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October 4, 2004

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850

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COMMISSION
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Re: Docket No. 040001-EI

Dear Ms. Bayó:

Enclosed for filing in the above-referenced docket are an original and fifteen copies each of the prepared direct testimony and exhibits of David E. Dismukes.

Also enclosed are two diskettes containing the above-referenced testimony and Attachment 1 thereto in Word format, as well as the Exhibits in PDF format.

Sincerely,

Jon C. Moyle, Jr.

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Enclosures

cc: Counsel of Record

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BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION

DOCKET NO. 040001-EI
FLORIDA POWER & LIGHT COMPANY

IN RE: FUEL AND PURCHASED POWER COST RECOVERY CLAUSE AND GENERATING PERFORMANCE INCENTIVE FACTOR

DIRECT TESTIMONY AND EXHIBITS OF:

DAVID E. DISMUKES

OCTOBER 4, 2004

I. INTRODUCTION

Q WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A My name is David E. Dismukes. My business address is 6455 Overton Street, Baton Rouge, Louisiana.

Q WOULD YOU PLEASE STATE YOUR OCCUPATION AND CURRENT PLACE OF EMPLOYMENT?

A I am a Consulting Economist with the Acadian Consulting Group ("ACG"), a research and consulting firm that specializes in the analysis of regulatory, economic, financial, accounting, and public policy issues associated with regulated and energy industries. ACG is a Louisiana-registered partnership, formed in 1995, and is located in Baton Rouge, Louisiana.

Q HAVE YOU PREPARED ANY ATTACHMENTS TO YOUR TESTIMONY OUTLINING YOUR QUALIFICATIONS IN ELECTRIC AND REGULATED INDUSTRIES?

A Yes. Attachment 1 to my testimony provides my academic vitae that includes a full listing of my publications, presentations, and pre-filed expert witness testimony, expert reports, and affidavits.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A My testimony is being sponsored by Power Systems Manufacturing, LLC ("PSM") and Thomas K. Churbuck to evaluate the reasonableness of Florida Power and Light Company's ("FPL" or "the Company") proposal to recover the costs associated with three purchased power agreements ("PPA") with Southern

Company Services, Inc. ("SCSI"), a corporate affiliate of the Southern Company. ("Southern"). Additionally, the Florida Industrial Power Users Group ("FIPUG") has agreed to sponsor my testimony because it is consistent with the group's stated policy of supporting wholesale competition for electric supply.

Q HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

A My testimony is organized into the following sections:

- Section II: Summary of Recommendations
- Section III: Summary of FPL's PPA Request
- Section IV: FPL's PPA Proposal Circumvents the Commission's Competitive Bidding Process
- Section V: The Current Fuel Proceeding is an Inappropriate Proceeding for Evaluating the Company's PPA Proposals
- Section VI: The Additional Benefits Claimed by the Company Appear to be Limited and Do Not Overwhelm the Potential Upsides of a Competitive Bidding Process
- Section VII: The Company's Review of the Market Does Not Appear to be Complete and Includes a Number of Errors
- Section VII: Summary and Recommendations

II. SUMMARY OF RECOMMENDATIONS

Q WOULD YOU PLEASE SUMMARIZE YOUR RECOMMENDATIONS?

A I recommend that the Commission separate the cost recovery issue for three purchased power contracts with subsidiaries of Southern from the remaining issues in this fuel proceeding for the following reasons:

(1) The proposed purchased power contracts represent a considerable commitment for FPL that extends well into the future. The proposal raises numerous complex issues that should not be considered on a relatively expedited basis.

(2) Because of the magnitude of this request, the terms, conditions, and rates for these proposed contracts should be compared to the best alternative available in the market. The Company has not conducted a Request for Proposal ("RFP") process as envisioned in the FPSC Rule 25-22.082; therefore, the Commission cannot be assured that this resource proposal is the most cost effect in the market for ratepayers. In fact, the Company has admitted that its self-build option is some $60 to $80 million lower than the PPA contracts FPL is asking the Commission to approve in this proceeding. [Hartman Direct Testimony, 15: 17-18.]

(3) The extent to which the Company has queried the market is questionable. Further, a number of the "additional benefits" associated with these contracts are questionable. If the Commission wishes to have the Company seek these types of additional benefits, they should be written into the requirements of a competitive RFP or similar solicitation submitted to the market.

(4) Separating this issue would not appear to harm ratepayers since the Company has noted that its current contract terms with Southern allow 6 months for regulatory approval or until

transmission rights are obtained, whichever is later. [Hartman Direct Testimony, 6:17-18. Section 7.4.1 of the PPA contains a transmission deadline date which has been redacted.]

(5) Separating this issue from the remaining issues in this docket, and considering it in a more thorough fashion by testing the new contracts against the competitive market through an RFP process, would serve the public interest by ensuring "that a public utility's selection of a proposed generation addition [inside or outside of Florida] is the most cost-effective alternative available." [F.A.C., FPSC Rule 25-22.082]

Q DO YOU HAVE ANY ALTERNATIVE RECOMMENDATIONS?

A Yes. If the Commission rejects my primary recommendation to separate the issues associated with the Company's proposed PPA from this proceeding, then I would recommend that the Commission not approve the Company's proposed PPAs at this time. I base this alternative recommendation on the following points:

(1) The Company has not conducted a thorough competitive bidding or other procurement process for these resources;

(2) The Company has not provided complete and detailed information in its filing proving that these PPAs are the least cost option available to ratepayers.

(3) The Company has indicated that its self-build option is a lower-cost resource than the proposed PPAs. The purported additional

benefits associated with the Company's proposed PPAs do not offset these potential costs savings for ratepayers. The Company should be required to compare this self-build option to all potential contracts and resource alternatives in the market through a competitive bidding process.

III. SUMMARY OF FPL'S PPA REQUEST

Q WOULD YOU PLEASE PROVIDE SOME BACKGROUND ON THE COMPANY'S FUEL FILING?

A The Company has requested that the Commission approve its proposed levelized fuel recovery charge for the period January 2005 through December 2005. In addition to setting the fuel recovery charge, the Company has requested approval for recovery of three purchased power contracts with SCSI, a subsidiary of Southern through the fuel and purchased power cost recovery clause and the capacity recovery clause.

Q PLEASE DESCRIBE THE THREE PURCHASED POWER CONTRACTS THAT THE COMPANY HAS REQUESTED TO BE INCLUDED AND APPROVED IN THIS DOCKET.

A The contracts consist of:

- 165 megawatts ("MW") of firm capacity and energy from a coal generation unit in Georgia;
- Up to 600 MW of energy and capacity from a combined cycle facility in Alabama; and

- 190 MW of energy and capacity from an additional combined cycle facility in Alabama.

The total contract amount for the three purchases is 955 MW. After allowances for transmission losses that occur on the Southern system (not considering the additional transmission losses on the FPL system), the net injection into the Company's system would be 930 MW. All three contracts begin on June 1, 2010 and end on December 31, 2015. The contracts tied to natural gas units include options for additional two-year extensions that can be exercised presumably at any time prior to January 2010. The contribution each of these contracts makes to the total purchase amount is provided in Exhibit DED-1. The proposed PPAs represent new contracts that follow up on an existing agreement referred to as the Unit Power Sales Agreement (the "UPS Agreement"). However most of the units to which these new contracts are tied, differ from the original UPS Agreement. The original agreement expires on May 31, 2010, roughly six years from the current date.

IV. FPL'S PPA PROPOSAL CIRCUMVENTS THE COMMISSION'S COMPETITIVE BIDDING RULE

Q WHY DOES THE COMPANY'S PPA PROPOSAL CIRCUMVENT THE COMMISSION'S COMPETITIVE BIDDING RULES?

A **These new contracts circumvent if not the Commission's bidding rule** itself, then at least the spirit of the rule. The PPA has not been subjected to a competitive bidding process, and has only been "tested" to the market in an incomplete and cursory manner. Section 25-22.082 of the Commission's Rules

outlines a process that utilities are required to follow in evaluating the need and selection of additional generating capacity. This rule requires utilities to compare proposed resource acquisitions to a RFP process. The competitive bidding provisions of this rule were established to ensure that the most cost effective resources are secured for ratepayers. By testing the competitive market, the Commission can be assured that the least cost resource has been secured for ratepayers.

Q DOES THE COMPETITIVE BIDDING RULE RELATE ONLY TO THE CONSTRUCTION OF NEW GENERATING FACILITIES?

A Strictly speaking, yes. The Scope and Intent section of the Rule notes that the purpose of the competitive bidding requirement is to provide the Commission with information in evaluating utility proposals under F.S. Section 403.519, also known as the Power Plant Siting Act. This statute outlines the terms and conditions under which utilities are allowed to construct new power plants in the state. The Company's proposed PPA is not associated with the construction of a new facility. However, the size and magnitude of the capacity represented by these contracts, nearly 1,000 MW, is comparable to a large generating facility. In order to assess the justness and reasonableness of these proposed new contracts, the Commission should subject them to a competitive bidding process.

Q SHOULD THE COMMISSION BE PRECLUDED FROM REQUIRING COMPETITIVE BIDDING IN INSTANCES OF THIS NATURE?

A No. In addition to assuring that the least cost resource is secured for ratepayers, the competitive bidding process also creates a number of other positive opportunities for utility ratepayers. First, the process opens up a formal proceeding under which ratepayers can comment on a utility's plans to secure new generating capacity, regardless of whether that capacity is secured through new contracts or the construction of a new plant. Second, the process gives ratepayers some realistic period of time to evaluate the reasonableness of utility proposals, prepare comments, and offer constructive input to the Commission. Lastly, the process gives competitive providers an opportunity to compete directly with utility proposals, securing for ratepayers an opportunity to verify utility behavior.

Q IS THIS PPA RENEWAL THE LEAST COST OPTION CURRENTLY AVAILABLE TO THE COMPANY?

A No. The Company has estimated the cost of a self-build option and has noted that the cost of this option ranges from **$60 to $80 million in 2004 dollars** lower than its current PPA proposal with Southern.

Q THE COMPANY HAS NOTED THAT THE ADDITIONAL BENEFITS ASSOCIATED WITH THE PROPOSED PPA JUSTIFY THEIR ADOPTION OVER A SELF-BUILD OPTION. DO YOU AGREE?

A No, for a number of reasons. First, as the Company admits, a number of the benefits associated with the contracts are subjective and highly variable. Fuel prices, for instance, are known to swing and become quite variable, and what may appear to be a solid fuel option benefit today, could be considerably

dampened in the future. Second, while some of these benefits may actually be positive, none appear to be overwhelming enough to offset the $60 to $80 million in ratepayer benefits that are quantifiable in today's dollars. Third, a large number of the benefits outlined by the Company, like firm gas transportation on a non-Florida gas transmission line, could be written into a solicitation presented to the market.. Fourth, and most importantly, all of these purported benefits could ultimately be secured if Southern were to bid them into a RFP process and win the resulting bid. This outcome would be a "win-win" for the Commission if FPL proved that this Southern proposal, after a comparison to all market alternatives, was the lowest cost alternative. In such an instance, the "benefits" outlined by the Company would be secured, and the Commission could ensure that the least-cost resource was selected for ratepayers.

Q BY ACKNOWLEDGING THESE SAVINGS AREN'T YOU SUPPORTING THE COMPANY'S SELF-BUILD OPTION?

