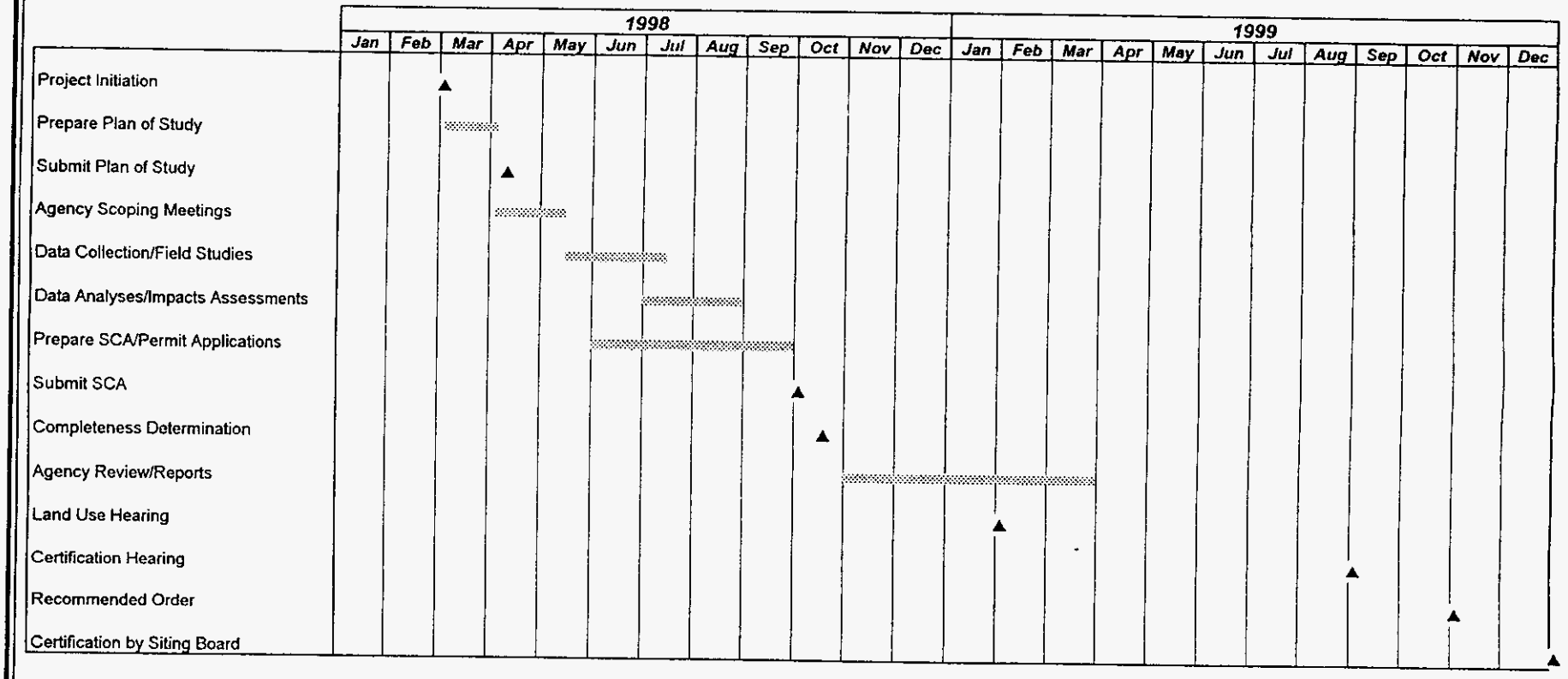


FIGURE 15
NEW SMYRNA BEACH POWER PROJECT
ENVIRONMENTAL LICENSING SCHEDULE

Source: ECT, 1998.

ECT
Environmental Consulting & Technology, Inc.

TABLE 3
NEW SMYRNA BEACH POWER PROJECT
Major Potentially Applicable Environmental Regulations and Licensing Considerations*

Federal

1. Air: NAAQS (EPA 40 CFR 50)
2. Air: PSD (EPA 40 CFR 52.21)
3. Air: NSPS (EPA 40 CFR 60, Subpart GG)
4. Wastewater, including Storm Water: NPDES (EPA 40 CFR 423, 122)
5. Dredge and Fill (USACE Section 404 (33 U.S.C. §1344; 33 CFR 320-330)
6. Stack Height (FAA 14 CFR 77; EPA 40 CFR 51)
7. Endangered Species (USFWS 50 CFR 17)
8. Fuel Use Act (DOE 42 U.S.C. §8311; 10 CFR 501)
9. NEPA (42 U.S.C. §§4321-4370; CEQ 40 CFR 1500-1517)

State

1. Power Plant Siting Act (FDEP 403.501-403.518, F.S.; Ch. 62-17, F.A.C.)
2. Transmission Line Siting Act (FDEP 403.52-403.539, F.S.; Ch. 62-17, F.A.C.)
3. Permits (FDEP Ch. 373 and 403, F.S.; Ch. 62-4, F.A.C.)
4. Storm Water Discharge (FDEP Ch. 403, F.S.; Ch. 62-25, F.A.C.)
5. Water Policy (FDEP Ch. 373 and 403, F.S.; Ch. 62-40, F.A.C.)
6. Sampling and Analysis: Quality Assurance (FDEP Ch. 373, 376, and 403, F.S.; Ch. 62-160, F.A.C.)
7. Air: AAQS (FDEP Ch. 403, F.S.; Ch. 62-204.240, F.A.C.)
8. Air: PSD (FDEP Ch. 403, F.S.; Ch. 62-212.400, F.A.C.)
9. Air: NSPS (FDEP Ch. 403, F.S.; Ch. 62-296, F.A.C.)
10. Surface Water Discharge: Surface Water Quality Standards (FDEP Ch. 403, F.S.; Ch. 62-302, F.A.C.)
11. Dredge and Fill: Wetlands (FDEP Ch. 373 and 403, F.S.; Ch. 62-312, F.A.C.)
12. Environmental Resource Permitting (FDEP Ch. 120, 373, and 403, F.S.; Ch. 62-330, -341, -343, F.A.C.)
13. Ground Water Standards (FDEP Ch. 403, F.S.; Ch. 62-520, F.A.C.)
14. Wellhead Protection (FDEP Ch. 403, F.S.; Ch. 62-521, F.A.C.)
15. Water Well Permitting and Construction (FDEP Ch. 373, F.S.; Ch. 62-532, F.A.C.)
16. Reuse of Reclaimed Water (FDEP Ch. 403, F.S.; Ch. 62-610, F.A.C.)
17. Wastewater Discharge: Wastewater Facility Permitting (FDEP Ch. 403, F.S.; Ch. 62-620, F.A.C.)
18. Wastewater Discharge: Pretreatment Requirements (FDEP Ch. 403, F.S.; Ch. 62-625, -650, -660, F.A.C.)
19. Solid Waste (FDEP Ch. 403, F.S.; Ch. 62-701, F.A.C.)
20. Oil/Water Separator: Used Oil Management (FDEP Ch. 403, F.S.; Ch. 62-710, F.A.C.)
21. Hazardous Waste (FDEP Ch. 403, F.S.; Ch. 62-730, F.A.C.)
22. Underground Storage Tank Systems (FDEP Ch.. 376, F.S.; Ch. 62-761, F.A.C.)
23. Aboveground Storage Tank Systems (FDEP Ch. 376, F.S.; Ch. 62-761, F.A.C.)
24. Natural Gas Transmission Pipeline Siting (FDEP Ch. 403; F.S.; Ch. 62-807, F.A.C.)
25. Electric and Magnetic Fields (FDEP Ch. 403, F.S.; Ch. 62-814, F.A.C.)
26. Endangered/Threatened Wildlife Species (FGFWFC Ch. 372, F.S.; Ch. 39-27, F.A.C.)

Major Potentially Applicable Environmental Regulations and Licensing Considerations*
(Continued, Page 2 of 3)

27. Preservation of Native Flora of Florida (FDOA, Ch. 581, F.S.)
28. Archaeology/Historical (FDOS Ch. 267, F.S.; Ch. 1A, F.A.C.)
29. Access Road/Highway/Railroad (FDOT Ch. 14, F.A.C.)
30. Stack Height (FDOT Ch. 330, 333, and 334, F.S.; Ch. 14-60.009, F.A.C.)
31. Land Use: FDCA Coastal Zone Areas (Ch. 380, Part II, Ch. 380.23, F.S.); Environmentally Endangered Land (Ch. 259, F.S.); Areas of Critical Concern (Ch. 380, F.S.); Aquatic Preserves (Ch. 258, Part II, F.S.); Outstanding Florida Waters (FDEP Ch. 403, F.S.; Ch. 62-302.700, F.A.C.); State Parks, Recreation Areas, and Wilderness Areas (Ch. 375, F.S., Ch. 258, F.S.); National Forests, National Wildlife Refuges, and State Wildlife Management Areas (Ch. 372, F.S.); Indian Reservations (Ch. 285, F.S.)

Regional

1. Permits Required: Organization and Procedure (SJRWMD Ch. 40C-1, F.A.C.)
2. Consumptive Water Use, Well Construction: (SJRWMD Ch. 40C-2,-3, F.A.C.)
3. Environmental Resource Permits: Surface Water Management Systems (SJRWMD Ch. 40C-4, -40, -42, -400, F.A.C.)
4. Works of District (SJRWMD Ch. 40C-6, F.A.C.)
5. Ground Water Withdrawal: Minimum Levels (SJRWMD Ch. 40C-8, F.A.C.)
6. Construction Dewatering: Noticed General Permit (SJRWMD Ch. 40C-22, F.A.C.)
7. Water Resource Caution Area (SJRWMD Ch. 40C-23, F.A.C.)
8. Land Use: Regional Comprehensive Policy Plan (ECFRPC, Ch. 29F-19, F.A.C.)

