

ORIGINAL

YOUNG, VAN ASSENDERP, VARNADOE & ANDERSON, P. A.
ATTORNEYS AT LAW

REPLY TO:

R. BRUCE ANDERSON
TASHA O. BUFORD
DANIEL H. COX
DAVID P. HOPSTETTER*
C. LAURENCE KEESEY
KENZA VAN ASSENDERP
GEORGE L. VARNADOE
ROY C. YOUNG

Tallahassee

October 1, 1999

GALLIE'S HALL
225 SOUTH ADAMS STREET, SUITE 200
POST OFFICE BOX 1833
TALLAHASSEE, FLORIDA 32302-1833
TELEPHONE (850) 222-7206
TELECOPIER (850) 561-6834

SUNTRUST BUILDING
801 LAUREL OAK DRIVE, SUITE 300
POST OFFICE BOX 7907
NAPLES, FLORIDA 34101-7907
TELEPHONE (941) 597-2814
TELECOPIER (941) 597-1060

*BOARD CERTIFIED REAL ESTATE LAWYER

OF COUNSEL
DAVID B. ERWIN
A.J. JIM SPALLA

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

Re: Docket # 981890-EU - Generic investigation into the aggregate electric utility reserve margins planned for Peninsular Florida - City of Lakeland

Dear Ms. Bayo:

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

Thank you.

Very truly yours,

Roy C. Young /swp
Roy C. Young

RCY:swp
Enclosures

AFA 2
APP _____
CAF _____
CMU _____
CTR _____
EAG 4
LEG swp Lakeland/Bayo.Oct.1
MAS 5
OPC _____
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SEC 1
WAW _____
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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: GENERIC INVESTIGATION INTO THE
AGGREGATE ELECTRIC UTILITY RESERVE
MARGINS PLANNED FOR PENINSULAR
FLORIDA.

DOCKET NO. 981890-EU
FILED: October 1, 1999

**Prehearing Statement
CITY OF LAKELAND**

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

a. All Known Witnesses

| <u>Witness</u> | <u>Proffered By</u> | <u>Issues #</u> |
|----------------|---------------------|-----------------|
| Paul H. Elwing | City of Lakeland | 1 through 19 |

b. All Known Exhibits

None

c. City of Lakeland Basic Position

The City of Lakeland (Lakeland) believes that the determination of criteria for determining reserves should be done on a case by case basis for each utility based on balancing all the unique circumstances surrounding the utility relative to reliability with the economic cost associated with providing reliability. Lakeland further believes that reliability is improved through the sharing of reserves among the utilities in the state and that each utility should provide their fair contribution to these shared reserves based on their unique circumstances. Lakeland believes that Lakeland's minimum 15 percent reserve margin criterion has been appropriate for Lakeland's system up to this point in time. Stating the above criteria as a minimum inherently states that Lakeland believes that there may be instances when circumstances dictate that a higher reserve margin may be appropriate. Lakeland also believes that individual utilities' circumstances may change through time requiring changes to reliability criteria.

d. City of Lakeland Issues and Positions

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

Position: The appropriate methodology for planning purposes for calculating reserve margins for individual utilities should be a heuristic approach which includes but is not necessarily limited to the following unique aspects of each individual system including size and availability of generating units including availability of fuel, purchase power and sales arrangements, load shape and temperature sensitivity, participation in power pools or other reliability sharing entities, interconnections with surrounding utilities, and demand-side management and interruptible loads. Lakeland offers no comment for Peninsular Florida, but rather defers to the FRCC's response and study results.

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

Position: For individual utilities, the appropriate methodology for planning purposes for evaluating reserve margins is review of historical reliability taking into account factors listed in Lakeland's position for Issue 1. As a municipal utility, Lakeland must consider balancing costs and reliability. Lakeland offers no comment for Peninsular Florida, but rather defers to the FRCC's response and study results.

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

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

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

B. Seasonal firm peak demand. Over what period (hourly, 30 min., 15 min.) Should the seasonal firm peak demand be determined? What is the proper method of accounting for the diversity of the individual utilities seasonal firm peak demands and load uncertainty? Is sufficient load uncertainty data available and being used? How are interruptible, curtailable, load management and wholesale loads treated at the end of their tariff or contract termina-

tion period? How should demand and/or energy use reduction options be evaluated and included in planning and setting reserve margins?