A No. The self-build option sets the lower threshold of potential ratepayer savings that could be obtained if this PPA were compared to the market. The Commission has nothing to lose by requiring FPL to submit this resource need to the market or by refusing to approve the PPA at this time, signaling to FPL the Commission believes it prudent to actively and thoroughly test market before rushing to seek approval of these contracts. At a minimum, by FPL's own estimates, ratepayer savings could range from $60 to $80 million, or more if a lower cost competitive offer is submitted and wins the award.

V. THE CURRENT FUEL PROCEEDING IS AN INAPRROPRIATE PROCEEDING FOR EVALUATING THE COMPANY'S PPA PROPOSALS

Q DO YOU BELIEVE THAT THE CURRENT FUEL PROCEEDING IS THE MOST APPROPRIATE PLACE TO CONSIDER THE COMPANY'S PPA REQUEST?

A No. These contracts should not be addressed in this proceeding for a number of reasons. First, the proposed PPAs have nothing to do with the proposed 2005 fuel adjustments currently being reviewed by the Commission. Second, these PPAs are more appropriately addressed under the context of a proceeding directed by the requirements of the Commission's Capacity Addition Rule. Third, the PPAs involve a significant commitment of resources and present a host of issues that are better evaluated in a proceeding that is not being rushed to conclusion.

Q WOULD YOU PLEASE ELABORATE ON YOUR FIRST POINT?

A Yes. The purpose of the current fuel proceeding is threefold. The first is to true up prior year(s) projected to actual fuel costs to account for any over/under collections in the fuel adjustment clause. The second is to determine the reasonableness of fuel rates presently being charged by the Company for the current year. The third is to review and determine the reasonableness of fuel rates that will be charged by the Company over the next year. The PPAs proposed by the Company will not be initiated for six years (2010) and their renegotiation has little to do with 2005 fuel costs or purchased power. The

Commission would have plenty of time to review this proposal outside of the context of determining the upcoming years' fuel costs.

Q AS A PRACTICAL MATTER, DO YOU THINK THE INCLUSION OF THE PPA ISSUE IN THE CURRENT PROCEEDING UNNCESSARILY EXPEDITES THE REVIEW PROCESS FOR THE PROPOSALS?

A Yes. The Company's request for these new PPAs was provided in its pre-filed testimony on September 9, 2004. Interveners have been required to review the reasonableness of this request, issue and analyze discovery, and file opposing testimony by October 4, 2004 – a period slightly over 3 weeks. The FPSC Staff will only have an additional week to review the Company's proposal, as well as other intervener's positions. It is my opinion that this review period is exceptionally quick for a capacity addition of this magnitude.

Q DO THE TIMELINES AND NOTIFICATION PERIODS UNDER THE COMMISSION'S CAPACITY ADDITION RULES PROVIDE MORE TIME FOR EVALUATION THAN THE CURRENT PROCEEDING?

A Yes. The Commission's Rules provide several opportunities for advance notification and analysis when a utility has a resource acquisition need. For instance, the Commission's Rules first require a utility to announce and publish its resource requirement need and its Request for Proposals ("RFP") in various publications. The Company must then provide at least 60 days for responses to the RFP as well as any additional time if changes are made to the RFP, or the Company alters its own estimates of its self-build option. Next, the Company must review and determine if its self-build option is more cost effective than any

proposals received. The process is reasonable and appears to be developed in a manner that balances the need for a thoughtful analysis with a conscientious decision. The process can feasibly be completed within a six month period – a period much longer than the one month interveners have had in this proceeding.

Q IS IMMEDIATE APPROVAL OF THE PROPOSED CONTRACTS IMPERATIVE?

A No. The Company claims that the current provisions of its contracts allow for the longer of six months to obtain regulatory approval as well as any time needed to obtain firm transmission rights. [Hartman Direct Testimony, 18:6.] Additionally, if the Company were to issue a RFP for capacity, Southern would be eligible to bid the current contracts against other bidders. Thus, there is minimal impact on either company with the issuance of an RFP, and only potential gains to ratepayers should any better offers surface. If an RFP process were conducted, the Commission could be satisfied that the purchased power contracts are the best alternative available.

Q DOES THE EXPIRATION OF THE EXISTING UPS AGREEMENT WITH SOUTHERN REPRESENT THE MOST IMMEDIATE RESOURCE ISSUE THE COMPANY NEEDS TO ADDRESS WITHIN THE CONTEXT OF ITS LAST TEN YEAR SITE PLAN?

A No, while the Company has noted that contract negotiations are an issue throughout the 2004-2013 resource acquisition process, the two more immediate resource requirements include the projected construction of two new combustion turbine units at the Midway site in 2008, or an alternative resource(s) as obtained

through an RFP; and the projected construction of a new combined cycle unit at the Corbett site in 2009, or an alternative resource(s) as obtained through an RFP ["Ten Year Power Plant Site Plan, Florida Power & Light, submitted to Florida Public Service Commission, April 2004]. It would appear that in the order of addressing resource needs, these two potential projects would be more pressing than the proposed PPAs under consideration in this proceeding.

Q THERE HAS BEEN AN ONGOING PROCEEDING AT THE FERC RELATED TO MARKET POWER ISSUES AS THEY RELATE TO SOUTHERN COMPANY. HOW DOES THIS IMPACT THE TIMING OF THE COMMISSION'S CONSIDERATION OF THIS PROPOSAL?

A There has been an ongoing analysis of market power issues in the southeast for several years. The FERC initiated a review of rates when Southern Company, Entergy, and AEP all submitted applications in support of their triennial market-based rate authority. Subsequently in 2001, the FERC decided to change the manner in which it evaluated market power issues away from the more traditional "hub-and-spoke" analysis to one that is called a "standard market assessment" ("SMA"). Under the standards of the new test, Southern, as well as the other two utilities that were part of the proceeding, were found to fail their market power screen, indicating that further analysis of market power was required.

Q WERE THESE UTILITIES, INCLUDING SOUTHERN, DENIED MARKET BASED RATE AUTHORITY?

A No. While each of the utilities failed the new SMA test, the FERC received several motions for rehearing on the soundness of the SMA standard. It acted on these motions by soliciting several rounds of comments, holding a technical conference, and soliciting feedback on a FERC Staff paper. The process concluded on April 14, 2004 and resulted in two new indicative tests being adopted to screen for market power.

Q DID THE FERC ALLOW A REHEARING ON THIS ORDER?

A No, the FERC denied a rehearing on the April 14, 2004 Order, but offered clarifications in its Order on Rehearing issued July 8, 2004.

Q DID FERC ISSSUE A RECENT ORDER REQUIRING SOUTHERN TO MAKE A MARKET POWER FILING BASED UPON ITS NEW TESTS?

A Yes. On July 8, 2004 the FERC issued an Order on Rehearing that requires a pair of tests to be passed to screen for indications of market power prior to an applicant's receiving market based rate approval. The first test, a "Pivotal Supplier Test," is an analysis based on a control area's peak demand and the second is a "Market Share Test." Failing either test leads to the presumption of market power, but the applicant is allowed to rebut the presumption with additional data.

Q WHAT ELSE DID THE ORDER REQUIRE?

A The order required Southern Company Energy Marketing, LP, among other utilities, to file generation power market analyses within 30 days of the Order on Rehearing.

Q HAS SOUTHERN FILED THE REQUIRED INFORMATION?

A Yes, Southern submitted a compliance filing on August 9, 2004 to the FERC in Docket No. ER97-4166-015 and has noted that it "...fails the Commission's wholesale market share screen in the Southern control area." [Southern Company Compliance Filing, SC-20: ¶19.]

Q HOW DOES THIS IMPACT THE TIMING ISSUES ASSOCIATED WITH FPL'S PROPOSED PPAS WITH SOUTHERN?

A The recent decision, and filing by Southern, creates uncertainty associated with FPL's proposed PPA. One question that the Commission should consider is that if Southern is found by the FERC to have market power, and the FERC removes Southern's market-based rate authority, what will happen to any contracts like the one proposed by FPL? Will these contracts be grandfathered to their contracted terms, or will Southern be required to provide FPL (and Florida ratepayers) cost-based rates? I believe this is an important issue, and justifies spinning this issue into a separate proceeding, and taking a "go-slow" approach.

VI. THE ADDITIONAL BENEFITS CLAIMED BY THE COMPANY APPEAR TO BE LIMITED AND DO NOT OVERWHELM THE POTENTIAL UPSIDE OF A COMPETITIVE BIDDING PROCESS

Q WOULD YOU PLEASE EXPLAIN THE ADDITIONAL BENEFITS THE COMPANY CLAIMS SUPPORT APPROVAL OF ITS PPA REQUEST?

A The Company has noted that the proposed PPAs offer a number of additional benefits that include:

(1) Fuel diversity by including some 165 MW of coal generation;

(2) Optionality by allowing the Company first rights of refusal on any future coal capacity presumably offered to the market from two of Southern's coal units;

(3) Retention of 930 MW of firm power transmission rights;

(4) Firm gas transportation rights on a pipeline independent of the two currently serving Florida;

(5) Increased reliability by having the ability to secure capacity and/or purchased energy from outside Florida; and

(6) The ability to defer making a long term commitment on a self-build or longer term PPA. [Hartman Direct Testimony, 9:7-22; 10:1-4.]

Q DO YOU AGREE THAT THESE BENEFITS ARE IMPORTANT ENOUGH FOR THE COMMISSION TO ALLOW THE COMPANY TO AVOID CONDUCTING AN RFP PROCESS?

A No. While several of these benefits appear important on the surface, many are questionable in nature, and even if they were to materialize, are not significant enough to justify the Commission giving the Company a pass on conducting an RFP process for a 930 MW capacity acquisition. Further, most all of the benefits outlined by the Company could be included as requirements in a future RFP solicitation. In such an instance, these additional benefits could be secured, along with the knowledge that the new contracts were the most economical in the market.

Q TWO OF THE BENEFITS LISTED BY THE COMPANY ARE RELATED TO SECURING SOLID FUEL-BASED RESOURCES. DO YOU AGREE THAT THESE ARE IMPORTANT BENEFITS?

A Not entirely. While there are some solid fuel benefits associated with this contract, only 165 MW of the entire proposed PPA agreement is associated with coal generation. This represents only 17 percent of the total agreement, and less than one percent (0.7 percent) of the Company's overall generation mix. The overwhelming bulk of this proposed contract is associated with natural gas-fired resources (83 percent). While a portion of this agreement is solid fuel-based, it is such a small percentage, and does not make a meaningful impact on the Company's overall generating fuel mix. Further, if the Company is interested in securing solid fuel, or solid fuel-type resources, it should indicate such in a solicitation to the market.

Q WHAT ABOUT THE FIRST RIGHT OF REFUSAL THE COMPANY WILL GET ON THE TWO SOUTHERN COAL UNITS?

A These potential options are problematic for two reasons. First, it is not clear when, where, and to what extent Southern Company would ever make any capacity and/or energy available from these units. The Company's filing is not clear in this regard so it is virtually impossible to determine whether this is a meaningful opportunity. Second, even if Southern were to offer a substantial portion of these units to the market, and even if FPL were interested in acquiring this capacity, such procurement should also be subjected to market forces.. This is an option that the Company should not be allowed to exercise without

ensuring that other more competitive opportunities (including other solid fuel options) are not available in the market.

Q WHAT ABOUT THE BENEFITS ASSOCIATED WITH RETAINING 930 MW OF FIRM POWER TRANSMISSION CAPACITY FROM SERC?