Local

1. Land Use: Local Government Comprehensive Planning Act of 1975 with Amendments (Ch. 163, F.S.); City of New Smyrna Beach and Volusia County
2. Noise: City of New Smyrna Beach Ordinance No. 16-95
3. Noise: Volusia County Ordinance No. 83-22
4. Well Construction: Volusia County Code, § 74-39
5. Environmental Protection: Volusia County Code, § 50-105 *et seq.*
6. Wetlands: Volusia County Code, § 50-209
7. Well-Field Protection: Volusia County Code, § 50-281
8. Storage of Hazardous Substances: Volusia County Code, § 50-284
9. Tree Removal: Volusia County Code, § 50-167
10. Construction Permits, including Setbacks and Height Restrictions

Note: AAQS = ambient air quality standards.
CEQ = Council on Environmental Quality.
CFR = Code of Federal Regulations.
DOE = Department of Energy.
ECFRPC = East Central Florida Regional Planning Council.
EPA = U.S. Environmental Protection Agency.
FAA = Federal Aviation Administration.

Major Potentially Applicable Environmental Regulations and Licensing Considerations*
(Continued, Page 3 of 3)

F.A.C. = Florida Administrative Code.
FDCA = Florida Department of Community Affairs.
FDEP = Florida Department of Environmental Protection.
FDOA = Florida Department of Agriculture and Consumer Services
FDOS = Florida Department of State.
FDOT = Florida Department of Transportation.
FGFWFC = Florida Game and Fresh Water Fish Commission.
F.S. = Florida Statutes.
NEPA = National Environmental Policy Act.
NAAQS = national ambient air quality standards.
NPDES = National Pollutant Discharge Elimination System.
NSPS = new source performance standards.
PSD = Prevention of Significant Deterioration.
SJRWMD = St. Johns River Water Management District.
USACE = U.S. Army Corps of Engineers.
U.S.C. = United States Code.
USFWS = U.S. Fish and Wildlife Service.

*Not all of the listed regulations will apply to the project.

Source: ECT, 1998.

IV. CONSISTENCY OF THE NEW SMYRNA BEACH POWER PROJECT WITH THE POWER SUPPLY NEEDS OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH AND OF PENINSULAR FLORIDA

The New Smyrna Beach Power Project will provide total net generation capability of 476 MW in the summer and 548 MW in the winter. This additional capacity is consistent with the power supply needs of the UCNSB and will significantly increase the reliability of power supply in Peninsular Florida.

A. Power Supply Needs of the Utilities Commission, City of New Smyrna Beach

The UCNSB serves approximately 19,900 electric customers within a service area of 72 square miles. The service area consists of the City of New Smyrna Beach and the surrounding unincorporated areas mainly to the south and west of the City. The customer base for UCNSB is largely (90%) residential and energy sales to the residential customers account for 65% of all energy sales. Table 4 presents historic and projected numbers of customers for the UCNSB electric system.

The UCNSB electric system is a winter peaking system. The UCNSB's historical maximum peak demand of 89 MW was experienced in the winter of 1996. The UCNSB's all-time summer peak demand was 80.2 MW in June of this year. Peak demand levels have grown linearly over the past several years and are expected to grow steadily for the foreseeable future due to consistent customer growth, largely in the residential customer class. Table 5 and Figures 16 and 17 present the UCNSB's historical and projected summer and winter peak demands, including the amount of each peak

TABLE 4

Utilities Commission, City of New Smyrna Beach
Historical and Projected Customers, 1992-2008

Historical Customers						
	1992	**1993**	**1994**	**1995**	**1996**	**1997**
Residential Customers (Average/Month)	16,914	17,213	17,496	17,734	17,856	17,995
General Service Customers (Average/Month)	1,689	1,705	1,691	1,702	1,715	1,728

Projected Customers						
	1998	**1999**	**2000**	**2001**	**2002**	**2003**
Residential Customers (Average/Month)	18,143	18,289	18,436	18,584	18,733	18,883
General Service Customers (Average/Month)	1,769	1,800	1,831	1,863	1,898	1,934

Projected Customers						
	2004	**2005**	**2006**	**2007**	**2008**	
Residential Customers (Average/Month)	19,035	19,187	19,341	19,496	19,653	
General Service Customers (Average/Month)	1,967	2,001	2,035	2,069	2,105	

TABLE 5

Utilities Commission, City of New Smyrna Beach
Historical and Projected Peak Demands,
1993-2008 (MW)

Peak Demand (MW)

	1993	1994	1995	1996	1997	1998	1999	2000
Summer	68	66	70	72	78	78	81	83
Winter	72	70	88	89	83	68	91	94

	2001	2002	2003	2004	2005	2006	2007	2008
Summer	85	87	89	91	92	94	96	98
Winter	96	98	100	102	104	106	108	110

FIGURE 16

Utilities Commission, City of New Smyrna Beach
Summer Peak Demands, 1993-2008

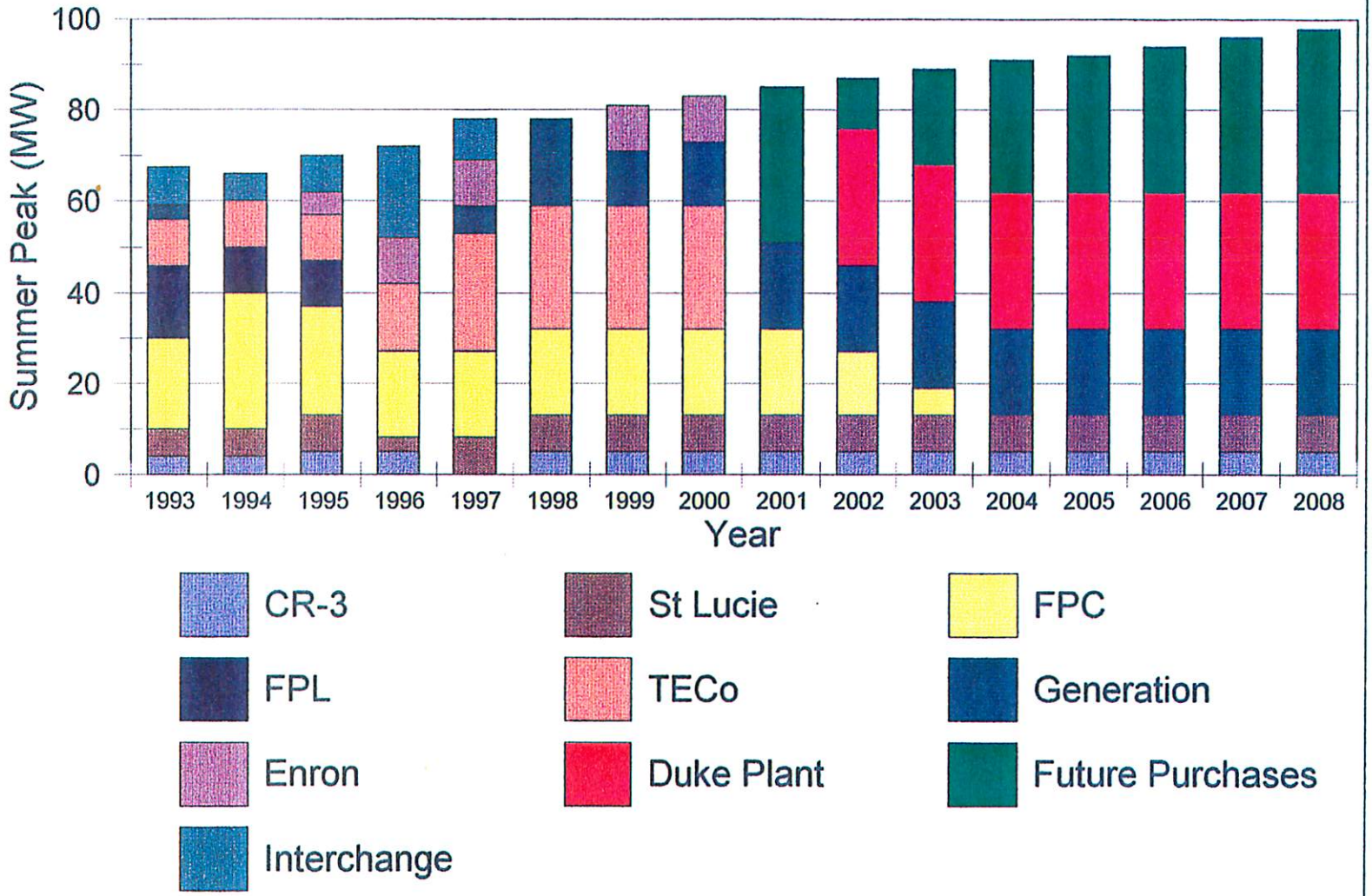
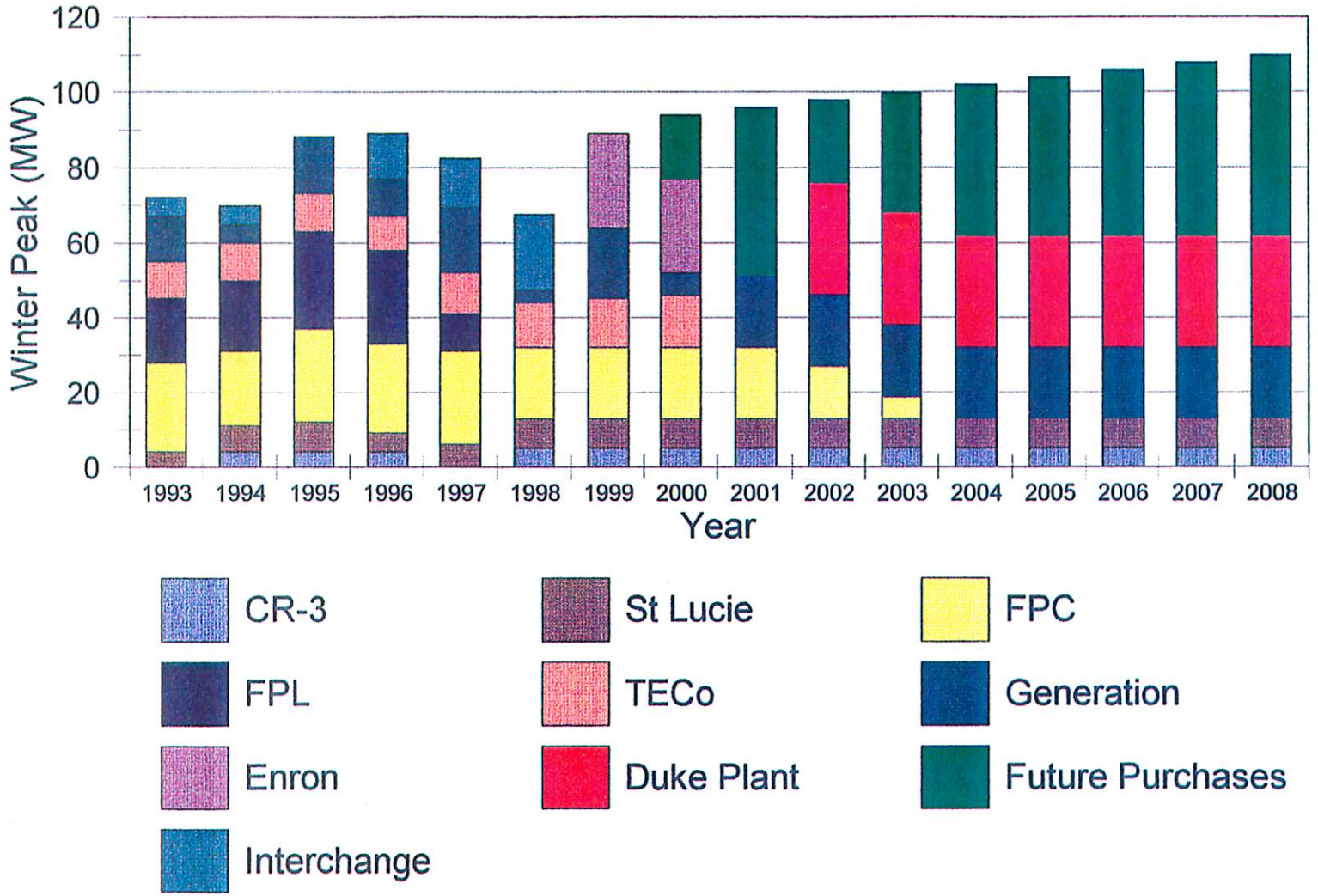


