

ORIGINAL

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 REBUTTAL TESTIMONY OF MICHAEL NEILL LAWSON

3 ON BEHALF OF

4 FLORIDA MUNICIPAL POWER AGENCY

5 JEA

6 REEDY CREEK IMPROVEMENT DISTRICT

7 AND

8 CITY OF TALLAHASSEE

9 DOCKET NO. 060635-EU

10 NOVEMBER 21, 2006

11

12 **Q. Please state your name and address.**

13 A. My name is Michael Neill Lawson. My business address is 21 West Church Street,
14 Jacksonville, Florida 32202.

15

16 **Q. By whom are you employed and in what capacity?**

17 A. I am employed by JEA as a Project Manager.

18

19 **Q. Have you previously filed testimony in this proceeding?**

20 A. Yes.

21

22 **Q. Have you reviewed the testimony of Stephen A. Smith that was filed in this**
23 **docket on November 2, 2006?**

24 A. Yes, I have.

DOCUMENT NUMBER-DATE

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1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to rebut certain statements made in Dr. Smith's
3 testimony regarding the Taylor Energy Center (TEC) Participants' investigation of
4 potential federal funding.

5

6 **Q. Are you sponsoring any exhibits to your testimony?**

7 A. Yes. I am sponsoring Exhibit No. ___ (MNL-1R), which is a letter I sent to Taylor
8 County Board of County Commissioners on March 10, 2006.

9

10 **Q. On page 6 of his testimony, Dr. Smith asserts that the TEC Participants**
11 **“apparently lacked the diligence to pursue federal funding of an admittedly**
12 **cleaner” alternative to TEC. Is Dr. Smith correct?**

13 A. Absolutely not. Dr. Smith either does not have, or willingly overlooked, the facts
14 related to this matter. The TEC Participants undertook significant efforts to
15 investigate the availability of funding for integrated gasification combined cycle
16 (IGCC) or other emerging advanced technologies.

17

18 **Q. Please describe the efforts made by the TEC Participants to secure federal**
19 **financial assistance for alternative technologies for the TEC.**

20 A. Exhibit No. ___ (MNL-1R) is a copy of the letter sent on behalf of the TEC Participants
21 to the Taylor County Board of County Commissioners in March 2006. As outlined in
22 more detail in Exhibit No. ___ (MNL-1R), our investigations included the following
23 activities as of March 2006:

- 1 • Meetings with investment bankers, a consortium including a power plant
2 developer and IGCC technology supplier, staff members of both the U.S. Senate
3 and House, investor-owned utilities (IOUs), and public power entities.
- 4 • Participation in the February 2006 Coal Utilization Research Council conference
5 on clean coal incentives in Washington, D.C. Senator Robert Byrd, U.S.
6 Representative Ralph Hall, and senior staff members from the US Department of
7 Energy (DOE), US Department of Treasury, Internal Revenue Service, and the US
8 Environmental Protection Agency (EPA) attended this conference.
- 9 • Exploration of applicable incentives in the Energy Policy Act of 2005.
- 10 • Consideration of the Clean Air Coal Program.
- 11 • Plans to participate in the 2nd Annual IGCC Symposium in May 2006. (After this
12 letter was sent, three JEA representatives attended the Symposium on behalf of the
13 TEC Participants).

14

15 **Q. Were any efforts made by the TEC Participants to secure federal financial**
16 **assistance for alternative emerging technologies for the TEC following the March**
17 **10, 2006 letter to the Taylor County Board of County Commissioners?**

18 A. Yes. The TEC Participants continued to investigate opportunities for federal financial
19 assistance for alternative emerging technologies for the TEC. This included
20 continuing contact with the US DOE, the US EPA, and Congress.

21

22 **Q. Were any sources of federal financial assistance identified by the TEC**
23 **Participants?**

1 A. No. The TEC Participants concluded that there were no likely sources of significant
2 funding for IGCC or other emerging advanced coal technologies. As a result, the
3 supercritical pulverized coal technology selected by the Participants represents the
4 latest and cleanest commercially proven coal-fired technology, which will allow the
5 Participants to provide reliable power at an affordable price in an environmentally
6 responsible manner.

7

8 **Q. Does this conclude your testimony?**

9 A. Yes.



Powering the Economy. Protecting the Environment.

March 10, 2006

Chairman Daryl Gunter
Taylor County Board of County Commissioners
201 East Green Street.
Perry, FL 32347

Dear Commissioner Gunter:

This letter is in response to the Taylor County Board of County Commissioners' resolution of October 3, 2005, asking the Taylor Energy Center participants to investigate the availability of federal financial assistance from the U.S. Department of Energy. Our investigations to date have found no likely sources of significant funding for integrated gasification combined cycle (IGCC) or other advanced technologies applicable to the Taylor Energy Center.

In the past three months, members of our team have met personally with investment bankers, with a consortium of a power plant developer and a major IGCC technology supplier, with staff members of both the Senate and House committees of jurisdiction, and with both investor-owned utilities and public power entities to investigate funding opportunities. A member of our team also participated in the February Coal Utilization Research Council conference on clean coal incentives in Washington, D.C. At this conference were Senator Robert Byrd, Representative Ralph Hall, and senior staff members from the Department of Energy (DOE), Department of Treasury, Internal Revenue Service, and the U.S. Environmental Protection Agency.

Although the Energy Policy Act of 2005 does include many incentives for clean coal projects, including IGCC, almost all of the programs are either not applicable to a municipal utility, like those proposing the Taylor Energy Center, or are either too small to be of significance, not funded, or ear-marked for specific projects. For example:

- Investment tax credits, production tax credits, accelerated depreciation and loan guarantees are not available for tax-exempt entities like the municipal utility participants in the Taylor Energy Center.
- The Clean Renewable Energy Bond program, included especially for tax-exempt entities, is limited to a total of \$500 million for all municipal projects in the country and is to be allocated beginning with the smallest dollar request and working up. The Taylor Energy Center is projected to cost \$1.5 billion.
- The Clean Coal Power Initiative authorizes \$1.8 billion over six years, but does not appropriate any money. The DOE has not yet said how it will solicit proposals.

Taylor County Board of County Commissioners
March 10, 2006
Page 2

- Title IV Subtitle B identifies four specific IGCC projects that must be included: one in the Upper Great Plains, one near Healy, Alaska, one located at an elevation above 4,000 feet, and one in a deregulated energy market. This Subtitle also requires loan guarantees for five petroleum coke gasification projects and includes grant support to three universities.

The new Clean Air Coal Program authorizes, but does not appropriate, \$2.5 billion to assist commercial development of advanced coal technologies. The DOE has yet to develop the details of how this program will be administered.

The Taylor Energy Center team will continue to monitor federal programs as they are developed. We will participate in the 2nd Annual IGCC Symposium in Pittsburgh on May 9-10 where there will be further information about federal incentives and the financing of advanced coal technologies.

Despite the significant incentives included in the Energy Policy Act of 2005, our investigations have found no likely sources of significant funding for IGCC or other advanced coal technologies that might change our selection of supercritical pulverized coal technology for the Taylor Energy Center. We are comfortable that we have selected the latest and cleanest commercially proven technology, which enables us to provide reliable power at an affordable price while protecting the environment of Taylor County.

We appreciate the opportunity to share our findings with you. If you need further information, please feel free to contact me. Thank you for your continued interest, support and involvement with the Taylor Energy Center.

Sincerely,



Mike Lawson
Project Manager

Cc: Buddy Humphries
Malcolm Page
Patricia Patterson
Clay Bethea
Jack Brown