A The ability to secure 930 MW of transmission rights from SERC into Florida may have some benefits, but the conditions under which these benefits could be realized are not clearly explained in the Company's proposal. One potentially bothersome issue is the nature to which these transmission rights are tied exclusively to obtaining power from Southern Company, as opposed to being used by any other competitive energy providers in the SERC region that may want to serve FPL. The Company has noted the conditions precedent in the contracts are linked throughout all three potential agreements. The Company states that "...although separate in form and relating to different generating units, [these three contracts] in fact constitute a single, composite power purchase option for purposes of the Commission's review and approval." [Hartman Direct Testimony, 6:22; 7:1.] Thus, it appears that the Company's position is that if it wants to maintain these transmission benefits, they have to sign this deal with Southern.

Q UNDER WHAT TERMS AND CONDITIONS WILL THE COMPANY BE ABLE TO ROLL-OVER ITS TRANSMISSION RIGHTS WITH SOUTHERN?

A According to the Company, it will be able to roll-over its grandfathered transmission rights if it can show that the changed delivery points from the existing agreement do not cause substantial changes in the transmission

provider's flows. [Hartman Direct Testimony, 8: 2-5.] The Company indicates that given the relative similarity in the flows, it "should" be able to secure these rights. [Hartman Direct Testimony, 8: 12-15.] However, the Company offers little in the way of evidence to support its contention that it "should" be able to secure these rights.

Q HAVE ROLLOVER RIGHTS BEEN USED BY A WHOLESALE CUSTOMER TO TAKE SERVICE FROM A COMPETITIVE MERCHANT PROVIDER?

A Yes. There have been instances where wholesale customers have attempted to roll these transmission rights over for use with competitive providers, as opposed to vertically-integrated utilities. A recent example of a challenge on this issue before the FERC was associated with Williams Energy Company ("Williams") and Southern (FERC Docket ER03-379-001). In this instance, Williams attempted to use the rollover rights of Oglethorpe Power Corp to carry power over Southern's system. While Southern attempted to impose a number of stringent conditions on the transaction, they were ultimately overruled by the FERC. So, FPL's position that the benefits of the transmission rights are limited to just this transaction with Southern does not appear to be correct. These rights could be transferred to other competitive providers in the potential flow path of the transaction. So the Company could at least attempt to maintain these benefits even if they enter into a competitive bidding process.

Q ARE THERE ANY OTHER NON-UTILITY GENERATION RESOURCES THAT ARE LOCATED IN THE GENERAL VICINITY OF THE UNITS TO WHICH THE CONTRACTS ARE TIED?

A Yes. Exhibit DED-2 shows that there are at least 5 existing generators that are in very close proximity to those units from which the Company is getting its power under the proposed Southern PPAs. These generators have a total capacity of 2,600 MW. Although a number of these units may be under contract, or unavailable as a supply alternative, the fact highlights that there are a number of competitive alternatives in the region for which the Company has made only a cursory review.

Q WHAT IS THE COMPANY'S BASIS FOR THE GAS TRANSMISSION BENEFITS ASSOCIATED WITH THE PROPOSED PPA CONTRACTS?

A According to the Company, Southern will use its firm transportation service on Southern Natural Gas Company ("SONAT") to serve the plants supporting the proposed PPA agreements. Southern will give priority scheduling for firm transportation to the natural gas facilities serving FPL and cannot "cancel or replace the existing firm gas transportation contracts without FPL's consent." [Hartman Direct Testimony, 13: 13-14.] The Company believes the gas-related benefits of these contracts are twofold: (1) they increase the diversity of firm gas transportation to the Company; and (2) they increase gas transportation availability for other transportation users in Florida.

Q DO YOU AGREE THESE ARE IMPORTANT BENEFITS?

A Not entirely, and even if there are some benefits associated with these firm gas transportation contracts, they would appear to be minimal, at best. Further, it is not clear how these benefits are unique to the proposed PPAs with Southern. If the Company has some need for firm gas transportation diversity, they could easily detail provisions of this nature in a future solicitation to the market. Merchant generators are located throughout the southeast, on a variety of pipeline systems, and have the opportunity to offer similar provisions in proposed contract submissions. Further, since the Company has not conducted an RFP process in this proceeding, it is impossible to determine if the nature of these benefits are unique.

Q IS FIRM GAS TRANSPORTATION AVAILABILITY PERCEIVED TO BE A PROBLEM IN FLORIDA NOW?

A Historically, Florida has had limited gas transportation infrastructure. The two major pipelines include Florida Gas Transmission ("FGT") and the relatively newer Gulfstream Pipeline System ("Gulfstream"). Currently, these systems have some 3.3 billion cubic feet per day ("Bcf/d") import capabilities. The state's 2003 total natural gas use is estimated to be 2.75 Bcf/d. Thus, while peak day requirements may be higher, utilization of these pipelines right now is somewhere around 80 percent. The real issue, however, is not what these utilization levels are now, but what they will be around 2010.

Q DO YOU SEE THE OPPORTUNITIES FOR NATURAL GAS SUPPLY AND TRANSPORTATION DIVERSITY IN FLORIDA INCREASING OR DECREASING PRIOR TO 2010?

A Actually increasing. As seen in Exhibit DED-3, there are a number of proposed pipelines and pipeline extensions in Florida that should be on line prior to 2010. These include two potential expansions of the Gulfstream project, and three new lines moving liquefied natural gas ("LNG") from the Bahamas to Florida. Combined, these lines should have the ability to move an additional 2.7 Bcf/d into the state. The FPSC Staff's most recent Ten Year Site Plan review anticipates total statewide natural gas demand to be around 3.48 Bcf/d by the year 2012. If this demand forecast is accurate, then there will be, on average, some 2.54 Bcf/d of excess capacity by 2012.

Q THE COMPANY HAS NOTED WHAT IT PERCEIVES TO BE A NUMBER OF "OTHER" IN-STATE BENEFITS ASSOCIATED WITH THE PROPOSED PPAS, BUT AREN'T THERE A NUMBER OF IMPORTANT ECONOMIC BENEFITS ASSOCIATED WITH ENCOURAGING IN-STATE GENERATION?

A Yes. Power generation facilities represent major capital investments regardless of whether they are developed by regulated utilities or merchant generators. Typically, these facilities can create three types of benefits: the one-time economic benefits associated with the construction of a facility; the ongoing economic benefits associated with the operation of a power generation facility; and the lower cost power generated from more efficient generators. It is not

uncommon for typical projects to create hundreds of construction jobs, increased regional economic output, and increased tax collections, particularly property taxes in the county where the power plant is located. Additionally, the wages associated with these facilities are typically higher than average and can be as high as $60,000 per year.

Q WHY SHOULD THE COMMISSION BE CONCERNED ABOUT THIS?

A I would argue that accepting the Company's proposed PPAs, as they have been presented in this proceeding, makes both bad regulatory policy and if the Commission is interest in "other" benefits, then it would be bad economic development policy. From a regulatory policy perspective, the contracts are admittedly a higher-cost resource than FPL's own self-build option and have not been subjected to a competitive bidding process.. From an economic development perspective, if the goal for securing power is to maximize a number of "other" in-state benefits, then it is not clear why the Commission would want to sign contracts that support higher cost resources in another state, when it could promote either a self-build option, or a merchant generation option in Florida and capture the benefits associated with the development of those resources, in addition to lower cost electricity.

VII. THE COMPANY'S REVIEW OF THE MARKET DOES NOT APPEAR TO BE COMPLETE AND INCLUDES A NUMBER OF ERRORS

Q IS THERE A CONSIDERABLE AMOUNT OF MERCHANT CAPACITY DEVELOPMENT IN SERC?

A Yes. It is a well-recognized fact that SERC is one of the most highly developed regions for merchant generation in the U.S. Exhibit DED-4 shows this development with a map of existing merchant facilities in the SERC region. Currently, there are 56 non-peaking merchant facilities with 30,537 MW of generation capacity in the SERC region. In addition, there is 13,259 MW of capacity that is under construction or planned for the next 5 years.

Q IS THIS DEVELOPMENT EVEN THROUGHOUT SERC?

A No, as shown in Exhibit DED-5, there are four sub-regions in the SERC: Entergy, Southern Company, the Tennessee Valley Authority ("TVA"), and the Virginia-Carolinas Reliability Region ("VACAR"). Currently, the Entergy sub-region has 12,934 MWs of non-peaking merchant generation capacity, the Southern Company subregion has 7,548 MW, the TVA subregion has 4,882 MW, and the VACAR subregion has 5,137.

Q HOW MUCH MERCHANT DEVELOPMENT HAS TAKEN PLACE IN FRCC?

A Currently, there are 19 merchant plants with a total of 6,170 MW of generating capacity operating in the FRCC region. When these resources in FRCC are combined with those available in the SERC, there are some 75 merchant plants with a total of 36,707 MW of generating capacity in the southeast. A map of the FRCC development has been provided in Exhibit DED-6.

Q HOW MUCH MERCHANT GENERATION HAS BEEN IDENTIFIED BY THE COMPANY IN THE SERC REGION?

A The Company has identified some 21,800 MW of merchant capacity that is available in the market, and could serve as a potential candidate to serve its resource needs. This is almost 60 percent lower (14,907 MW) than the amount of non-peaking merchant capacity identified as being active in the region by the U.S. Department of Energy and summarized in Exhibits DED-4 and DED-5.

Q WHAT IS THE DIFFERENCE BETWEEN YOUR ANALYSIS AND THAT OF THE COMPANY?

A The Company's initial analysis excludes a number of areas in the southeast and appears to focus on a select number of generators on the TVA border and within the Southern Company and Entergy sub-regions. For instance, the merchant facilities in the non-FRCC region of Florida are excluded, as well as the merchant facilities in VACAR and FRCC. While merchant facilities located in VACAR are some distance away, it is not plausible to assume all of them cannot, or do not, have firm transmission into-SERC from which they could then serve FPL. Further, it is not clear why plants located close to home (i.e., in Florida) have not been considered as potential candidates to meet the Company's resource needs.

Q HAS THE COMPANY RULED OUT A LARGE NUMBER OF THESE FACILITIES AS BEING INELIGIBLE TO SERVE FLORIDA LOADS?

A Yes. The Company has ruled out a large portion of the available generation in the southeast as being located in areas that are "transmission constrained." The Company has not identified the nature of this constraint, failed to offer any studies or analysis to support its assertion, and has assumed that

none of the generators in the region have the ability to get around this constraint. As a result, some 16,400 MW, or 75 percent of all generators identified as being available by the Company in the southeast, are taken off the table as being candidates to serve the FPL's resource requirements.

Q WERE THERE SOME OPERATING UNITS OMMITED?

A Yes, some of these facilities which FPL omitted include Santa Rosa (236 MW), Wansley (1,066 MW), Effingham (490 MW), and the large cogeneration project in Plaquemine (859 MW). The Company has also excluded at least one solid fuel option – the Big Cajun 2 unit (1,730 MW) in Louisiana.

Q ARE SOME OF THE UNITS IN THE COMPANY'S ANALYSIS MISPLACED?

A Yes. Plant Daniel (2,136 MW) is located in southern Mississippi in the Southern Company sub-region, not what the Company is representing as the constrained Entergy sub-region. Hog Bayou (230 MW) is located north of Mobile, Alabama, and is in the Southern Company sub-region, not what the Company represents as the constrained Entergy sub-region. These two plants alone, amounting to a total of 2,366 MW, increases the set of "non-constrained", "viable alternatives," facilities available to serve the Company by some 45 percent.