FIGURE 17

Utilities Commission, City of New Smyrna Beach
Winter Peak Demands, 1993-2008



that was served by the UCNSB's various power supply resources. The UCNSB's summer peak demand is projected to grow to 98 MW by 2008, and the system's winter peak demand is projected to increase to 110 MW by 2008.

Since 1992, energy requirements for the UCNSB system have grown at an average rate of 2.6 percent per year. Net Energy for Load (NEL) for the last full fiscal year (1997) was 325,229 MWH. Table 6 presents the historical and projected energy requirements for the UCNSB electric system. Figure 18 presents historical and projected NEL data, including the amount of each year's NEL that was provided by the UCNSB's various power supply resources. The UCNSB's Net Energy for Load is projected to grow to approximately 390,000 MWH per year in 2008.

The UCNSB's load forecast is developed by the UCNSB staff, based on regression analyses of historical loads, energy use, customer growth, and future economic considerations. System energy requirements are forecast using separate regression analyses for four customer classes: residential, general service non-demand, general service demand, and streetlighting. For the residential class, expected sales are estimated using a regression model based on historical sales data. Verification of the results is based on a comparison with the forecasted average use per customer. The number of residential customers is forecast using historical data and projected growth in known (permitted or well into the planning stages) Planned Unit Developments. Project sales of the general service non-demand, general service demand, and streetlighting

TABLE 6

Utilities Commission, City of New Smyrna Beach
Historical and Projected Energy Requirements, 1992-2008

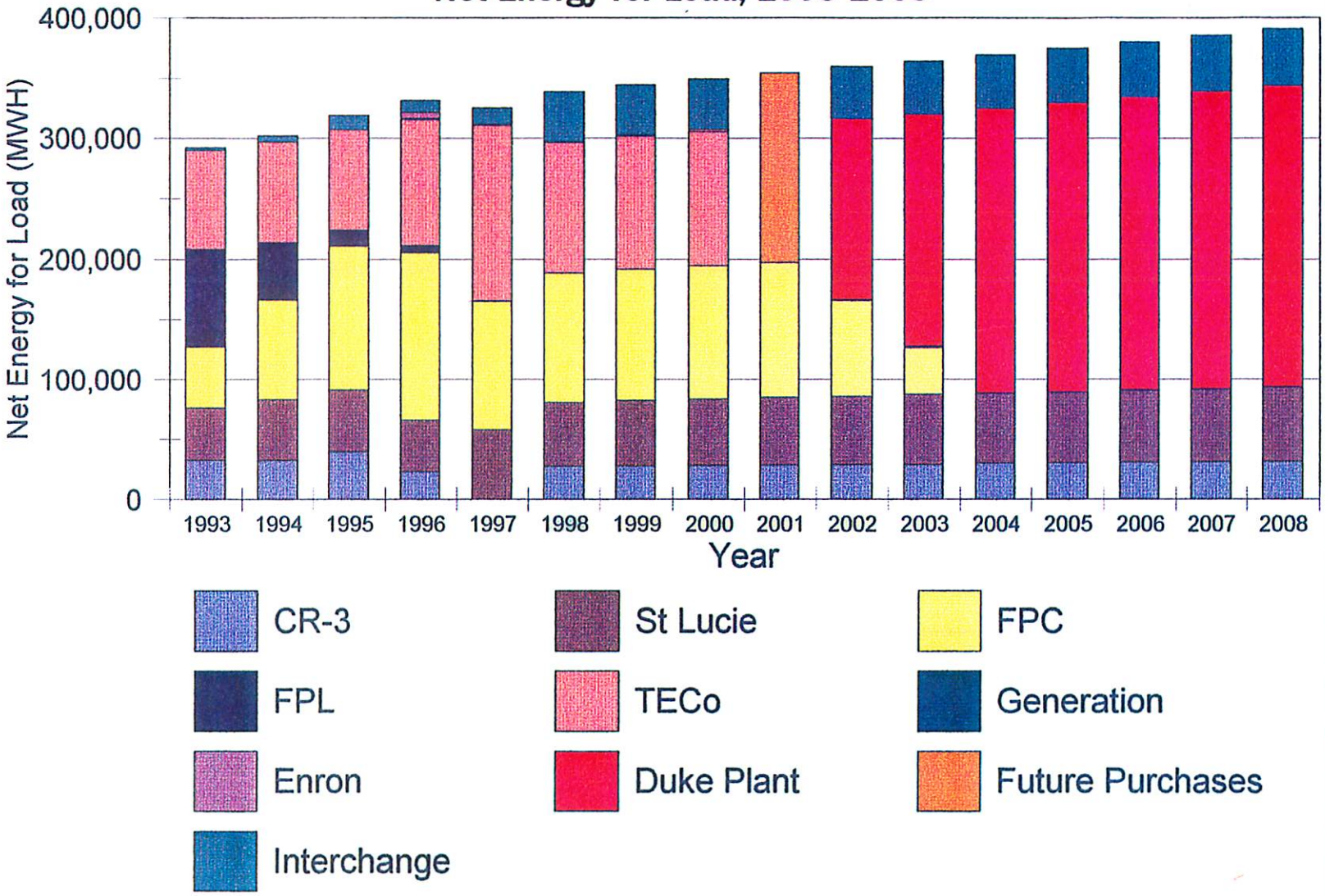
Historical Energy Requirements (MWH)						
	1992	1993	1994	1995	1996	1997
Energy Requirements	287,167	292,485	301,883	318,962	331,285	325,229

Projected Energy Requirements (MWH)						
	1998	1999	2000	2001	2002	2003
Energy Requirements	334,109	344,450	349,513	354,421	359,686	364,168

Projected Energy Requirements (MWH)						
	2004	2005	2006	2007	2008	
Energy Requirements	369,380	374,666	380,028	385,467	390,984	

FIGURE 18

Utilities Commission, City of New Smyrna Beach
Net Energy for Load, 1993-2008



classes are based on time series regression analyses. After the regression analyses are complete, the final load forecasts are refined based on projected weather conditions (e.g., an El Nino year), future economic considerations, and a review of recent projections against actual results.

The UCNSB currently owns and operates two power plants fired by No. 2 fuel oil with total capacity of 18.8 MW. The UCNSB also has entitlement to a portion of the St. Lucie #2 Nuclear Power Plant through the Florida Municipal Power Agency (FMPA) and partial ownership of Florida Power Corporation's Crystal River 3 Nuclear Power Plant. The UCNSB has power purchase contracts with Florida Power Corporation (FPC), Tampa Electric Company (TECO), and Enron Power Marketing (EPM). Most of these contracts expire between September 1999 and March 2000; the Partial Requirements service that the UCNSB purchases from FPC is scheduled to ramp down from 24 MW in 2000 to 10 MW in 2002, and to phase out entirely as of October 1, 2004. Table 7 lists the UCNSB's current power supply resources.

The UCNSB needs the New Smyrna Beach Power Project to provide reliable and cost-effective power to its electric customers. The Project's reliable generating technology, as well as its location at the UCNSB's substation, will significantly enhance the reliability of the UCNSB's service to its customers. The cost-effectiveness of the power to be supplied to the UCNSB pursuant to the Participation Agreement is discussed below.