Position: Seasonal firm peak demand should be determined on an hourly basis. Diversity should be considered on a Peninsular Florida basis and as result should also have an effect on the individual utility reserve requirements. Load uncertainty is difficult to quantify analytically, but is being adequately considered on a case-by-case basis by the individual utilities. Loads governed by contracts should be based on the contract term. If the loads are native to the utility's service area, the loads should continue to be considered to be served by the utility. If the loads are wholesale loads outside of the utility's service area, the loads should be assumed to go away at the end of the contract period. Reasonable projections for demand and/or energy use reduction options should be included in the planning process.

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

Position: Reserve margin planning criterion should be determined on an annual basis taking into consideration seasonal peak demands and resources.

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

Position: Generating units should be rated at net dependable continuous seasonal capacity.

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

Position: Lakeland offers no comment for Peninsular Florida, but rather defers to the FRCC's response and study results.

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

Position: No, but the utility should have demonstrable proof that the non-firm load can be used to meet reserve requirements.

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

Position: No. The individual utility should have the flexibility to secure reserves by whatever they feel is the most cost-effective means available to them. Reserves should be demonstrable and available when called upon.

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

Position: Each utility should have the ability to select the planning criteria that it feels best meets the need of its system. Electric systems are dynamic in nature and, as a result, utilities must have the flexibility to change their criteria from time to time and/or use multiple criteria to assess generation adequacy.

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

Position: Lakeland does not rely on import capability for its reserve margin and reliability criteria. Lakeland does believe that import capability should be accounted for in an individual utilities reliability criteria if that utility uses that capability and depends on it to serve firm load.

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

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

Position: Lakeland appropriately accounts for historical winter and summer temperatures when forecasting seasonal peak loads for purposes of establishing a percent reserve margin planning criterion. As has been previously supplied to Commission Staff, Lakeland bases its temperature at time of seasonal peak based on historical temperature at peak. Lakeland uses approximately 30 years of temperature data to determine forecasted temperature at time of peak. This has been proven an acceptable methodology by applying all time high and low temperatures to Lakeland's forecast model to develop extreme loads due to weather conditions to determine if the planned reserve margin is large enough to accommodate the load that would accompany the extreme temperatures. To date all analysis has shown that Lakeland's planned reserve margin is adequate to cover both normal and extreme temperature conditions such as temperatures experienced during the 1989 freeze.

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

Position: Lakeland offers no comment for Peninsular Florida, but rather defers to the FRCC's response and study results.

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

- | | |
|-------|----------------------------------|
| I. | City of Homestead |
| II. | City of Lake Worth Utilities |
| III. | City of Lakeland |
| IV. | City of Tallahassee |
| V. | Florida Power and Light Company |
| VI. | Florida Power Corporation |
| VII. | Florida Municipal Power Agency |
| VIII. | Gainesville Regional Utilities |
| IX. | Jacksonville Regional Authority |
| X. | Kissimmee Utility Authority |
| XI. | Orlando Utilities Commission |
| XII. | Reedy Creek Improvement District |

XIII.
XIV.
XV.

**Seminole Electric Cooperative
Tampa Electric Company
Utilities Commission of New Smyrna Beach**

Position: Lakeland currently uses a 15% reserve margin for planning purposes. Lakeland feels this is adequate for its system at this time. Lakeland has tested its 15% reserve margin by applying extreme temperatures to its forecast model to determine an extreme MW peak. That extreme MW peak has still been less than total planned capacity, which includes the 15% reserve margin.

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

Position: Lakeland offers no comment, but rather defers to the FRCC's response and study results.

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

Position: No. The Commission should not adopt a reliability standard for individual utilities. Each utility is different in its size and makeup of generating resources. The electrical systems of each utility are dynamic in nature and change over time as load changes and resources change. A single reliability standard cannot and will not address the needs of all utilities. Not all utilities find that reserve margin in and of itself is the appropriate reliability criteria for their system. Certainly reserves are an important and necessary part of the reliable operation of the electric utilities in Florida, however, the utilities themselves should be the entities that determine what that level should be. The Commission should be in a role of review to see that the criteria being used by the individual utility, provides for the uncertainties and needs for that particular utility.

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

Position: No. The Commission should review the individual utility reliability criteria and make a determination of reliability adequacy on that basis. If the Commission deems all utilities within Florida reliable then the State would be reliable as well.

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

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

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

Position: See Appendix A. As mentioned earlier reserve margins need to demonstrate a reasonable balance between economics and reliability. The reserve margins shown in Appendix A, excerpted from Staff's own Direct Testimony filed August 31, 1999, seem reasonable for reliability purposes.