Q DOES THE COMPANY CONSIDER ANY MERCHANT FACILITIES THAT ARE CURRENTLY UNDER CONSTRUCTION?

A No. In addition to existing merchant generation that has been completed and is in operation,, a number of merchant generators are located in the SERC

region, currently under construction, and scheduled to come on-line prior to 2010. Exhibit DED-7 provides a map of these facilities throughout the southeast. Currently, 6 facilities are being constructed in the region, amounting to 4,542 MW of potential capacity that could serve FPL loads. Some 45 percent of that under construction development is located in SERC, and outside of the areas the Company considers "constrained."

Q ARE THERE ANY OTHER POTENTIAL MERCHANT CANDIDATES IN THE REGION THAT COULD SERVE FPL?

A A number of merchant facilities are considered to be "under development" in the SERC region. Some of these facilities are speculative at this time, and given current market conditions, are probably not likely to get built without some kind of firm contract for the plant output. Nevertheless, they do represent potential opportunities for the Company, especially when one considers that the energy and capacity represented by the PPA is not to be delivered until June 1, 2010. As shown in Exhibit DED-8 currently, there are 12 facilities under development in the southeast, amounting to approximately 8,717 MW of capacity.

Q SO DO YOU SEE GENERATION MARKETS IN THE SOUTHEAST AS BEING LIMITED?

A No. All told, there is considerable existing development, and potential development, in this market. Exhibit DED-9 combines all of the types of facilities discussed earlier into one map.

Q IN ITS MARKET ANALYSIS, THE COMPANY HAS NOTED THAT MANY AREAS OF THE SOUTHEAST, PARTICULALRY THOSE IN THE ENTERGY SUB-REGION, ARE TRANSMISSION CONSTRAINED. DO YOU AGREE WITH THIS ANALYSIS?

A Not entirely. The Company has summarily removed some 16,400 MW of competitive merchant capacity from its analysis because these facilities are located within areas that are currently transmission constrained (or not on the Southern Company system). Based upon the Company's analysis, these constrained facilities represent some 75 percent of all available merchant generation in the southeast. Of particular note is the fact that virtually every merchant power plant in the Entergy sub-region of SERC has been taken off the table for consideration by the Company. This is important since the Entergy sub-region accounts for 42 percent of all merchant generation in the SERC region.

Q DO YOU THINK THE ANALYSIS IS REASONABLE?

A No. I do not believe this is reasonable for a variety of reasons. First, the Company has failed to specifically identify, or offer real evidence about the types of problems that are constraining the delivery of merchant generation from the Entergy sub-region to Florida. It appears the Company assumes that all generators in that region are subjected to the same constraint. Second, the Company's analysis is static and based upon problems that even if accepted, are based upon operating conditions today, not in 2010.

Q DO YOU FORESEE CONSIDERABLE INVESTMENTS IN SERC TRANSMISSION INFRASTRUCTURE OVER THE NEXT SEVERAL YEARS?

A It would appear that way. The most recent report provided by the North American Electric Reliability Council ("NERC") indicates that SERC will be the fastest growing region in North American for transmission investments. For instance, Exhibit DED-10 shows the proposed increases in the circuit-miles of transmission lines, with voltages of 230 kV and greater, over the next several years. SERC will be growing by over 8 percent over the next decade. Almost 1,350 miles of new transmission is proposed for construction through 2008, with an additional 1,085 miles being added between 2009 and 2013. The total forecasted investment over the next decade could be as great as 2,434 miles. In fact, transmission investments in the SERC represent close to 50 percent of all forecasted additions in the U.S. over the next decade.

Q WHAT ABOUT THE FRCC?

A Growth in transmission investments in FRCC, while not as considerable, is still relatively substantial. NERC forecasts show that the FRCC transmission could increase by 6 percent by adding 360 circuit miles of transmission lines by 2008, and an additional 81 circuit miles by 2013. Growth in transmission investment in FRCC is third behind MAIN and SERC on a relative basis.

Q HAS THE COMPANY COMPARED THE PROPOSED CONTRACTS WITH ANY OTHER CONTRACTS?

A The Company claims that it has compared the proposed contracts with three publicly available sources of information. These include:

(1) Actual sales associated with the Tenaska Lindsey Hill project;

(2) Actual sales associated with the Central Alabama unit; and

(3) A proposed sale between Southern Power Company and one of its affiliates (Georgia Power) that requested approval before the FERC in Docket No. ER03-713-000 (hereafter "Southern Power-Georgia Power" contracts).

Q DO YOU THINK THE COMPARISONS BETWEEN THE TENASKA AND CENTRAL ALABAMA UNITS ARE COMPARABLE TO THE COMPANY'S CURRENT PPA PROPOSAL?

A No. It is not clear if this sale represents a true "apples-to-apples" comparison. FPL's comparison is ambiguous, and is remarkable for its lack of documentation and detail. It would appear from the Company's discussion that the capacity values with these sales may actually be lower than the proposed PPAs in this proceeding. But, as the Company notes, the purchase amounts are higher when the respective operating conditions are taken into consideration. While this difference could be related to potential heat rate differentials, the Company is entirely ambiguous on: (1) what the operating differences really are; (2) how substantial those differences are; and (3) how they are adjusted for a 2010 delivery date.

Q ARE THE SOUTHERN POWER-GEORGIA POWER CONTRACTS NOTED BY THE COMPANY A VALID COMPARISON?

A No. These contracts, which were submitted to the FERC for approval, were very controversial. Several interveners to the proceeding claimed that Southern Power was given preferential treatment in the award due to its affiliate status. Ultimately, Southern decided to withdraw its application for approval of

the contracts from the FERC. Thus, these contracts should not be used for comparison purposes since (1) the legitimacy of the bids was questioned and (2) the contracts were never completed and ultimately withdrawn.

Q NOTWITHSTANDING THE VALIDITY OF THESE CONTRACTS, DO YOU THINK THE APPROACH THE COMPANY USED TO MAKE ITS CONTRACT COMPARISONS IS VALID?

A No. While I have not had the opportunity to see the pricing terms associated with the proposed PPA in this proceeding, and here again the Company's analysis is somewhat ambiguous. There appear to be at least some obvious inconsistencies in the approach the Company has used in comparing its PPA proposal with (1) the Southern Power offers, and (2) the other "expression of interest" that the Company solicited from the market.

Q WHY DO YOU THINK THE COMPARISONS ARE INCONSISTENT?

A In comparing the Southern Power-Georgia Power offers, the Company takes the reported capacity prices and, I believe, escalates these by the contract inflation factor of 3 percent to determine a future year capacity price of $7.28/kW-month [Hartman Direct Testimony, 18:17.] In this analysis, the Company completely ignores the energy component of this contract. However, in its later comparison of the offer submitted as an "expression of interest" the Company appears to acknowledge that the capacity component of the bid from the market is lower, but that the heat rate portion is higher, and is therefore, above the proposed PPA in this proceeding. The two approaches do not appear to be valid comparisons: if the total contract approach is the most valid, then the Southern

comparison is incomplete because the energy terms of the arrangement are unknown. If a capacity value approach is the most valid, then the Company was offered a better deal in the market, but failed to act on it, and has proposed to accept the proposed Southern PPAs instead.

Q ARE THERE ANY OTHER PROBLEMS WITH THIS ANALYSIS?

A Yes. In recent RFPs, the Company has required a number of different factors to be considered in evaluating individual offers from competitive merchant providers. These have included adjustments associated with dual fuel capabilities; geographic preferences (line losses from resource locations in various parts inside and outside the state); and the impact the resource would have on must-run units in South Florida. It is not clear to what extent these factors have been taken into consideration in its analysis.

Q WHAT OTHER COMPARISONS HAS THE COMPANY MADE?

A The Company made an additional attempt to evaluate the costs from a RFP in 2003. This analysis has been provided in Exhibit TLH-6, and according to the Company, is an economic comparison of proposed PPAs and "the most comparable offer from the 2003 RFP (a 1,220 MW 15 year PPA)." [Hartman Direct Testimony, 19: 19-23.]

Q WHAT ARE YOUR CONCERNS REGARDING THIS EVALUATION?

A I have several concerns regarding this analysis. The first is that the amount of capacity represented by the PPA is different and may be met by a combination of units that were previously unavailable. The second is that the RFP had a different time horizon for both the build-out and the term of supply.

The third is that additional capacity may be available that has come on-line since that time or is under construction or development at the current period. The fourth is that the Company has used "current economic assumptions" which may not be representative of the conditions that competitive providers used in the RFP process completed a year ago. Companies continuously update and modify their business plans, and to assume current economic conditions may be limiting.

Q DO YOU HAVE ANY "BIG PICTURE" CONCERNS ABOUT THE OVERALL COMPARISON ANALYSIS CONDUCTED BY THE COMPANY?

A Yes. The nature of the entire analysis is very "thin" – there are just not a lot of data points in which to compare the Company's proposed PPA. I do not believe this gives the Commission a very solid nor comfortable basis from which to approve this decision. There would appear to be only one transaction that is perhaps the most direct comparison in this proceeding coming from the Company's reported "expression of interest." The Company has noted that it believes it has received a limited response to its inquiries because of the timing of the interest is so well out into the future (2010). [Hartman Direct Testimony, 19: 5-8.] If this is the case, then the Commission would benefit by suggesting that the Company issue a RFP to the market to compete for the energy and capacity represented by the PPA proposal at some future date.

Q BUT THE COMPANY INDICATES THAT THE COMMISSION MUST ACT NOW IN ORDER TO ATTAIN THE POTENTIAL PPA BENEFITS. DO YOU AGREE?

A. No. The Company indicates that it must act now to secure the "other benefits" articulated in its proposal. [Hartman Direct Testimony, 19: 12-14.] Even if the Commission accepts that these benefits are substantial, which is questionable, the Company has provided no concrete or compelling evidence that these benefits will not exist in the future. The Commission should take its time and prod the Company to subject the offer to a formalized competitive bidding process to ensure that the full breadth of the market has been considered for the benefit of ratepayers.

VIII. SUMMARY AND RECCOMENDATIONS

Q COULD YOU PLEASE SUMMARIZE YOUR RECOMMENDATIONS?

A I recommend that the Commission separate the cost recovery issue for three purchased power contracts with SCSI from the remaining issues in this fuel docket for the following reasons:

(1) The proposed purchased power contracts represent a considerable commitment for FPL that extends well into the future. The proposal raises numerous complex issues that should not be considered on a relatively expedited basis.

(2) Because of the magnitude of this request, the terms, conditions, and rates for these proposed contracts should be compared to the best alternative available in the market. The Company has not conducted a RFP process as envisioned in the FPSC Rule 25-22.082; therefore, the Commission cannot be assured that this resource proposal is the most cost effective available in the market

for ratepayers. In fact, the Company has admitted that its self-build option is some $60 to $80 million lower than the contracts proposed in this proceeding. [Hartman Direct Testimony, 15: 17-18.]

(3) The extent to which the Company has queried the market is questionable. Further, a number of the "additional benefits" associated with these contracts are likewise questionable and should be reviewed carefully. If the Commission wishes to have the Company seek these types of additional benefits, after satisfying itself that the benefits are significant enough to outweigh cost savings, the benefits specifically sought should be written into the requirements of a competitive proposal submitted to the market.