TABLE 7

Utilities Commission, City of New Smyrna Beach
Power Supply Resources

Resource Name	Peak Capacity (MW)	Expiration Date
St. Lucie/FMPA	7.1	N/A
Crystal River 3	5.4	N/A
Florida Power Corp. PR	24.0	Phased to 0 MW as of October 1, 2004
Florida Power Corp. Stratified Peaking	6.0	February 29, 2000
Enron Short Term	25.0	March 31, 2000
Tampa Electric Co. Schedule 'D'	13.0	February 29, 2000
Tampa Electric Co. Summer Service	5.0	September 30, 1999
Tampa Electric Co. Supplemental	10.0	September 30, 1999
Local Generation	18.8	N/A

B. Power Supply Needs of Peninsular Florida

The New Smyrna Beach Power Project will provide reliable and cost-effective power to the UCNSB and to other utilities that provide retail service in Peninsular Florida. Peninsular Florida needs more than 8,000 MW of new installed capacity in order to maintain reserve margins (with exercise of load management and interruptible resources) above 14.5 percent from the winter of 1998-1999 through the winter of 2007-2008. (See Table 11.) The Project will contribute meaningfully to Peninsular Florida's summer and winter reserve margins and to cost-effective power supply.

According to the 1998 Regional Load & Resource Plan, dated July, 1998, prepared by the Florida Reliability Coordinating Council (the "FRCC 1998 Regional Plan"), without the New Smyrna Beach Power Project, Peninsular Florida's summer reserve margins in 2002 through 2007 will range from 9.1 percent to 10.4 percent, without exercising load management and interruptible capabilities. With the Project, the reserve margins will be improved by approximately 1.1 to 1.25 percent in each year, e.g., from 9.1 percent to 10.4 percent in 2002. The annual summer reserve margins for Peninsular Florida, with and without the Project's capacity, are shown in Table 8.

Similarly, based on data presented in the FRCC 1998 Regional Plan, without the New Smyrna Beach Power Project, Peninsular Florida's winter reserve margins in 2001-2002 through 2007-2008 are projected to be between 4.0 percent and 7.0 percent, without exercising load management and interruptible capabilities. With

TABLE 8

SUMMARY OF CAPACITY, DEMAND, AND RESERVE MARGIN AT TIME OF SUMMER PEAK, WITHOUT NEW SMYRNA BEACH POWER PROJECT

Year	INSTALLE CAPACITY (MW)	NET CONTRAC FIRM INTERCHG (MW)	PROJECTE FIRM NET TO GRID FROM NUG (MW)	TOTAL AVAILABL CAPACITY (MW)	TOTAL PEAK DEMAND (MW)	RESERVE MARGIN W/O EXERCISING LOAD MGMT. & INT. (MW)	% OF PEAK	LOAD MGMT. & INT. (MW)	FIRM PEAK DEMAND (MW)	RESERVE MARGIN WITH EXERCISING LOAD MGMT. & INT. (MW)	% OF PEAK
1998	35485	1412	2220	39117	35633	3484	9.78	2776	32857	6260	19.05
1999	36112	1702	2220	40034	36628	3406	9.30	3011	33617	6417	19.09
2000	36356	1852	2220	40428	37410	3018	8.07	3130	34280	6148	17.93
2001	36866	1766	2295	40927	38220	2707	7.08	3227	34993	5934	16.96
2002	38406	1704	2286	42396	38844	3552	9.14	3256	35588	6808	19.13
2003	39430	1623	2286	43339	39395	3944	10.01	3317	36078	7261	20.13
2004	40500	1633	2286	44419	40227	4192	10.42	3356	36871	7548	20.47
2005	41325	1644	2276	45245	41112	4133	10.05	3379	37733	7512	19.91
2006	42042	1630	2143	45815	41998	3817	9.09	3405	38593	7222	18.71
2007	43096	1755	2143	46994	42885	4109	9.58	3434	39451	7543	19.12

SUMMARY OF CAPACITY, DEMAND, AND RESERVE MARGIN AT TIME OF SUMMER PEAK, WITH NEW SMYRNA BEACH POWER PROJECT 476 MW IN 2002

Year	INSTALLE CAPACITY (MW)	NET CONTRAC FIRM INTERCHG (MW)	PROJECTE FIRM NET TO GRID FROM NUG (MW)	TOTAL AVAILABL CAPACITY (MW)	TOTAL PEAK DEMAND (MW)	RESERVE MARGIN W/O EXERCISING LOAD MGMT. & INT. (MW)	% OF PEAK	LOAD MGMT. & INT. (MW)	FIRM PEAK DEMAND (MW)	RESERVE MARGIN WITH EXERCISING LOAD MGMT. & INT. (MW)	% OF PEAK
1998	35485	1412	2220	39117	35633	3484	9.78	2776	32857	6260	19.05
1999	36112	1702	2220	40034	36628	3406	9.30	3011	33617	6417	19.09
2000	36356	1852	2220	40428	37410	3018	8.07	3130	34280	6148	17.93
2001	36866	1766	2295	40927	38220	2707	7.08	3227	34993	5934	16.96
2002	38882	1704	2286	42872	38844	4028	10.37	3256	35588	7284	20.47
2003	39906	1623	2286	43815	39395	4420	11.22	3317	36078	7737	21.45
2004	40976	1633	2286	44895	40227	4668	11.60	3356	36871	8024	21.76
2005	41801	1644	2276	45721	41112	4609	11.21	3379	37733	7988	21.17
2006	42518	1630	2143	46291	41998	4293	10.22	3405	38593	7698	19.95
2007	43572	1755	2143	47470	42885	4585	10.69	3434	39451	8019	20.33

*476 MW ADDED TO THE INSTALLED CAPACITY COLUMN STARTING IN 2002

SOURCES: Florida Reliability Coordinating Council,
1998 Load & Resource Plan, Peninsular Florida,
July 1, 1998; Duke Energy Power Services, L.L.C.

TABLE 9

SUMMARY OF CAPACITY, DEMAND, AND RESERVE MARGIN AT TIME OF WINTER PEAK, WITHOUT NEW SMYRNA BEACH POWER PROJECT

Year	INSTALLE CAPACITY (MW)	NET CONTRAC FIRM INTERCHG (MW)	PROJECTE FIRM NET TO GRID FROM NUG (MW)	TOTAL AVAILABL CAPACITY (MW)	TOTAL PEAK DEMAND (MW)	RESERVE MARGIN W/O EXERCISING LOAD MGMT. & INT. (MW)	% OF PEAK	LOAD MGMT. & INT. (MW)	FIRM PEAK DEMAND (MW)	RESERVE MARGIN WITH EXERCISING LOAD MGMT. & INT. (MW)	% OF PEAK
1998/99	38037	1939	2240	42216	39450	2766	7.01	3784	35666	6550	18.36
1999/00	38402	1916	2240	42558	40388	2170	5.37	3955	36433	6125	16.81
2000/01	38809	1691	2240	42740	41395	1345	3.25	4078	37317	5423	14.53
2001/02	40638	1705	2315	44658	42219	2439	5.78	4153	38066	6592	17.32
2002/03	41980	1612	2306	45898	42998	2900	6.74	4232	38766	7132	18.40
2003/04	43073	1623	2306	47002	43925	3077	7.01	4307	39618	7384	18.64
2004/05	44105	1633	2296	48034	44895	3139	6.99	4335	40560	7474	18.43
2005/06	44883	1555	2163	48601	45896	2705	5.89	4365	41531	7070	17.02
2006/07	45916	1630	2163	49709	46879	2830	6.04	4392	42487	7222	17.00
2007/08	46076	1555	2163	49794	47902	1892	3.95	4415	43487	6307	14.50

SUMMARY OF CAPACITY, DEMAND, AND RESERVE MARGIN AT TIME OF WINTER PEAK, WITH NEW SMYRNA BEACH POWER PROJECT 548 MW IN 2001/02

Year	INSTALLE CAPACITY (MW)	NET CONTRAC FIRM INTERCHG (MW)	PROJECTE FIRM NET TO GRID FROM NUG (MW)	TOTAL AVAILABL CAPACITY (MW)	TOTAL PEAK DEMAND (MW)	RESERVE MARGIN W/O EXERCISING LOAD MGMT. & INT. (MW)	% OF PEAK	LOAD MGMT. & INT. (MW)	FIRM PEAK DEMAND (MW)	RESERVE MARGIN WITH EXERCISING LOAD MGMT. & INT. (MW)	% OF PEAK
1998/99	38037	1939	2240	42216	39450	2766	7.01	3784	35666	6550	18.36
1999/00	38402	1916	2240	42558	40388	2170	5.37	3955	36433	6125	16.81
2000/01	38809	1691	2240	42740	41395	1345	3.25	4078	37317	5423	14.53
2001/02	41186	1705	2315	45206	42219	2987	7.08	4153	38066	7140	18.76
2002/03	42528	1612	2306	46446	42998	3448	8.02	4232	38766	7680	19.81
2003/04	43621	1623	2306	47550	43925	3625	8.25	4307	39618	7932	20.02
2004/05	44653	1633	2296	48582	44895	3687	8.21	4335	40560	8022	19.78
2005/06	45431	1555	2163	49149	45896	3253	7.09	4365	41531	7618	18.34
2006/07	46464	1630	2163	50257	46879	3378	7.21	4392	42487	7770	18.29
2007/08	46624	1555	2163	50342	47902	2440	5.09	4415	43487	6855	15.76

*548 MW ADDED TO TOTAL AVAILABLE CAPACITY COLUMN STARTING IN 2001/02

SOURCES: Florida Reliability Coordinating Council,
1998 Load & Resource Plan, Peninsular Florida,
July 1, 1998; Duke Energy Power Services, L.L.C.

the New Smyrna Beach Power Project, the reserve margins will be improved by approximately 1.1 to 1.4 percent in each year, e.g., from 5.8 percent to 7.1 percent in the winter of 2001-2002. Winter reserve margins for Peninsular Florida, with and without the Project's capacity, and with and without exercising load management and interruptible resources, are shown in Table 9.