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

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

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

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

e. **Questions of Law**

None at this time.

f. **Policy Questions**

None at this time.

g. Stipulated Issues

None at this time.

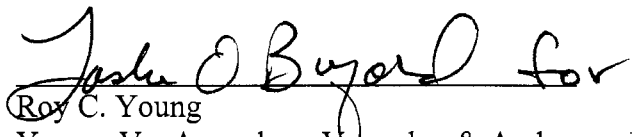
h. Pending Motions

None at this time.

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

The City of Lakeland has complied with all requirements of Orders PSC-99-1274-PCO-EU, PSC-99-1215-PCO-EU, PSC-99-1042-PCO-EU, and PSC-99-0760-PCO-EU.

Respectfully submitted this 15th day of October, 1999.

A handwritten signature in cursive script, appearing to read "Roy C. Young for".

Roy C. Young
Young, VanAssenderp, Varnadoe & Anderson, P.A.
225 South Adams Street
Tallahassee, FL 32301
Telephone: 850/222-7206
Attorneys for the City of Lakeland

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 981890-EU

CERTIFICATE OF SERVICE

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

Reedy Creek Improvement District
Willard Smith/Fran Winchester Post Office
Box 10175
Lake Buena Vista, FL 32830

Utilities Commission
City of New Smyrna Beach
Ronald L. Vaden
Post Office Box 100
New Smyrna Beach, FL 32170

City of Tallahassee
Richard G. Feldman
300 S. Adams Street
Tallahassee, FL 32301

Office of Public Counsel
John Roger Howe
111 W. Madison Street, Room 812
Tallahassee, FL 32399

McWhirter Reeves McGlothlin
Vicki Gordon Kaufman
117 South Gadsden Street
Tallahassee, FL 32301

Jeffrey Stone
Beggs & Lane
Post Office Box 12950
Pensacola, FL 32576

Ausley & McMullen
James Beasley
Post Office Box 391
Tallahassee, FL 32301

FL Electric Cooperative Association
Michelle Hershel
Post Office Box 590
Tallahassee, FL 32302

Legal Environmental Assistance Foundation
Deb Swim
1114 Thomasville Road, Suite E
Tallahassee, FL 32303

Florida Reliability Coordinating Council
Ken Wiley
405 Reo Street, Suite 100
Tampa, FL 33609

Landers & Parsons
Scheff Wright
Post Office Box 271
Tallahassee, FL 32302

Moyle Flanigan
Jon Moyle, Jr.
210 South Monroe Street
Tallahassee, FL 32301

Steel Hector and Davis
Matthew M. Childs
215 South Monroe Street - Suite 601
Tallahassee, FL 32301

City of Lake Worth Utilities
Harvey Wildschuetz
1900 Second Avenue, North
Lake Worth, FL 33461

Florida Power Corporation
Jim McGee
Post Office Box 14042
St. Petersburg, FL 33733

Thomas J. Maida
Foley & Lardner
300 East Park Avenue
Tallahassee, FL 32315

Frederick Bryant
Florida Municipal Power Agency
2010 Delta Boulevard
Tallahassee, FL 32303

A.K. (Ben) Sharma
Kissimmee Utility Authority
Post Office Box 423219
Kissimmee, FL 34742

Robert V. Elias & Leslie J. Paugh
Florida Public Service Commission
Gerald L. Gunter Bldg.
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

City of Homestead
James Swartz
675 N. Flagler Street
Homestead, FL 33030

Jacksonville Electric Authority
Tracy E. Danese
21 West Church Street - Tower 16
Jacksonville, FL 32202

Gainesville Regional Utilities
Raymond O. Manasco, Jr.
Post Office Box 147117
Station A-138
Gainesville, FL 32614-7117

Orlando Utilities Commission
Tom Tart
Post Office Box 3193
Orlando, FL 32802

Thornton Williams & Associates
Paul Sexton
P. O. Box 10109
Tallahassee, FL 32302

Robert C. Williams
Director of Engineering
Florida Municipal Power Agency
72301 Lake Ellenor Drive
Orlando, FL 32809-5769

Roy C. Young
Florida Bar ID#098428
Young, van Assenderp, Varnadoe & Anderson, P.A.
225 S. Adams Street - Suite 200
Tallahassee, FL 32301
Telephone: (850) 222-7206
Facsimile: (850) 561-6834
Attorneys for the City of Lakeland

Appendix A

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

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

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