(4) Separating this issue would not appear to harm ratepayers since the Company has noted that its current contract terms with Southern allow for the longer of 6 months for regulatory approval or securing transmission rights. [Hartman Direct Testimony, 6:17-18.]

(5) Separating this issue from the remaining issues in this docket, and considering it in a more thorough manner by testing the new contracts against the competitive market through an RFP process, would serve the public interest by ensuring "that a public utility's selection of a proposed generation addition [inside or outside of Florida] is the most cost-effective alternative available." [F.A.C., FPSC Rule 25-22.082]

Q DO YOU HAVE ANY ALTERNATIVE RECOMMENDATIONS?

A Yes. If the Commission rejects my primary recommendation to separate the issues associated with the Company's proposed PPA from this proceeding, then I would recommend that the Commission not approve the Company's proposed PPAs. I base this alternative recommendation on the following points:

(1) The Company has not conducted a thorough competitive bidding process for these resources.

(2) The Company has not provided complete and detailed information in its filing to prove that these PPAs are the least cost option available to ratepayers.

(3) The Company has indicated that its self-build option is a lower cost resource than the proposed PPAs. The purported additional benefits associated with the Company's proposed PPAs do not offset these potential costs savings for ratepayers. The Company should be required to compare this self-build option to all potential contracts and resource alternatives in the market through a competitive bidding process.

(4) FPL has failed to establish the urgency or need to approve now a PPA that calls for delivery of energy and capacity 6 to 11 years from this summer.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY FILED ON OCTOBER 4, 2004?

A Yes it does.

MAPQUEST

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3425 Thomasville Rd
Tallahassee FL
32309-3493 US

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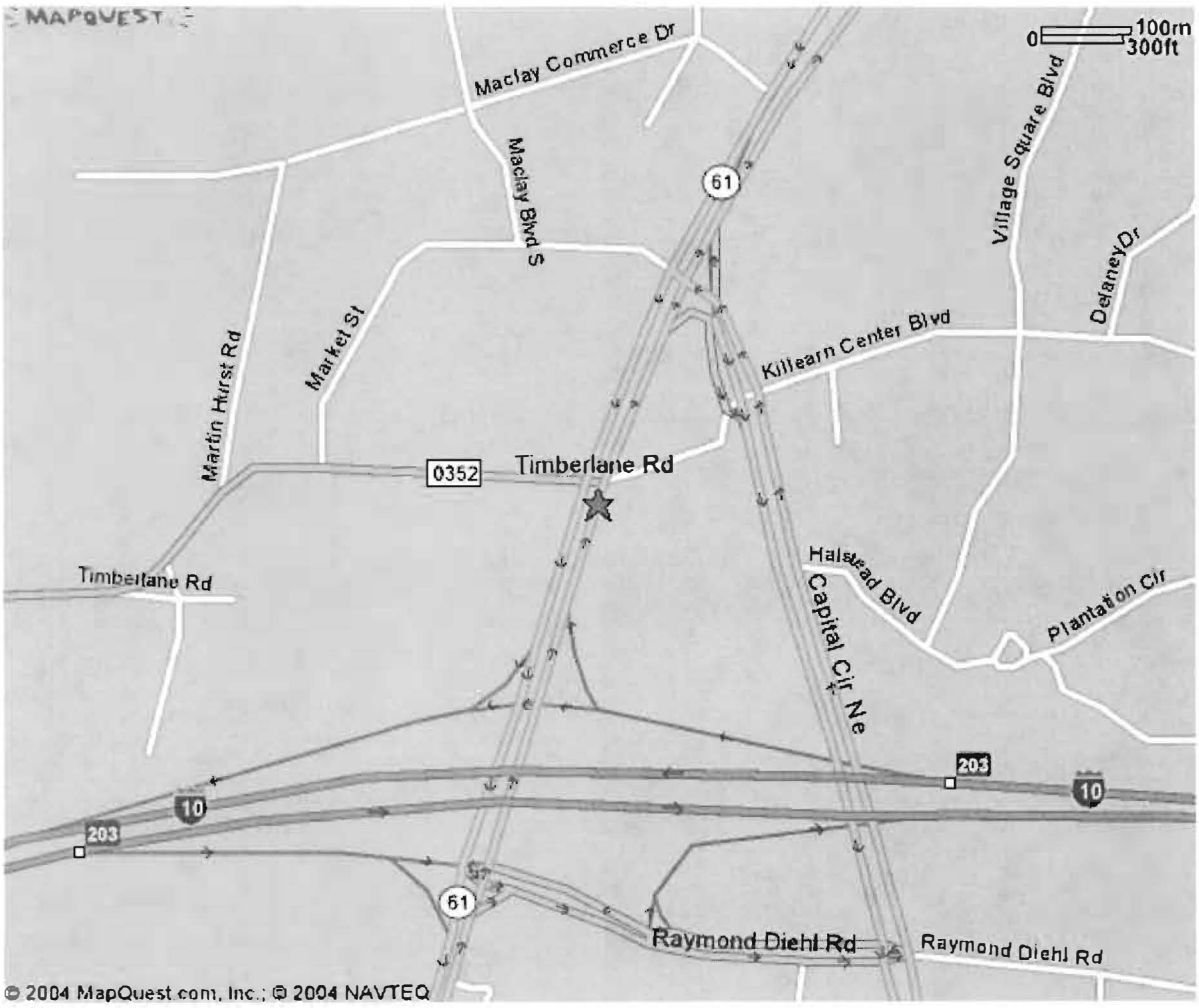

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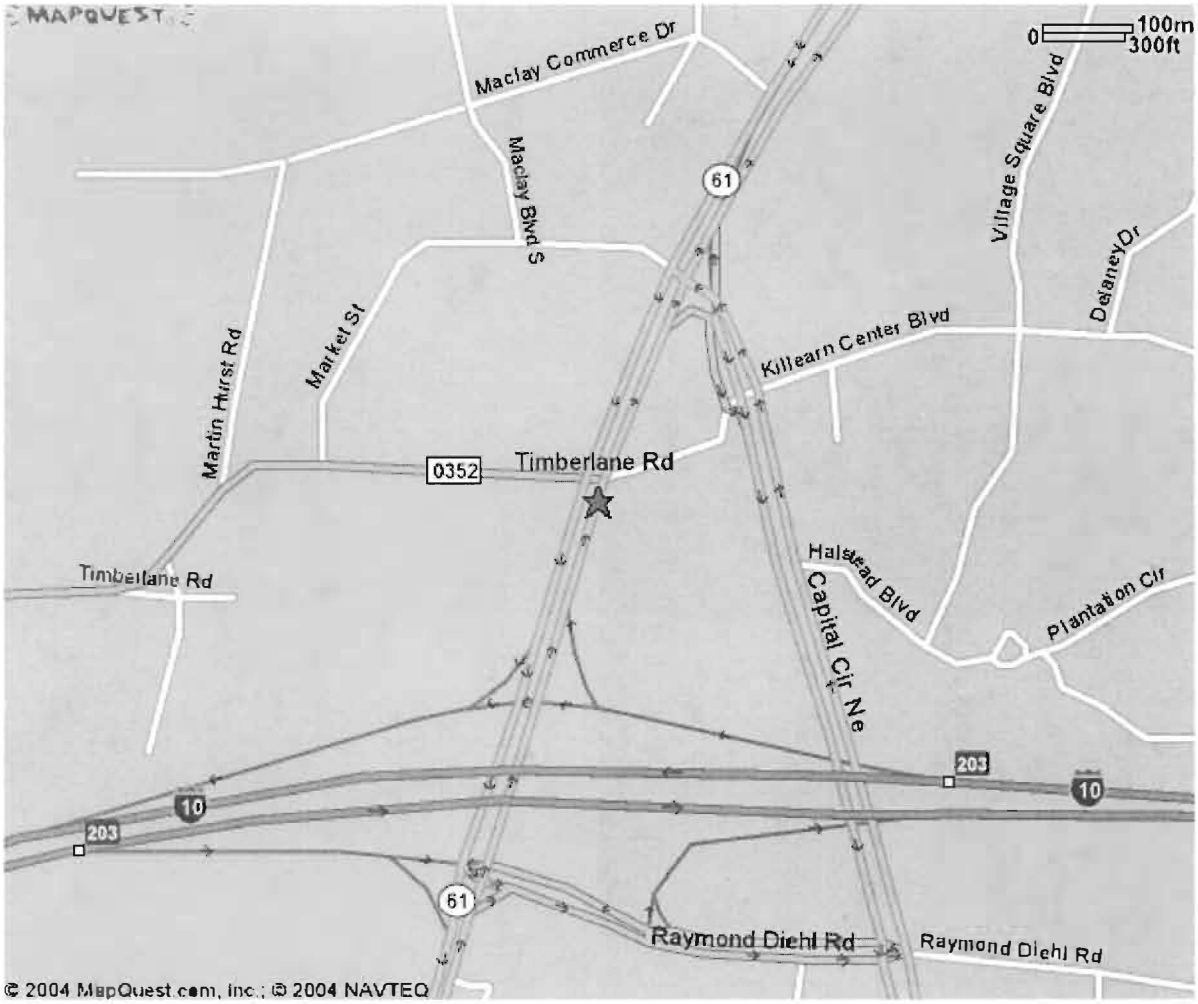

ATTACHMENT 1

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EDUCATION

Ph.D., Economics, Florida State University, 1995.
M.S., Economics, Florida State University, 1992.
M.S., International Affairs, Florida State University, 1988.
B.A., History, University of West Florida, 1987.
A.A., Liberal Arts, Pensacola Junior College, 1985.

Master's Thesis: *Nuclear Power Project Disallowances: A Discrete Choice Model of Regulatory Decisions*

Ph.D. Dissertation: *An Empirical Examination of Environmental Externalities and the Least-Cost Selection of Electric Generation Facilities*

ACADEMIC APPOINTMENTS

Louisiana State University, Baton Rouge, Louisiana

Center for Energy Studies

2003-Current	Associate Director
2001-Current	Associate Professor
2000-2001	**Research Fellow** and Adjunct Assistant Professor
1999-2000	**Managing Director,** Distributed Energy Resources Initiative
1995-2000	Assistant Professor

E.J. Ourso College of Business Administration, Department of Economics

2001-Current	Adjunct Associate Professor
1999-2000	Adjunct Assistant Professor

Florida State University, Tallahassee, Florida
Department of Economics

1995	Instructor

PROFESSIONAL EXPERIENCE

Acadian Consulting Group, Baton Rouge, Louisiana

2001-Current	Consulting Economist/Principal
1995-2000	Consulting Economist/Principal

Econ One Research, Inc., Houston, Texas

2000-2001	Senior Economist

Florida Public Service Commission, Tallahassee, Florida
Division of Communications, Policy Analysis Section

1995	Planning & Research Economist

Division of Auditing & Financial Analysis, Forecasting Section

1993	Planning & Research Economist
1992-1993	Economist

Project for an Energy Efficient Florida &
Florida Solar Energy Industries Association, Tallahassee, Florida

1994	Energy Economist

Ben Johnson Associates, Inc., Tallahassee, Florida

1991-1992	Research Associate
1989-1991	Senior Research Analyst
1988-1989	Research Analyst

GOVERNMENT APPOINTMENTS

2003-Current	Member, Energy and Basic Industries Task Force, Louisiana Economic Development Council
2001-2003	Member, Louisiana Comprehensive Energy Policy Commission.