The Project is expected to operate at capacity factors ranging from approximately 83 percent in 2002 to approximately 94 percent in 2012, reflecting between 7,000 and 8,500 operating hours per year and between 3,700,000 and 4,200,000 MWH per year of net generation. See Table 10.

The primary market for power produced by the New Smyrna Beach Power Project is wholesale sales to other utilities in Peninsular Florida. Duke New Smyrna projects that all, or virtually all -- more than 99 percent -- of all sales from the Project over the 2002-2012 period are expected to be to other utilities in Peninsular Florida (i.e., within the FRCC region), on the basis of the relative economics of the Project and other Peninsular Florida generation facilities.

The advanced technology, natural gas fired combined cycle design of the Project is consistent with the type of capacity being added by many other Peninsular Florida utilities. Table 11, which presents data from utility ten year site plans and other published sources, shows that from 1998 through 2007, other Peninsular Florida utilities are projecting the addition of nearly 5,000 MW of gas-fired combined cycle capacity. Of these units, only FPC's

TABLE 10

NEW SMYRNA BEACH POWER PROJECT
PROJECTED OPERATIONS AND FUEL SAVINGS

YEAR	GENERATION (MWH)	CAPACITY FACTOR %	PRIMARY ENERGY SAVED (MMBtu)	SAVINGS @ 100% NO. 6 OIL DISPLACED (BARRELS)	SAVINGS @ 100% NATURAL GAS DISPLACED (MCF)
2002	3,719,550.72	82.61	13,647,032	5,992,568	13,647,032
2003	3,768,894.72	83.70	13,828,075	6,072,066	13,828,075
2004	3,818,238.72	84.57	14,009,118	6,151,564	14,009,118
2005	3,862,154.88	85.54	14,170,246	6,222,318	14,170,246
2006	3,906,071.04	86.75	14,331,375	6,293,071	14,331,375
2007	3,952,454.40	87.78	14,501,555	6,367,799	14,501,555
2008	3,998,837.76	88.57	14,671,736	6,442,528	14,671,736
2009	4,046,701.44	89.63	14,847,348	6,519,641	14,847,348
2010	4,094,565.12	90.94	15,022,959	6,596,754	15,022,959
2011	4,164,140.16	92.48	15,278,230	6,708,846	15,278,230
2012	4,233,715.20	93.77	15,533,501	6,820,939	15,533,501
TOTALS			159,841,174	70,188,094	159,841,174

NOTES: (1) Primary energy saved estimated as the difference between Btu required to generate MWH in Column (2) in gas/oil steam generators with an average heat rate of 10,501 Btu/kWh and the Btu required to generate the same MWH at the NSB Project's heat rate of 6,832 Btu/kWh.
(2) Oil savings reflects total oil displaced assuming that all of the Project's output displaces oil-fired steam generation.
(3) Gas savings reflects net gas reduction to generate MWH in Column (2).

TABLE 11

COMPARISON OF PENINSULAR FLORIDA PLANNED AND PROPOSED GENERATING UNITS

UTILITY/UNIT	IN-SERVICE YEAR	CAPACITY SUMMER	CAPACITY WINTER	FUELS PRIMARY	FUELS ALTERNATE	HEAT RATE (Btu/kWH)(HHV)	EQUIVALENT AVAILABILITY FACTOR %	TOTAL INSTALLED COST ($/KW)	DIRECT CONSTRUCTION COST ($/KW)
DUKE/NSBPP*	2001	476	548	GAS	NONE	6832	96	N/A	311
FPL/FT.MYERS	2002	837	1062	GAS	NONE	6815	96	593	495
FPL/SANFORD	2003	914	1076	GAS	NONE	6777	96	612	494
FPL/MARTIN 5	2006	419	448	GAS	NO. 2	6081	96	647	492
FPL/MARTIN 6	2007	419	448	GAS	NO. 2	6081	96	599	444
FPC/HINES 1**	1998	470	505	GAS	NO. 2	6962	91	600 *	NOT REPORTED
FPC/HINES 2	2004	470	505	GAS	NO. 2	6962	91	NOT REPORTED	NOT REPORTED
FPC/HINES 3	2006	470	505	GAS	NO. 2	6962	91	NOT REPORTED	NOT REPORTED
SEC/HARDEE 3	2002	451	527	GAS	NO. 2	7430	88	723	519
FMPA-KUA CANE ISLAND 3	2001	246	272	GAS	NO. 2	6815	92	449	319
LKLAND McINTOSH 5	1999	245	264	GAS	NO. 2	9486	86	216	NOT REPORTED

*DUKE/NSBPP DATA IS BASED ON INFORMATION FROM NEED DETERMINATION FILING

**FPC HINES 1 DATA BASED ON PROJECTED CAPITAL INVESTMENT OF $300,000,000 / NOMINAL CAPACITY 500 MW AS SHOWN IN 1996 TYSP

OTHER UTILITY UNIT DATA TAKEN FROM: 1998 TEN YEAR SITE PLANS, SCHEDULE 9

Hines Unit 1 and the Cane Island 3 unit of the Florida Municipal Power Agency and the Kissimmee Utilities Authority are projected to be in-service before the New Smyrna Beach Power Project.

The studies of the Project's operations prepared for Duke New Smyrna were prepared using the Altos North American Regional Electricity Model and the Altos North American Regional Gas Model developed by Altos Management Partners, Inc., an economic and management consulting firm with offices in San Jose, California, and Dallas, Texas. The Altos North American Regional Electricity Model is a 32-region integrated model of the North American electricity system that includes generation, transmission, consumption, fuels, and fuel competition. The model includes all of the generation regions, all of the existing and prospective transmission interconnections, and all of the demand regions of North America. Generally speaking, the model includes all of the reliability coordinating regions in the U.S., Canada, and Mexico, plus numerous sub-regions. For example, the model treats the Southern Electric Reliability Council region ("SERC") as four separate sub-regions: the Southern Company system, TVA, VCR (Virginia and the Carolinas), and Entergy, which was formerly designated as the southeastern component of the Southwestern Power Pool.

The Altos Electricity Model includes transmission system integration and interconnection, consideration of multiple fuels and energy products, existing capacity and its cost structure, future changes in the cost structure of existing plants,

retirements and decommissioning, new generation plant entry, inbound and outbound transmission capabilities, transmission entry, and demands and load shapes that vary over time.

The North American Regional Gas Model (the "NARG Model") includes all gas supply basins, all existing and prospective interconnecting pipelines, and all of the gas demand regions of North American. In the NARG Model, each category of resource in each supply region is characterized by a detailed supply sub-model, each pipeline is characterized by a detailed transportation sub-model, and each demand region is characterized by a detailed demand sub-model. The NARG Model estimates, over time, the set of regional prices that simultaneously clear the markets in every wellhead, wholesale, and other market in North America.

C. Strategic Considerations

The Project is also consistent with strategic factors that may be considered when determining to build a power plant, both from Duke New Smyrna's perspective and from the perspective of the State. The Project will be fueled by domestically produced natural gas rather than by an imported fuel that may be subject to interruption due to political or other events. The Project has a low installed cost and a highly efficient heat rate, assuring its long-term economic viability. As a merchant plant constructed at the expense of Duke New Smyrna, the Project will provide power with no risk to Florida electric customers and will impose no obligation on either Florida utilities or their customers. The Project's gas-fired combined cycle technology is exceptionally clean

environmentally, minimizing potential risks associated with future changes in environmental regulations. The Project's efficient technology and use of clean, natural gas fuel will improve the overall environmental profile of electricity generation in Florida. The Project will also contribute to reducing the consumption of petroleum fuels for electricity generation in Florida.

V. COST-EFFECTIVENESS OF THE NEW SMYRNA BEACH POWER PROJECT

The New Smyrna Beach Power Project is the most cost-effective alternative available to the UCNSB for meeting the needs of its customers and to Duke New Smyrna for meeting its obligations to deliver the entitlement capacity and energy to the UCNSB as well as to satisfy its projected wholesale supply commitments. Moreover, the Project will necessarily be cost-effective to other Peninsular Florida utilities and their ratepayers.

A. Cost-Effectiveness to the Utilities Commission, City of New Smyrna Beach

In its consideration of whether to enter into the Participation Agreement and to obtain the entitlement capacity and energy from the Project, the UCNSB evaluated both self-build generation options and other purchase options. The self-build generation alternatives considered were relatively small gas-fired technologies, with capacities in the range of 20 to 50 MW. These were rejected for two reasons. First, their small size rendered them non-cost-effective because the capital cost necessary to bring natural gas to New Smyrna Beach outweighed the savings that the gas units would have provided. If gas had been available with no additional capital outlays required, however, these small units would have been cost-effective as compared to continued purchases. Second, their higher heat rates rendered them uneconomic, or non-cost-effective, as compared to the Project.

The UCNSB evaluated the power supply opportunity afforded under the Participation Agreement against purchasing capacity and

energy from Tampa Electric Company ("TECO") and Florida Power Corporation ("FPC"). Compared to the TECO-FPC purchase options, the power supply option offered by the New Smyrna Beach Power Project is projected to save the UCNSB approximately $3.1 million per year, for the first ten years of the Participation Agreement, and approximately $2 million per year for the following ten years. The total projected net present value of the savings provided to the UCNSB by the Project is approximately $39 million. The UCNSB's cost-effectiveness evaluations are shown in Tables 12 through 14.