PUBLICATIONS: PEER REVIEWED ACADEMIC JOURNALS

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Docket Number 24468. (2001). On the Behalf of the Texas Office of Public Utility Counsel. Public Utility Commission of Texas Staff's Petition to Determine Readiness for Retail Competition in the Portion of Texas Within the Southwest Power Pool. Company examined: AEP-SWEPCO.

Louisiana Board of Commerce and Industry (2001). Testimony on the Economic Impacts of Merchant Power Generation.

Docket Number 000824-EI. Before the Florida Public Service Commission. (2002). On the Behalf of the Citizens of the State of Florida. Company examined: Florida Power Corporation. Issues: Load Forecasts and Billing Determinants for the Projected Test Year.

Docket Number U-22407. Before the Louisiana Public Service Commission (2002). On the Behalf of the Louisiana Public Service Commission Staff. Company examined: Louisiana Gas Services, Inc. Issues: Purchased Gas Acquisition audit, fuel procurement and planning practices.

Export Report and Testimony. Docket 1997-4665-PV, 1998-4206-PV, 1999-7380-PV, 2000-5958-PV, 2001-6039-PV, 2002-64680-PV, 2003-6231-PV. Before the Kansas Board of Tax Appeals. (2003). In the Matter of the Appeals of CIG Field Services Company from orders of the Division of

Property Valuation. On the Behalf of CIG Field Services. Issues: the competitive nature of natural gas gathering in Kansas.

Docket Number 27363. Before the Public Utilities Commission of Texas. Joint Affidavit on Behalf of the Cities of Texas and the Staff of the Public Utilities Commission of Texas Regarding Certified Issues. In Re: Application of Valor Telecommunications, L.P. For Authority to Establish Extended Local Calling Service (ELCS) Surcharges For Recovery of ELCS Surcharge.

REFEREE AND EDITORIAL APPOINTMENTS

Referee, 1995-Current, *Energy Journal*
Referee, 2002, *Resource & Energy Economics*
Referee, 2004, *Southern Economic Journal*
Contributing Editor, 2000-Current, *Oil, Gas and Energy Quarterly*
Committee Member, IAEE/USAEE Student Paper Scholarship Award Committee, 2003

PROPOSAL TECHNICAL REVIEWER

California Energy Commission, Public Interest Energy Research (PIER) Program (1999).

PROFESSIONAL ASSOCIATIONS

American Economic Association, American Statistical Association, Econometric Society, Southern Economic Association, Western Economic Association, and the International Association of Energy Economists.

HONORS AND AWARDS

Omicron Delta Epsilon (1992-Current)
Florida Public Service Commission, Staff Excellence Award for Assistance in the Analysis of Local Exchange Competition Legislation (1995).
Distinguished Research Award, Academy of Legal, Ethical and Regulatory Issues, Allied Academics (2002).
Interstate Oil and Gas Compact Commission (IOGCC) "Best Practice" Award for Research on the Economic Impact of Oil and Gas Activities on State Leases for the Louisiana Department of Natural Resources (2003).
Baton Rouge Business Report, Selected as "Top 40 Under 40" (2003).

TEACHING EXPERIENCE

Principles of Microeconomic Theory
Principles of Macroeconomic Theory
Lecturer, Electric Power Industry Environmental Issues, Field Course on Energy and the Environment. (Dept of Environmental Studies).
Lecturer, Electric Power Industry Trends, Principles Course in Power Engineering (Dept. of Electric Engineering).

Continuing Education. Electric Power Industry Restructuring for Energy Professionals.

THESIS/DISSERTATIONS COMMITTEES

4 Thesis Committee Memberships (Environmental Studies)
2 Doctoral Committee Memberships (Information Systems & Decision Sciences, Agricultural and Resource Economics).

LSU SERVICE AND COMMITTEE MEMBERSHIPS

LSU Faculty Senate Committee on Public Relations (1997-1999)
LSU Faculty Senate Committee on Student Retention and Recruitment (1999-2003)
LSU CES/SCE Public Art Selection Committee (2003-2004)
LSU InterCollege Environmental Cooperative. Term: 1999-2001.
LSU Main Campus Cogeneration/Turbine Project, (1999-2000).

Co-Chairman, Review Committee, Louisiana Port Construction and Development Priority Program Rules and Regulations, On Behalf of the LSU Ports and Waterways Institute. (1997).

Conference Coordinator. Center for Energy Studies Seminar Series on Electric Utility Restructuring and Wholesale Competition. (1996-2003).

Conference Coordinator. Center for Energy Studies Annual Energy Conference/Summit. (2003-Current).

LSU Faculty Senate (2003-2006)

LSU Graduate Faculty, Associate Member (1997-2004); Full Member (2004-Current)

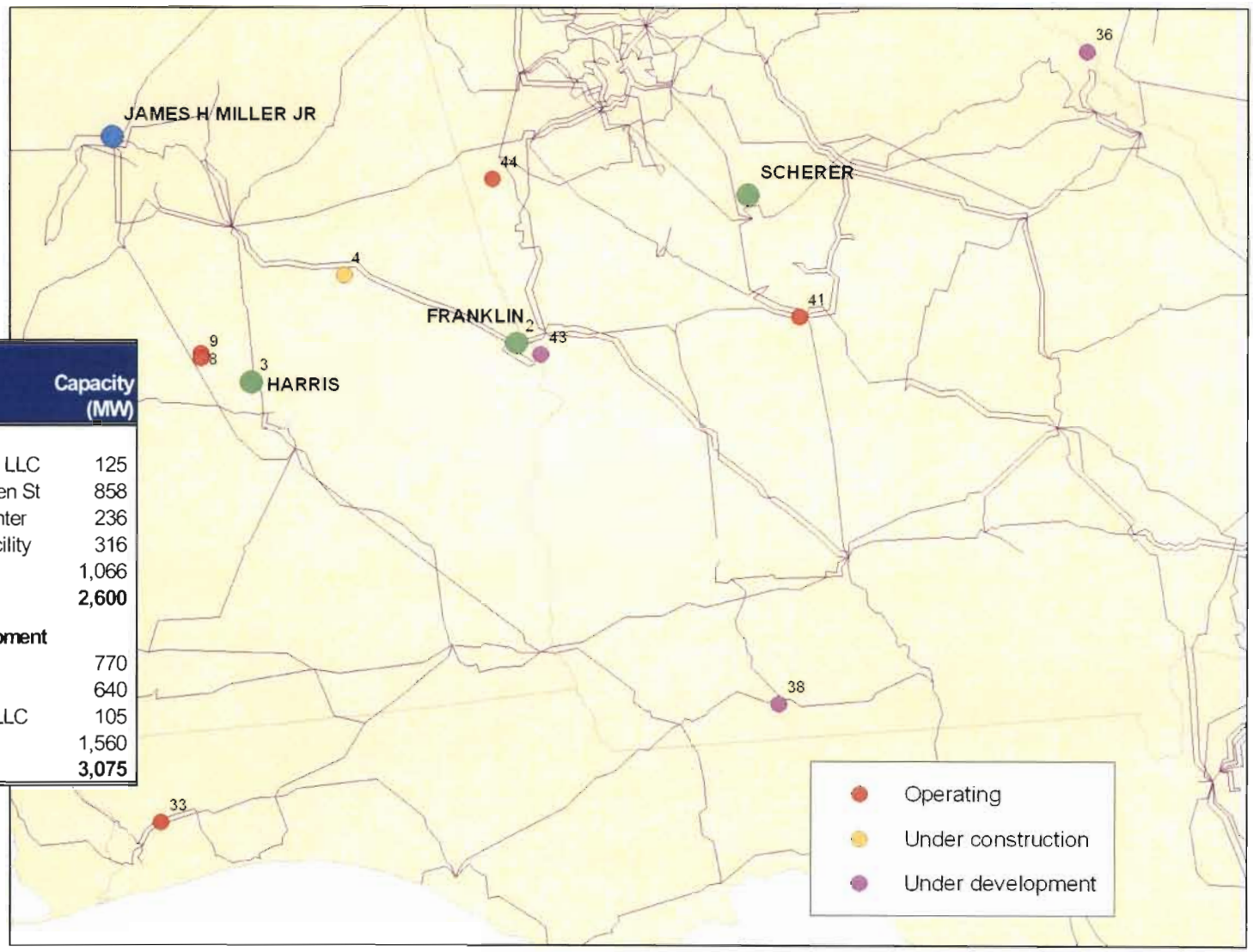
Advisor, Louisiana LNG Buyers/Developers Summit, Office of the Governor/Louisiana Department of Economic Development/Louisiana Department of Natural Resources (2004).

Contribution of Contracts to Total Purchase Agreement

Contracted Unit	Fuel Type	Contracted Capacity (MW)	Percent of Total Contract
Robert W. Scherer Unit 3	Coal	165	17.3%
Harris Unit 1	Natural Gas	600	62.8%
Franklin Unit 1	Natural Gas	190	19.9%
Total		**955**	**100.0%**

Merchant Facilities Located in Proximity to Contracted Units

Plant Name	Capacity (MW)
Operating Plants	
6 Mobile Energy Services LLC	125
9 Tenaska Lindsay Hill Gen St	858
33 Santa Rosa Energy Center	236
41 Mid-Georgia Cogen Facility	316
44 Wansley	1,066
Total	**2,600**
Under construction/development	
4 Hillabee Energy Center	770
36 Augusta Energy Center	640
38 Georgia Energy Proj 1 LLC	105
43 Peace Valley	1,560
Total	**3,075**