B. Cost-Effectiveness to Duke Energy New Smyrna Beach Power Company Ltd., L.L.P.

The Project also represents the most cost-effective alternative available to Duke New Smyrna for meeting its obligations under the Participation Agreement and for meeting its projected wholesale power commitments. Table 15 shows the generating alternatives evaluated by Duke New Smyrna. The economic evaluation considered gas-fired and oil-fired combustion turbines, gas-fired and oil-fired combined cycle units, gas-fueled steam generation units, oil-fueled steam generation units, pulverized coal units, integrated coal gasification combined cycle ("IGCC") units, nuclear units, and waste-to-energy technologies. These evaluations clearly indicate that the economic choice for Duke New Smyrna is gas-fired combined cycle capacity. This is borne out by the fact that other Florida utilities are planning to add similar capacity, and by the fact that this type of unit is the technology of choice for the majority of new power plant capacity planned in

TABLE 12
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH
FISCAL YEAR 2000 BUDGET WITHOUT NEW SMYRNA BEACH POWER PROJECT

Month	Year	NEL MWH	Peak MW	Load Factor	Res Margin	LOLP days/yr	LOLP hrs/yr
Total	2000	349513	87	45.74	10.70	0	0

Resource Name	NEL MWH	Start-up Cost $	Energy Cost $	Energy $/MWH	Res. C.F.%	Fixed Cost $	Total Cost $	Total Cost $/MWH
CR-3	35623	0	187021	5.25	99.98	68400	255421	7.17
Clinch-Pk	2270	0	149729	65.96	4.31	0	149729	65.96
Dual Fuel	406	0	26780	65.96	0.36	0	26780	65.96
Enron Res	0	0	0	0.00	0.00	0	0	0.00
EnronST	3601	0	126035	35.00	7.08	242000	368035	102.20
FPC PR	86607	0	1987504	22.95	58.00	2204352	4191856	48.40
FPC Peak	6587	0	382046	58.00	12.50	267264	649310	98.57
PR Base	17568	0	403266	22.95	100.00	256320	659586	37.54
PR Res.	0	0	0	0.00	0.00	0	0	0.00
Reg-Res-Bk	0	0	0	0.00	0.00	263552	263552	0.00
St. Lucie	57438	0	709359	12.35	99.98	0	709359	12.35
TECo S	7096	0	159486	22.48	99.99	0	159486	22.48
TECo S2	4086	0	91835	22.48	57.58	0	91835	22.48
TECo10a	14192	0	390262	27.50	99.99	0	390262	27.50
TECo10b	4210	0	115770	27.50	29.66	0	115770	27.50
TECoBase	109829	0	1926978	17.55	96.72	854510	2781488	25.33
Uns Energy	0	0	0	0.00	0.00	0	0	0.00
TOTALS	349513	0	6656071	19.04		4156398	10812469	30.94

TABLE 13
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH
FISCAL YEAR 2000 BUDGET WITH NEW SMYRNA BEACH POWER PROJECT

Month	Year	NEL MWH	Peak MWs	Load Factor	Res Margin	LOLP days/yr	LOLP hrs/yr
Total	2000	349513	87	45.74	17.12	0	0

Resource Name	NEL MWH	Start-up Cost $	Energy Cost $	Energy $/MWH	Res. C.F.%	Fixed Cost $	Total Cost $	Total Cost $/MWH
Base30	218612	0	4044322	18.50	82.96	0	4044322	18.50
CR-3	35623	0	187021	5.25	99.98	68400	255421	7.17
Clinch-Pk	56	0	3694	65.96	0.11	0	3694	65.96
Dual Fuel	0	0	0	0.00	0.00	0	0	0.00
Peaking	37784	0	1511360	40.00	12.78	1212000	2723360	72.08
St. Lucie	57438	0	709359	12.35	99.98	0	709359	12.35
Uns Energy	0	0	0	0.00	0.00	0	0	0.00
TOTALS	349513	0	6455756	18.47		1280400	7736156	22.13

TABLE 14

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH PURCHASE POWER DEMAND AND ENERGY SAVINGS FROM THE NEW SMYRNA BEACH POWER PROJECT

YEAR	EST. ANNUAL SAVINGS FROM NSBPP ($ Million)	NET PRESENT VALUE @ 6% ($ Million)	CUMULATIVE NET PRESENT VALUE @ 6% ($ Million)
2002	3.456	3.076	3.076
2003	3.664	3.076	6.152
2004	3.883	3.076	9.228
2005	4.116	3.076	12.304
2006	4.363	3.076	15.380
2007	4.625	3.076	18.456
2008	4.903	3.076	21.532
2009	5.197	3.076	24.608
2010	5.509	3.076	27.684
2011	5.839	3.076	30.760
2012	2.000	0.994	31.754
2013	2.000	0.938	32.692
2014	2.000	0.885	33.576
2015	2.000	0.835	34.411
2016	2.000	0.787	35.198
2017	2.000	0.743	35.941
2018	2.000	0.701	36.641
2019	2.000	0.661	37.302
2020	2.000	0.624	37.926
2021	2.000	0.588	38.514

base year=2000

TABLE 15

NEW SMYRNA BEACH POWER PROJECT
GENERATING ALTERNATIVES EVALUATED

I. GENERATION TECHNOLOGIES CONSIDERED

Combustion Turbine (Gas/Oil)	Not cost-effective based on Florida market projections
Combined Cycle - Gas	Selected
Combined Cycle - Oil	Not cost-effective against Combined Cycle - Gas
Pulverized Coal	Not cost-effective against Combined Cycle
Coal Gasification Combined Cycle	Not cost-effective against Combined Cycle
Nuclear	Not cost-effective against Combined Cycle
Gas/Oil Steam	Not cost-effective against Combined Cycle
Waste to Energy	Not cost-effective against Combined Cycle

II. COMBINED CYCLE MANUFACTURERS CONSIDERED

General Electric

Westinghouse

Siemens

ASEA Brown Boveri (ABB)

the U.S. For example, a recent compilation of proposed new power plants indicates that of more than 35,000 MW of planned or proposed merchant power plant capacity, approximately 33,000 MW is gas-fired capacity, with much of that combined cycle.

Duke New Smyrna, DEPS, and Duke/Fluor Daniel also evaluated two alternative combined cycle configurations: (1) a 250 MW "one-on-one" configuration with one CTG, one HRSG, and one STG, and (2) the "two-on-one" 500 MW-class configuration selected. The 500 MW-class unit was selected because of the substantial economies of scale achievable from this technology. Duke New Smyrna, DEPS, and Duke/Fluor Daniel also evaluated proposals for the combined cycle components from four different manufacturers, General Electric, Westinghouse, Siemens, and ASEA Brown Boveri ("ABB").

C. Cost-Effectiveness of the New Smyrna Beach Power Project to Peninsular Florida Electric Customers

The Project will be cost-effective to Peninsular Florida in that it will provide a necessarily cost-effective option for retail-serving utilities to obtain needed capacity and energy for resale to their customers, and in that it will help to hold down wholesale power costs.

Assuming rational, cost-minimizing behavior by Florida's retail-serving utilities, it is reasonable to conclude that they will only buy power from the Project when it is cost-effective for them to do so, i.e., when it is less expensive for them to buy power from the Project than to generate it themselves or to buy from another supplier. Reasonably assuming that the cost of power

purchased from the Project is passed directly through to the purchasing utilities' ratepayers, i.e., that it is recovered directly through the utilities' fuel and purchased power cost recovery charges and not subjected to any markup or diverted to other wholesale purchasers for a profit, such purchases will necessarily be cost-effective to those ratepayers. This is because the retail-serving Peninsular Florida utilities are not obligated to buy -- nor subject to being forced to buy -- the Project's output. Similarly, as distinguished from traditional regulatory treatment, Florida electric customers are not vulnerable to being required to pay for either the capital or operating costs of the Project. As distinguished from traditional utility-built generation, Florida customers will only pay for power from the Project that their retail-serving utilities rationally choose to buy and resell to them.

Moreover, because the Project will be constructed entirely with Duke New Smyrna's capital investment and because no utility or retail ratepayers are being asked to commit to purchase the Project's output, no ratepayers will be at risk for the cost of the Project. Because the Project's output will be sold only at wholesale to other utilities, predominantly if not entirely within Florida, such sales will necessarily be at cost-effective rates to the purchasing utilities. (If the rates for purchases from the Project exceed the cost of other power supply alternatives, utilities will simply obtain needed power elsewhere.) Thus, the Project will necessarily provide economic power supply to the

purchasing utilities and their retail ratepayers.

Additionally, the New Smyrna Beach Power Project's costs and efficiency compare favorably to other gas-fired combined cycle generating units planned or proposed by other utilities in Peninsular Florida. Table 11, which presents data from the utilities' ten year site plans and other published sources, shows that of all the gas-fired combined cycle power plants proposed by Peninsular Florida utilities, only the Cane Island 3 unit, a joint project of the Florida Municipal Power Agency and the Kissimmee Utilities Authority, is expected to have a direct construction cost and heat rate comparable to that of the Project. The others reflect direct construction costs, on a dollars-per-kW basis, significantly greater than that of the Project, with generally comparable heat rates.

VI. CONSEQUENCES OF DELAY

Delaying the construction and operation of the New Smyrna Beach Power Project in the amount and time sought will adversely affect the reliability of the Peninsular Florida bulk power supply system, will adversely affect the availability of adequate electricity at a reasonable cost, and will adversely affect the environment of Florida.

A. Reliability Consequences of Delay

The New Smyrna Beach Power Project will be a highly reliable and highly efficient gas-fired combined cycle power plant. It will use proven, state-of-the-art technology. The Project's high reliability -- an equivalent availability factor of 96 percent -- assures its contributions to improving the reserve margins and reliability of the Peninsular Florida power supply system.

Tables 8 and 9 show that the Project will improve Peninsular Florida's summer and winter reserve margins by approximately 1.1 to 1.4 percent beginning with the Project's in-service date in the Fall of 2001 and continuing throughout the period covered in the FRCC 1998 Regional Plan.

The presence of this additional capacity (476 MW summer, 548 MW winter) will improve reliability and reduce Peninsular Florida's exposure to outages due to extreme weather or unanticipated events such as major generation outages. The presence of this capacity will mean that, in an extreme event, approximately 500 MW of load will be served that would not otherwise be. This means that the

Project would enable Florida's retail-serving utilities to maintain service to approximately 80,000 to 100,000 residential customers (at a coincident peak demand of 5 kW to 6 kW per household) during such conditions.

If the Project is not constructed and brought into commercial operation in 2001 as planned and sought, these reliability benefits will be lost, and Florida electric customers will be exposed to a greater probability of service interruption than they would experience if the Project were built as planned and sought by the UCNSB and Duke New Smyrna.

B. Power Supply Cost Consequences of Delay

The New Smyrna Beach Power Project is a proven, highly reliable, and highly efficient gas-fired combined cycle power plant. The Project's high efficiency assures its contributions to reducing wholesale power supply costs in Peninsular Florida.

Delaying the construction and operation of the Project will cost the UCNSB and its retail customers more than $3 million per year, for each year of delay.

The presence of the Project will reduce generation costs and will also suppress wholesale power prices, to at least some degree, in Peninsular Florida. This is the simple economic result of an increase in supply (i.e., an outward shift in the supply curve for bulk power). Even at nominal differences in the wholesale cost of power with and without the Project, the savings can be expected to be substantial. Moreover, the Project will provide real, tangible economic benefits - real reductions in the amount of primary fuels

used to generate the same amounts of electricity - to Florida and society in general by virtue of the Project's more efficient use of fuel.

If the Project is not constructed and brought into commercial operation in 2001 as planned and sought, these economic benefits will be lost, and Florida electric customers will pay more for their power service than if the Project were built.

C. Environmental Consequences of Delay

The New Smyrna Beach Power Project is a high-efficiency, state-of-the-art gas-fired combined cycle electric generating plant. Because of its high efficiency and natural gas fuel, the Project will have a benign environmental profile. The Project will displace production from older, less efficient and generally more pollution-intensive power plants, e.g., less efficient oil-fired steam generating plants, less efficient gas-fired steam generating units, and combustion turbine plants fired by oil or gas. This will result in substantial savings in primary fuel consumption for electricity generation and will also result in reduced environmental emissions from power production in Florida.

The projections prepared for Duke New Smyrna indicate that the Project's generation will generally displace production from older steam generating units fired by heavy fuel oil and natural gas, which generally have heat rates in the range of 10,000 to 10,800 Btu per kWh. Regardless of the primary fuel displaced, the Project's operations will result in significant savings of primary fuels; because of its better heat rate, the Project uses

approximately 30 to 35 percent less primary fuel energy (Btu) than steam generation units to produce the same amount of electricity. See Table 10.

Under reasonable assumptions regarding the marginal fuels displaced by the Project's operations, and reasonably assuming that the displaced oil-fired and gas-fired generation will not be sold outside Florida, the Project's operations are expected to improve the overall environmental profile of electricity generation in Florida. When the Project's output displaces generation using heavy fuel oil, there will be significant reductions in emissions of sulfur dioxide, nitrogen oxides, and particulate matter, and measurable reductions in carbon monoxide emissions. Even when the Project displaces gas-fired steam generation, there will be reductions in emissions due to the Project's significantly more efficient use of natural gas; because of its better heat rate, the Project uses approximately 30 to 35 percent less gas than gas-fired steam generation units to produce the same amount of electricity. If the Project is not constructed and brought into commercial operation in 2001 as planned and sought, these environmental benefits will be lost, and pollution from electric generation in Florida will be significantly greater than it would otherwise be.

APPENDIX

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

697363

Before Commissioners: James J. Hoecker, Chairman;
Vicky A. Bailey, William L. Massey,
Linda Breathitt, and Curt Hébert, Jr.

Duke Energy New Smyrna Beach Power Company Ltd., L.L.P.	))	Docket No. ER98-2624-000

ORDER ACCEPTING FOR FILING
PROPOSED TARIFFS FOR MARKET-BASED POWER SALES
AND REASSIGNMENT OF TRANSMISSION CAPACITY

(Issued June 25, 1998)

In this order, we accept for filing, without hearing or suspension, the tariffs filed by Duke Energy New Smyrna Beach Power Company Ltd., L.L.P. (Duke New Smyrna), under which it proposes to sell power at wholesale at market-based rates and to reassign transmission capacity.

Background

On April 21, 1998, Duke New Smyrna, an indirect wholly-owned subsidiary of Duke Energy Corporation (Duke), filed an application requesting Commission authorization to sell electric capacity and energy at market-based rates. The power is to be produced from a generating facility for which construction has not commenced. Duke New Smyrna states that it has an agreement to sell 30 MW of the 500 MW output of the generating facility to the Utilities Commission of the City of New Smyrna Beach, Florida (New Smyrna Beach) and that Duke New Smyrna will file that agreement once it is finalized. Duke New Smyrna states that it may also enter into an agreement to provide ancillary services to New Smyrna Beach and that, if so, it will make a separate filing consistent with the Commission's then-existing requirements for ancillary services rates. Duke New Smyrna has also filed a tariff to reassign transmission capacity it has reserved for its own use on Duke's transmission system or on the transmission systems of other transmission providers.

Notice of Duke New Smyrna's filing was published in the Federal Register, 63 Fed. Reg. 23,774 (1998), with comments, protests and interventions due on or before May 11, 1998.

Timely motions to intervene were filed by: Sonat Marketing Company, LP (Sonat); New Smyrna Beach; Florida Power Corporation (Florida Power Corp); Florida Power & Light Company (FP&L); and Tampa Electric Company (TECO) (with protest). TECO argues that Duke New Smyrna's application is premature because construction

plans are not finalized, and TECO contends that New Smyrna Beach should be treated as an affiliate because its business arrangements with Duke New Smyrna extend beyond the power sale.

On May 26, 1998, New Smyrna Beach filed an answer to TECO's protest. On that same date, Duke New Smyrna filed for leave to file an answer to TECO's protest, accompanied by its answer to the protest. Neither of these answers object to TECO's intervention.

Discussion

Procedural Matters

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (1997), the timely, unopposed motions to intervene of Sonat, New Smyrna Beach, Florida Power Corp, FP&L, and TECO serve to make them parties to this proceeding.

We will reject New Smyrna Beach's and Duke New Smyrna's answers to TECO as impermissible answers to a protest. 18 C.F.R. § 385.213(a)(2) (1997).

Market-Based Rates

The Commission allows power sales at market-based rates if the seller and its affiliates do not have, or have adequately mitigated, market power in generation and transmission and cannot erect other barriers to entry. In order for an affiliate of a transmission-owning public utility to demonstrate the absence or mitigation of market power, the public utility must have on file with the Commission an open access transmission tariff for the provision of comparable services. The Commission also considers whether there is evidence of affiliate abuse or reciprocal dealing. 1/

As we explain below, we find that Duke New Smyrna's market-based rate application meets these standards. Accordingly, we will accept the proposed market-based rates for filing, without modification, to become effective upon the commencement of service.

1/ E.g., Progress Power Marketing, Inc., 76 FERC ¶ 61,155 at 61,919 (1996), letter order approving settlement, 79 FERC ¶ 61,149 (1997); Northwest Power Marketing Company, L.L.C., 75 FERC ¶ 61,281 at 61,889 (1996); accord Heartland Energy Services, Inc., et al., 68 FERC ¶ 61,223 at 62,060-63 (1994) (Heartland).

1. Generation Market Power

Duke New Smyrna will own a 500 MW generating facility to be constructed in New Smyrna Beach, Florida. In support of its market-based rate proposal, Duke New Smyrna relies on section 35.27(a) of the Commission's regulations, 18 C.F.R. § 35.27(a) (1997). Section 35.27(a) of the Commission's regulations reads, in pertinent part, as follows:

> [A]ny public utility seeking authorization to engage in sales for resale of electric energy at market-based rates shall not be required to demonstrate any lack of market power in generation with respect to sales from capacity for which construction has commenced on or after July 9, 1996.

Duke New Smyrna has no existing generation and construction of the subject facility has not yet commenced. Under these circumstances, there is no need to consider the generation market power, if any, resulting from construction of the proposed facility. While we noted in Order No. 888 that we would not "ignore specific evidence presented by an intervenor that a seller requesting market-based rates for sales from new generation nevertheless posses generation dominance," 2/ no such evidence is presented here.

In addition, Duke New Smyrna is affiliated with Duke, Nantahala Power and Light Company (Nantahala), and various power marketers and exempt wholesale generators. In Lykes-Duke/Louis Dreyfus, Ltd., 77 FERC ¶ 61,115 at 61,444 & n.3 (1996) (Lykes-Duke); see also Duke Power Company and PanEnergy Corporation, 79 FERC ¶ 61,236 at 62,037-38 (1997), the Commission determined that Duke and its affiliates lack generation dominance. Thus, Duke New Smyrna's affiliation with these companies does not create generation dominance concerns.

Accordingly, we find that Duke New Smyrna meets the Commission's generation market power standard for approval of market-based rates.

2/ Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Order No. 888, 61 Fed. Reg. 21,540 (1996), FERC Stats. & Regs. ¶ 31,036 at 31,657 (1996), order on reh'g, Order No. 888-A, 62 Fed. Reg. 12,274 (1997), FERC Stats. & Regs. ¶ 31,048 (1997), order on reh'g, Order No. 888-B, 81 FERC ¶ 61,248 (1997), order on reh'g, Order No. 888-C, 82 FERC ¶ 61,046 (1998).

2. Transmission Market Power

When an affiliate of a transmission-owning public utility seeks authorization to charge market-based rates, the Commission has required the public utility to have an open access transmission tariff on file before granting such authorization. 3/ Pursuant to Order No. 888, Duke filed an open access transmission tariff in Docket No. OA96-46-000. 4/ For this reason, we find that Duke New Smyrna meets the Commission's transmission market power standard for approval of market-based rates.