Note: Does not include peaking facilities

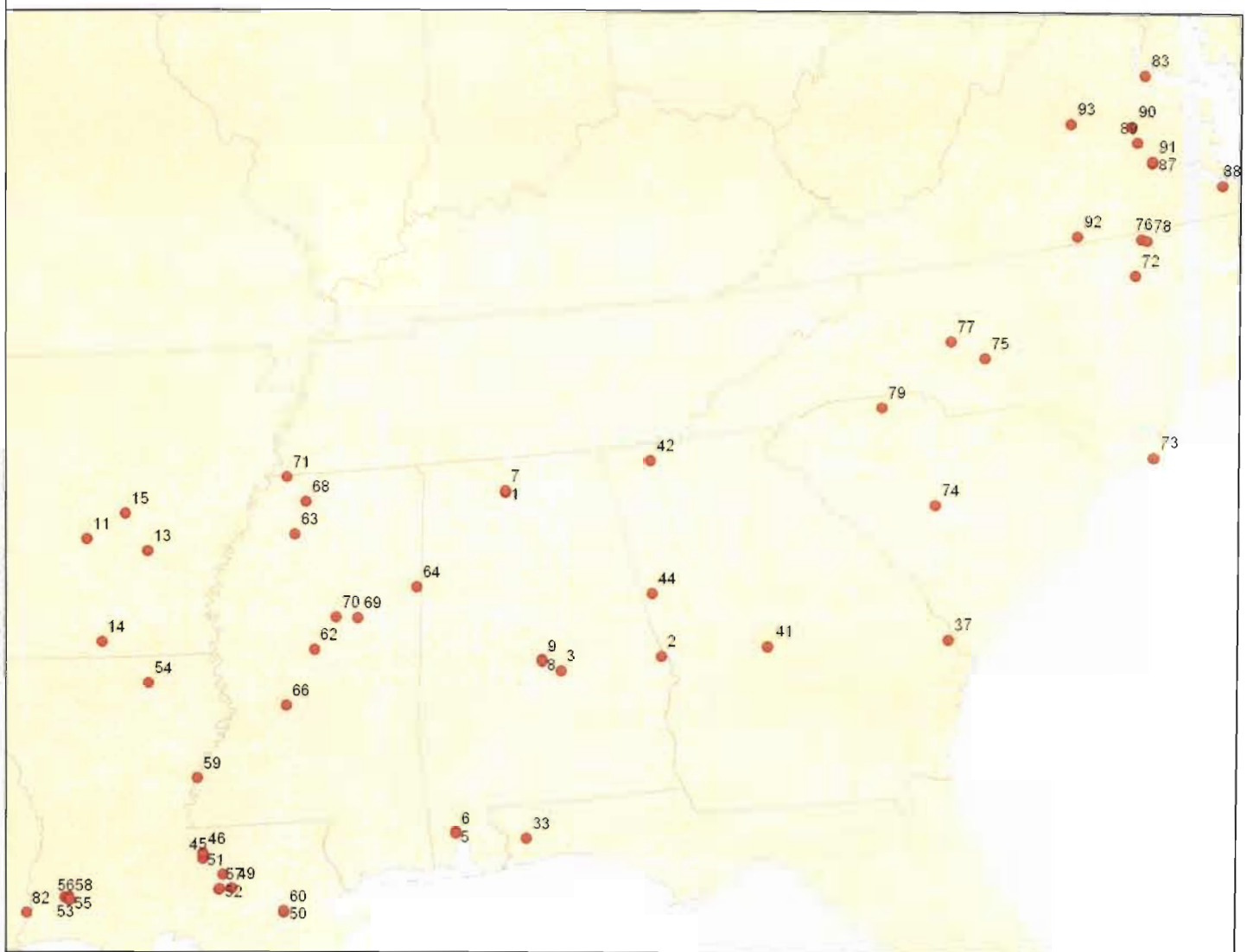
Estimated Natural Gas Transmission Capacity

Pipeline	System Capacity (Bcf/day)
Existing Pipelines	
Florida Gas Transmission	2.20
Gulfstream	1.10
Current State Capacity	**3.30**
Estimated Natural Gas Demand	**2.75**
Estimated Excess Capacity	**0.55**
Proposed Pipelines (2005 through 2007)	
Gulfstream -- Phase II	0.35
Gulfstream -- Phase III	n.a.
AES Ocean Express / AES	0.84
Calypso Natural Gas Pipeline / Tractebel	0.83
Seafarer Pipeline System / El Paso	0.70
Total Proposed Capacity	**2.72**

Note: n.a. is not available.

Merchant Development in SERC Region

	Plant Name	Capacity (MW)
1	Decatur Energy Center	624
2	Franklin	1,139
3	Harris	1,035
5	Hog Bayou Energy Center	230
6	Mobile Energy Services LLC	125
7	Morgan Energy Center	588
8	Tenaska Cntl Alabama Gen St	808
9	Tenaska Lindsay Hill Gen St	858
10	Hot Spring Energy Facility	652
13	Pine Bluff Energy Center	198
14	Union Power Station	2,020
15	Wrightsville Power Facility	568
33	Santa Rosa Energy Center	236
37	Effingham County Power Proj	490
41	Mid-Georgia Cog Fac	316
42	Murray Energy Facility	1,244
44	Wansley	1,066
45	Big Cajun 1	220
46	Big Cajun 2	1,730
49	Carville Energy LLC	500
50	Dow St Charles Operations	292
51	ExxonMobil Baton Rouge Cogen	332
52	LaO Energy Systems	588
53	Nelson Industrial Steam	213
54	Ouachita Generating Plant	816
55	PPG Powerhouse C	303
56	PPG Riverside	154
57	Plaquemine Cogeneration	859
58	RS Cogen	396
59	Sidney A Murray Jr Hydro	192
60	Taft Cogeneration Facility	790
62	Attala Generating LLC	459
63	Batesville Generation Facility	858
64	Caledonia	783
66	Hinds Energy Facility	450
68	Magnolia Power Plant	863
69	Red Hills Generating Facility	440
70	Reliant Energy Choctaw County	726
71	Southaven Energy LLC	783
72	Cogentrix Dw Collier Battle Cogen	105
73	Cogentrix Southport	107
74	Columbia Energy Center	580
75	Narrows	107
76	Panda Rosemary LP	165
77	Rowan	967
78	Westmoreland-LG&E Roanoke Val I	165
79	Cherokee County Cogen	95
82	SRW Cogen LP	420
83	Birchwood Power	238
87	Cogentrix Hopewell	93
88	Cogentrix Portsmouth	115
89	Cogentrix of Richmond	190
90	Doswell Energy Center	820
91	Hopewell Cogeneration	348
92	Mecklenburg Cog Fac	132
93	Tenaska Virginia Gen St	946
	Total	**30,537**



Note: Does not include peaking facilities

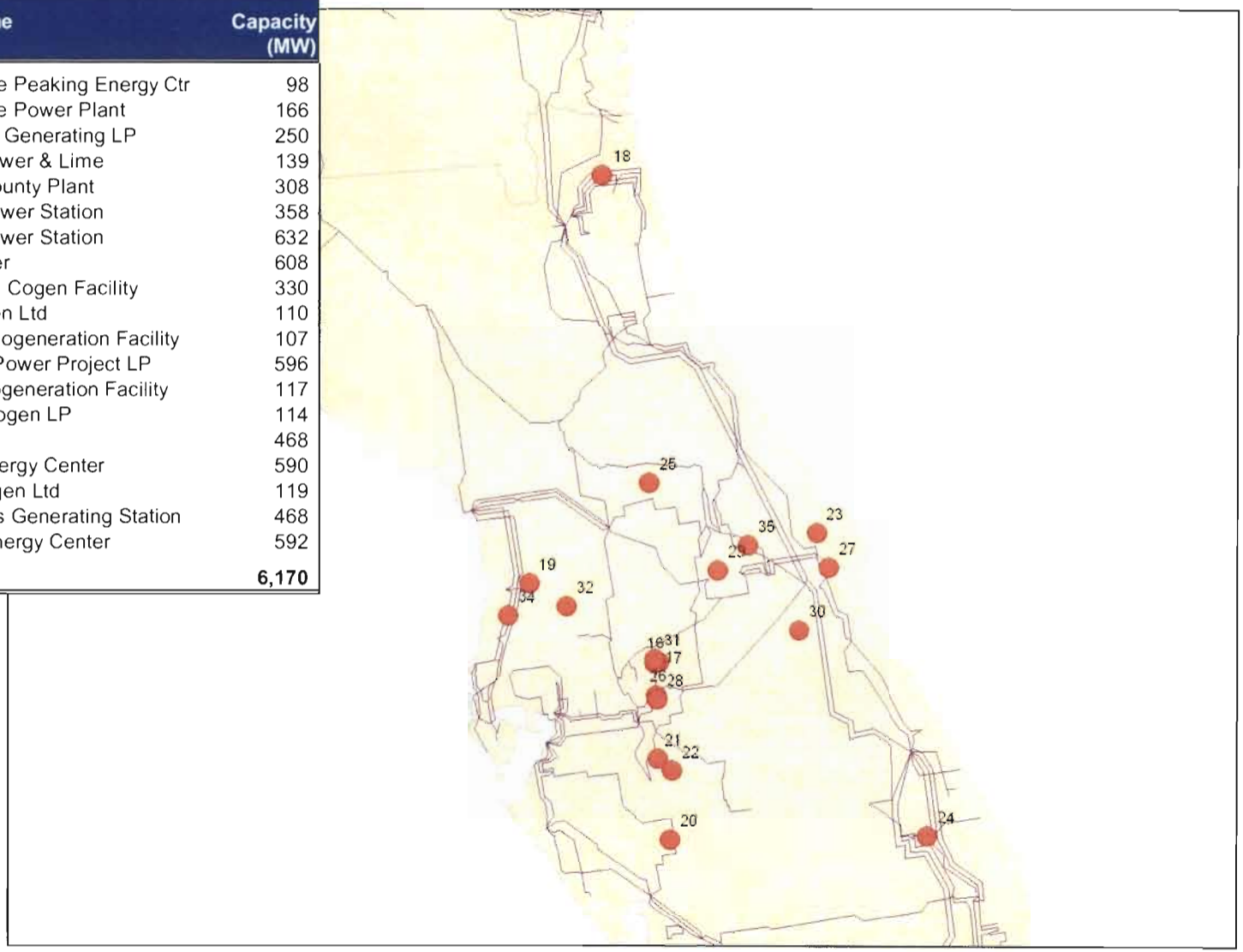
Merchant Development in SERC by Subregion

Subregion	Number of Plants	MW of Capacity
Entergy	22	12,934
Southern	11	7,548
TVA	7	4,882
VACAR	16	5,173
Total	**56**	**30,537**

Note: Does not include peaking facilities

Merchant Development in FRCC Region

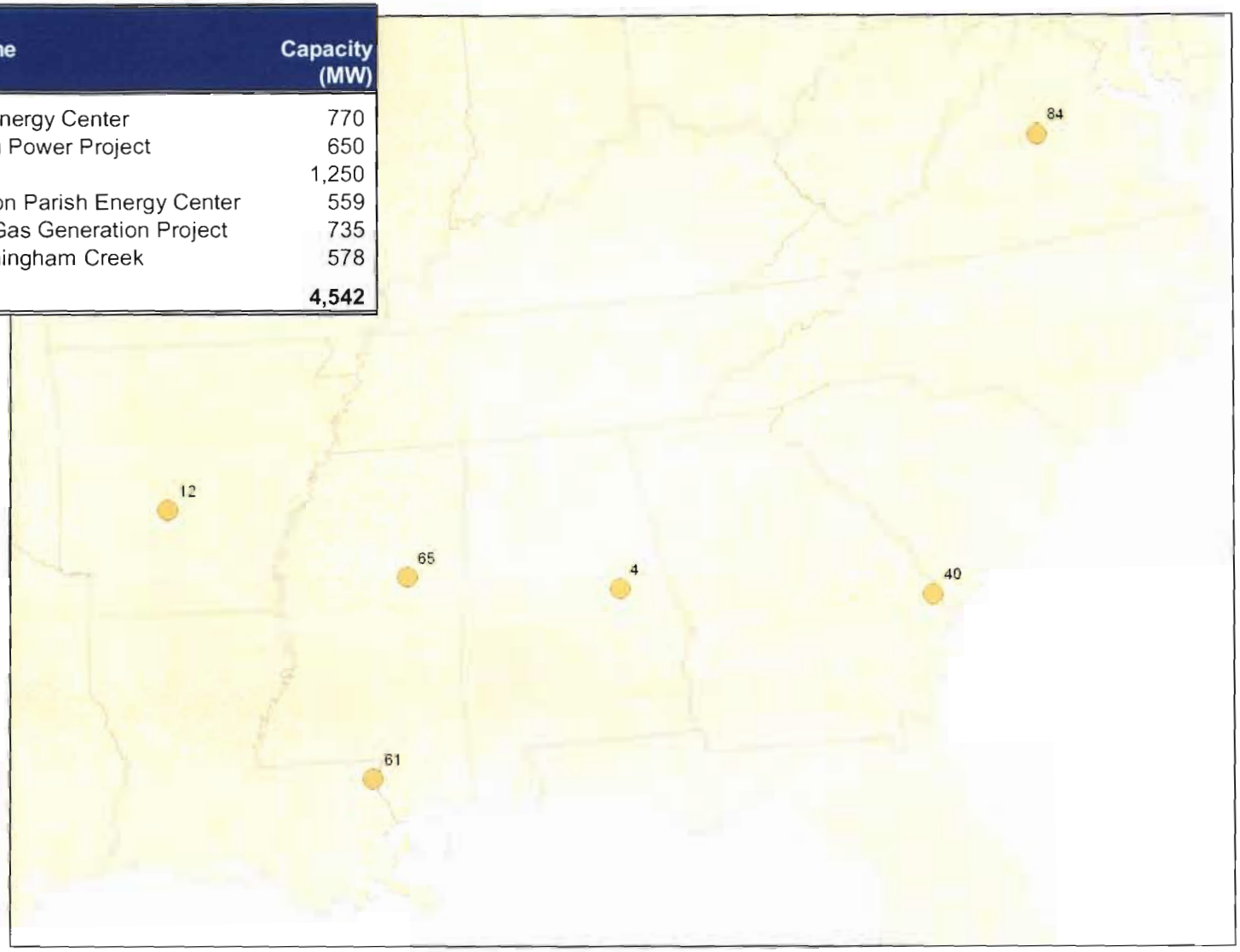
	Plant Name	Capacity (MW)
16	Auburndale Peaking Energy Ctr	98
17	Auburndale Power Plant	166
18	Cedar Bay Generating LP	250
19	Central Power & Lime	139
20	DeSoto County Plant	308
21	Hardee Power Station	358
22	Hardee Power Station	632
23	Indian River	608
24	Indiantown Cogen Facility	330
25	Lake Cogen Ltd	110
26	Mulberry Cogeneration Facility	107
27	Oleander Power Project LP	596
28	Orange Cogeneration Facility	117
29	Orlando Cogen LP	114
30	Osceola	468
31	Osprey Energy Center	590
32	Pasco Cogen Ltd	119
34	Shady Hills Generating Station	468
35	Stanton Energy Center	592
	Total	**6,170**