3. Other Barriers to Entry/Reciprocal Dealing

Our review of Duke New Smyrna's application satisfies us that there are no other barriers to entry or reciprocal dealing considerations of concern here.

4. Affiliate Abuse

Duke New Smyrna's rate schedule prohibits power sales to or power purchases from Duke and Nantahala absent a separate rate filing under section 205 of the Federal Power Act (FPA), 16 U.S.C. § 824d (1994). In addition, Duke New Smyrna has attached a code of conduct governing affiliate transactions. These commitments satisfy the Commission's requirements as to information sharing, the pricing of non-power goods and services, and separating business activities and operating personnel of the affiliates. With these safeguards, we are satisfied that there are no affiliate abuse considerations of concern here.

5. TECO's Argument That the Application Is Premature

TECO argues that Duke New Smyrna's filing is premature because the facility has not yet been constructed and its construction depends on whether Duke New Smyrna obtains the requisite siting authority. However, the Commission routinely grants requests for market-based rates for power producers whose generating facilities have yet to be constructed and, in fact, early Commission action often is critical to financing. 5/

3/ See Order No. 888, FERC Stats. & Regs. at 31,656-57; accord Southern Company Services, Inc., et al., 71 FERC ¶ 61,392 at 62,536 (1995); Heartland, 68 FERC at 62,059-60.

4/ The tariff covers Duke's and Nantahala's transmission facilities. See Lykes-Duke, 77 FERC at 61,444.

5/ See, e.g., Zond Development Corporation, 80 FERC ¶ 61,051 at 61,151-52, 61,154 (1997).

6. TECO's Argument That the Commission Should Treat New Smyrna Beach as an Affiliate

TECO argues that the Commission should consider New Smyrna Beach to be an affiliate on the grounds that, if Duke New Smyrna provides ancillary services to New Smyrna Beach, it may be provided with preferential information about New Smyrna Beach's transmission system. We find that TECO's concerns are unfounded and speculative, particularly since New Smyrna Beach is not even the control area operator for its system. Moreover, any legitimate concerns about a possible future ancillary services arrangement are, at best, premature because no such agreement has yet been filed. We will review the merits of the agreement if and when it is filed.

Reassignment of Transmission Capacity

Duke New Smyrna states that, consistent with the conditions established by the Commission for reassignment of transmission capacity, 6/ it will reassign transmission capacity at a price not to exceed the highest of: (1) the original rate paid by Duke New Smyrna; (2) the applicable transmission provider's maximum rate on file at the time of the sale to the eligible customer; or (3) Duke New Smyrna's own opportunity costs, capped at the applicable transmission provider's cost of expansion at the time of the Duke New Smyrna sale to the eligible customer. The proposed tariff states that Duke New Smyrna will not recover opportunity costs without making a separate filing under section 205 of the FPA.

We find Duke New Smyrna's request to be consistent with our requirements applicable to the reassignment of transmission capacity. Accordingly, we accept Duke New Smyrna's proposal to reassign transmission capacity.

Reporting and Filing Requirements

Consistent with procedures we have adopted in other cases, Duke New Smyrna may file umbrella service agreements for short-term power sales (one year or less) within 30 days of the date of commencement of short-term service, to be followed by quarterly transaction summaries of specific sales. For long-term transactions (longer than one year), Duke New Smyrna must submit

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6/ See Order No. 888, FERC Stats. & Regs. at 31,694-97; Order No. 888-A, FERC Stats. & Regs. at 30,219-25; Commonwealth Edison Company, 78 FERC ¶ 61,312 at 62,335-36 (1997).

the actual individual service agreement for each transaction within 30 days of the date of commencement of service. 7/

To ensure the clear identification of filings, and in order to facilitate the orderly maintenance of the Commission's files and public access to the documents, long-term transaction service agreements should not be filed together with short-term transaction summaries.

Additionally, we will direct Duke New Smyrna to inform the Commission promptly of any change in status that would reflect a departure from the characteristics the Commission has relied upon in approving market-based pricing. These include, but are not limited to: (1) ownership of generation or transmission facilities or inputs to electric power production other than fuel supplies; or (2) affiliation with any entity not disclosed in the filing that owns generation or transmission facilities or inputs to electric power production, or affiliation with any entity that has a franchised service area. 8/ Alternatively, Duke New Smyrna may elect to report such changes in conjunction with the updated market analysis it will be required to file every three years. 9/

Requests for Waivers and Authorizations

Duke New Smyrna requests waivers and authorizations similar to those granted to power marketers with market-based rate authorization: (1) waiver of the accounting and reporting requirements of Parts 41, 101, and 141 of the Commission's regulations; (2) abbreviated filings with respect to interlocking directorates under Part 45; (3) waiver of the filing requirements of Subparts B and C of Part 35, with the exception of sections 35.12(a), 35.13(b), 35.15, and 35.16; and (4) blanket authorization of securities issuances under Part 34. We will grant the requested waivers and authorizations consistent with those granted to other non-traditional entities selling at market-based rates.

7/ See, e.g., Southern Company Services, Inc., 75 FERC ¶ 61,130 at 61,444-45, clarified, 75 FERC ¶ 61,353 (1996); Plum Street Energy Marketing, Inc., et al., 76 FERC ¶ 61,319 at 62,556 (1996).

8/ See, e.g., Morgan Stanley Capital Group, 69 FERC ¶ 61,175 at 61,695 (1994), order on reh'g, 72 FERC ¶ 61,082 (1995); InterCoast Power Marketing Company, 68 FERC ¶ 61,248 at 62,134, clarified, 68 FERC ¶ 61,324 (1994).

9/ We reserve the right to require such an analysis at any time.

The Commission orders:

(A) Duke New Smyrna's market-based power sales and transmission capacity reassignment tariffs are hereby accepted for filing, to become effective upon commencement of service.

(B) Duke New Smyrna is hereby directed to conform with the filing and reporting requirements specified in this order. The first quarterly report of transactions undertaken by Duke New Smyrna under its market-based power sales tariff will be due within 30 days of the end of the quarter in which service commences.

(C) Duke New Smyrna is hereby directed to file an updated market analysis within three years of the date of this order, and every three years thereafter.

(D) Duke New Smyrna is hereby directed to inform the Commission promptly of any change in status that would reflect a departure from the characteristics the Commission has relied upon in approving market-based pricing. Alternatively, as discussed in the body of this order, Duke New Smyrna may elect to report any such changes every three years with the updated market analysis filed pursuant to Ordering Paragraph (C) above. Duke New Smyrna shall notify the Commission of which option it elects in its first quarterly report filed pursuant to Ordering Paragraph (B) above.

(E) Duke New Smyrna is hereby directed to inform the Commission of the date of commencement of service within 10 days of that date.

(F) Duke New Smyrna's request for waiver of Parts 41, 101, and 141 of the Commission's regulations is hereby granted.

(G) Within 30 days of the date of this order, any person desiring to be heard or to protest the Commission's blanket approval of issuances of securities or assumptions of liabilities by Duke New Smyrna should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.211 and 385.214 (1997).

(H) Absent a request to be heard within the period set forth in Ordering Paragraph (G) above, Duke New Smyrna is hereby authorized to issue securities and assume obligations or liabilities as guarantor, indorser, surety, or otherwise in respect of any security of another person; provided that such issue or assumption is for some lawful object within the corporate purposes of Duke New Smyrna, compatible with the public

interest, and reasonably necessary or appropriate for such purposes.

(I) Until further order of this Commission, the full requirements of Part 45 of the Commission's regulations, except as noted below, are hereby waived with respect to any person now holding or who may hold an otherwise proscribed interlocking directorate involving Duke New Smyrna. Any such person instead shall file a sworn application providing the following information:

(1) full name and business address; and

(2) all jurisdictional interlocks, identifying the affected companies and the positions held by that person.

(J) The Commission reserves the right to modify this order to require a further showing that neither public nor private interests will be adversely affected by continued Commission approval of Duke New Smyrna's issuances of securities or assumptions of liabilities, or by the continued holding of any affected interlocks.

(K) Duke New Smyrna's requests for waiver of the provisions of Subparts B and C of Part 35 of the Commission's regulations, with the exception of sections 35.12(a), 35.13(b), 35.15, and 35.16, are hereby granted.

(L) Duke New Smyrna is hereby informed of the following rate schedule designations:

Duke Energy New Smyrna Power Company Ltd., L.L.P.
Docket No. ER98-2624-000

	Designation	Description
(1)	FERC Electric Tariff, Original Volume No. 1 (Original Pages 1-2)	Market-Based Rates/ Code of Conduct
(2)	FERC Electric Tariff, Original Volume No. 2 (Original Pages 1-3)	Reassignment of Transmission Rights

By the Commission.

(S E A L)

David P. Boergers

David P. Boergers,
Acting Secretary.

COPY

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE GENERAL COUNSEL

June 9, 1998

Mr. Adam Wenner
Vinson & Elkins L.L.P.
The Willard Office Building
1455 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Re: Docket No. EG98-65-000

Dear Mr. Wenner:

On April 22, 1998, you filed an application for determination of exempt wholesale generator status on behalf of Duke Energy New Smyrna Beach Power Company Ltd., L.L.P. pursuant to section 32 of the Public Utility Holding Company Act of 1935 (PUHCA). Notice of the application was published in the Federal Register, 63 Fed. Reg. 23,773 (1998), with interventions or comments due on or before May 15, 1998. Timely motions to intervene raising no arguments were filed by Sonat Marketing Company L.P., Florida Power Corporation, Tampa Electric Company, and Florida Power and Light Company.

Authority to act on this matter is delegated to the General Counsel. 18 C.F.R. 375.309(g). Based on the information set forth in the application, I find that Duke Energy New Smyrna Beach Power Company Ltd., L.L.P. is an exempt wholesale generator as defined in section 32 of PUHCA.

A copy of this letter will be sent to the Securities and Exchange Commission.

Sincerely,

Douglas W. Smith
General Counsel