Note: Does not include peaking facilities

Merchant Facilities Under Construction in SERC

	Plant Name	Capacity (MW)
4	Hillabee Energy Center	770
12	Hot Spring Power Project	650
40	McIntosh	1,250
61	Washington Parish Energy Center	559
65	Choctaw Gas Generation Project	735
84	CPV Cunningham Creek	578
	Total	**4,542**



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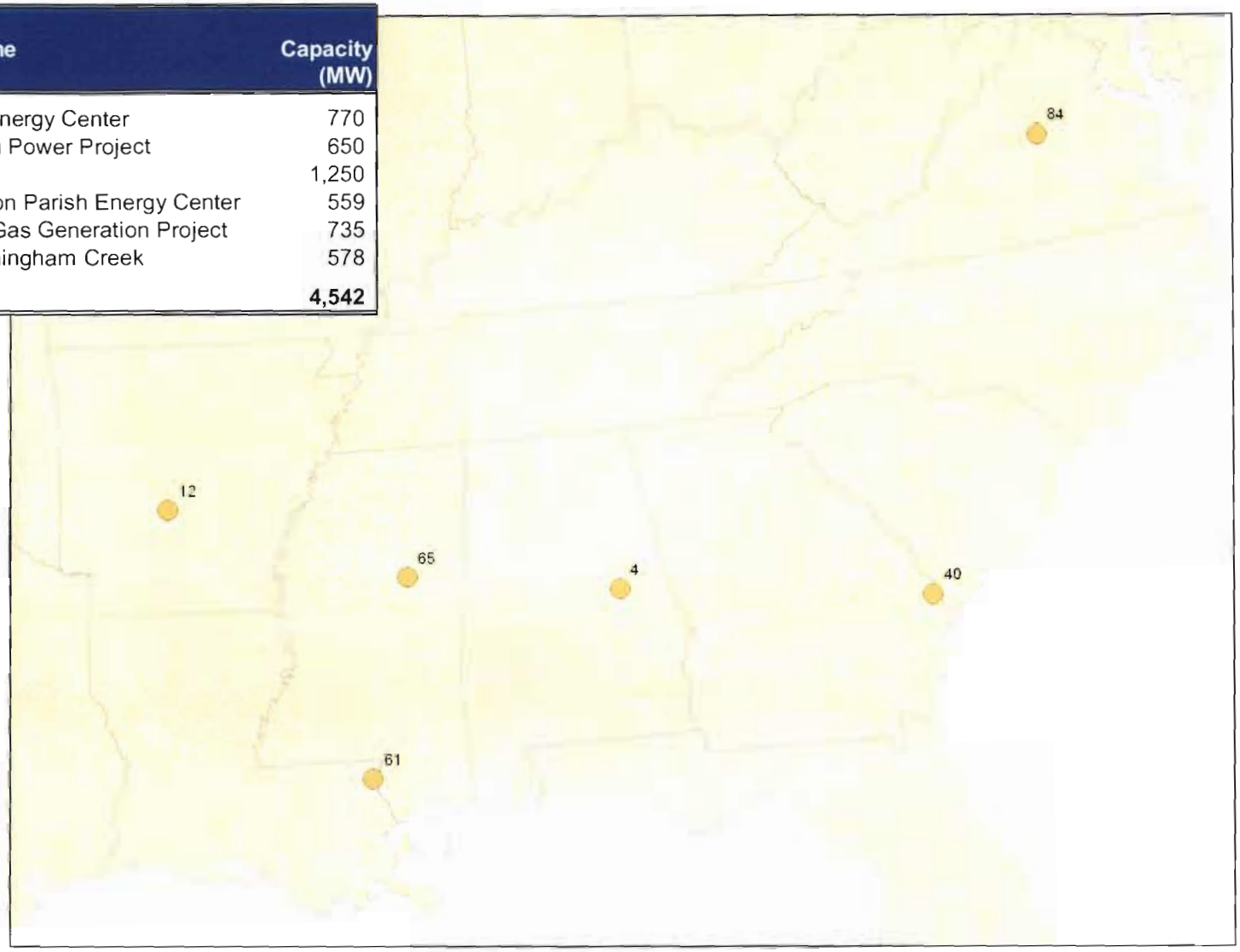
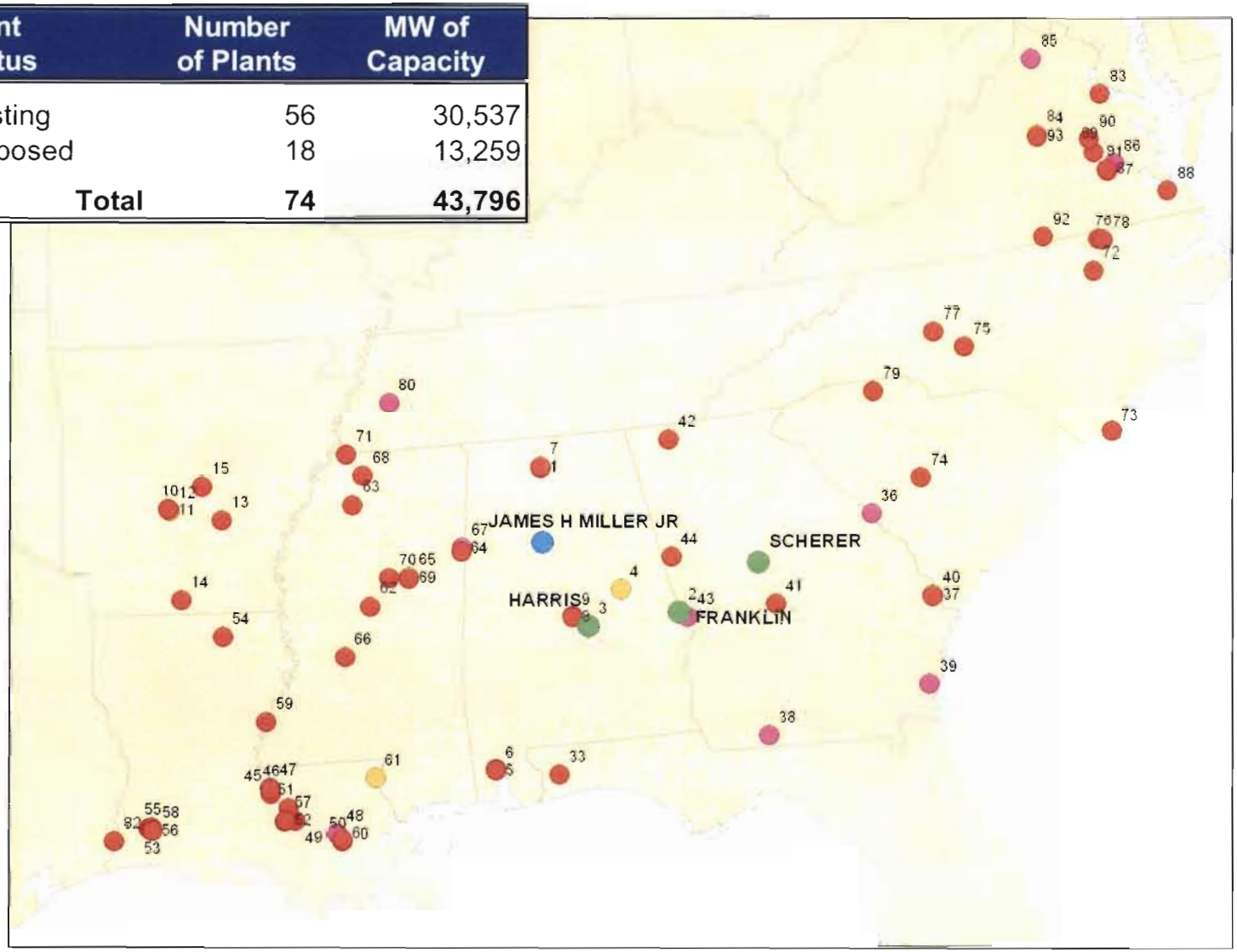


Note: Does not include peaking facilities

Merchant Alternatives in SERC

Plant Status	Number of Plants	MW of Capacity
Existing	56	30,537
Proposed	18	13,259
Total	**74**	**43,796**



Note: Does not include peaking facilities

Planned Transmission Additions (Circuit Miles)

	2003 Existing (miles)	Percent of Total Existing (%)	2004-2008 Additions	2009-2013 Additions	Total Additions	2013 Total Installed	Percent Increase (%)
			(miles)				
ECAR	16,439	17.4%	156	17	173	16,612	1.1%
FRCC	**6,894**	**7.3%**	**360**	**81**	**441**	**7,335**	**6.4%**
MAAC	7,057	7.5%	134	-	134	7,191	1.9%
MAIN	6,195	6.6%	374	260	634	6,829	10.2%
MAPP-US	14,705	15.6%	228	246	474	15,179	3.2%
NPCC-US	6,406	6.8%	376	-	376	6,782	5.9%
SERC	**28,868**	**30.6%**	**1,349**	**1,085**	**2,434**	**31,302**	**8.4%**
SPP	7,659	8.1%	191	17	208	7,867	2.7%
Total Eastern Interconnection*	**94,223**	**100.0%**	**3,168**	**1,706**	**4,874**	**99,097**	**5.2%**