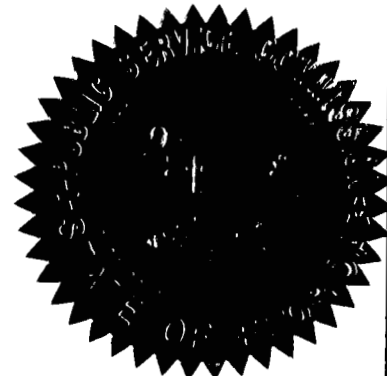


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 070723-EQ

In the Matter of:

PETITION FOR CERTIFICATION AS A
QUALIFYING FACILITY PURSUANT TO RULE
25-17.080, F.A.C., BY INNOVATIVE
ENERGY GROUP OF FLORIDA, LLC.



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PROCEEDINGS: AGENDA CONFERENCE
ITEM NO. 12

BEFORE: CHAIRMAN MATTHEW M. CARTER, II
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER KATRINA J. McMURRIAN
COMMISSIONER NANCY ARGENZIANO
COMMISSIONER NATHAN A. SKOP

DATE: Tuesday, January 29, 2008

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR
Official FPSC Reporters
(850) 413-6732

1 PARTICIPATING:

2 R. SCHEFFEL WRIGHT, ESQUIRE, representing Innovation
3 Energy Group of Florida, LLC.

4 MARTHA BROWN, ESQUIRE, and STEVE GARL, representing
5 the Florida Public Service Commission Staff.

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P R O C E E D I N G S

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3 CHAIRMAN CARTER: We are now, Commissioners, on Item
4 Number 12. Item Number 12. We will give staff a moment to get
5 set up.

6 Thank you, Commissioner Argenziano, for hanging in
7 there. I hope you are feeling a little better. Get you a cup
8 of hot tea or something like that, but thank you for hanging in
9 there.

10 COMMISSIONER ARGENZIANO: Thank you, Mr. Chair. You
11 all need to take your Zicam, because this is a bad one.

12 CHAIRMAN CARTER: Staff, you're recognized.

13 MR. GARL: Thank you, Mr. Chairman. I'm Steve Garl,
14 Commission staff.

15 In Item 12, Innovative Energy Group of Florida, or
16 IEG, has petitioned for certification of its proposed
17 generating plant as a qualifying facility. This is a companion
18 petition to the purchased power contract the Commission
19 approved at the last agenda.

20 Our new rules adopted last March state that if a
21 facility is a renewable generator, they are a QF. The facility
22 is still planning on using a renewable fuel. Staff recommends
23 approval of IEG's request.

24 Staff is available to answer any questions you may
25 have, and IEG is here, as well.

1 Thank you, Mr. Chairman.

2 CHAIRMAN CARTER: Thank you.

3 Mr. Wright, do you want to be heard?

4 MR. WRIGHT: Very briefly, Mr. Chairman.

5 Schef Wright on behalf of Innovative Energy Group of
6 Florida.

7 We support the staff's recommendation, and I'm here
8 to answer any questions you all might have.

9 CHAIRMAN CARTER: Thank you. Commissioners.
10 Commissioner Skop, you're recognized.

11 COMMISSIONER SKOP: Thank you, Mr. Chairman.

12 Again, I do have a question for Mr. Wright, but I
13 will get to that in one second. I did have some prior concerns
14 when we had the previous contract come before us. However, my
15 concerns were more appropriately directed to the developer
16 submitting the QF rather than Progress. I mean, Progress has
17 done an excellent job in adequately protecting its customer
18 under the contract which this Commission approved and they
19 should be commended for that.

20 But, again, expanding upon the concerns that staff
21 has already mentioned, I would note the following, and I do
22 have a question for Mr. Wright. While the proposed project
23 technically meets the requirements of a qualified facility, the
24 notion of outsourcing fuel production and barging fuel across
25 the Gulf of Mexico does not seem to comport with the true

1 spirit and intent of what our legislative body had in mind
2 regarding such projects. And in that I would reference Section
3 366.91, Paragraph 1 of the Florida Statutes when it talks about
4 renewable energy resources.

5 The renewable energy resource one could logically
6 argue is the fuel that's used for this facility. But
7 notwithstanding that concern, you know, fuel supply
8 interruption risk has been a big issue for this Commission in
9 the past with hurricanes and such like that. I mean, barging
10 fuel across the Gulf, that lends itself to interruption risk,
11 loss of economic benefit to the state, jobs in agriculture. It
12 really doesn't promote in-state agriculture when you outsource
13 fuel production. Again, in the existing contract they use
14 terms such as most favored nation status and other things like
15 that. But enough on that point.

16 I mean, they meet the technical requirements of a QF
17 and I will be supporting the project. But, again, the benefit
18 kind of wanes a little bit when we talk about barging in fuel.

19 With respect to Mr. Wright. With respect to the
20 closed loop system on Page 4, the bottom of Paragraph 4 in the
21 QF petition, and I will give everyone a moment to take a look
22 at that. It states, "Even though the farm may not be located
23 in Florida, it will still be closed loop in a relevant and
24 meaningful way. There will still be no net carbon dioxide
25 emissions from the combined farm and power generation

1 operation, so the project is still closed loop in terms of its
2 impacts on the U.S. airshed and planet's atmosphere."

3 I find that statement not to be realistic noting that
4 you are going to barge fuel across the Gulf of Mexico. I mean,
5 it completely ignores the emissions from that process. Again,
6 I don't want to be mischaracterized as an environmentalist by
7 any means, but you could do a total carbon footprint analysis
8 and not come to that conclusion.

9 But, anyway. And that may also change the entire
10 pro forma analysis. Again, these projects were screened on --
11 indexed to natural gas costs, and certainly that doesn't
12 directly capture the transportation cost of barging in the
13 fuel. So if you were to look at the consideration of the true
14 cost on the project on a stand-alone basis, it might not even
15 make it through the avoided cost screening analysis.

16 But, nevertheless, I am in support of the project,
17 notwithstanding the concerns that I mentioned. It technically
18 meets the requirements of a QF. It's good for the state. Not
19 as good as the centralized growing and generation operation
20 which we approved in the previous agreement recently. I am
21 completely 125 percent in favor of doing that in Florida. It
22 is good for agriculture, it's good for the economy, it's good
23 for the counties that the project would be -- or the county
24 that the project would be located in. It has a host of
25 benefits. It's just that it loses some of its favorable

1 aspects when you start talking about importing fuel.

2 And, in respect to that, and this is where my concern
3 goes into, again, not to be redundant, but I'm in favor of this
4 project. However, compliance mechanisms. You know, we just
5 heard from a project that is going to be in-state and from
6 in-state resources of fuel, and it is going to be generating
7 green attributes. So, therefore, viewing this project in
8 relation to other incumbent in-state renewable generators, they
9 could be significantly disadvantaged by a somewhat situation
10 where imported fuel is given the same benefit under an RPS and
11 favorable treatment of in-state RECs and such.

12 So, I think staff should take a look in the future
13 whenever we get into RPS on looking at -- or noting that any
14 future RPS might place a premium on in-state RECs. Staff might
15 want to take -- staff might want to specifically contemplate
16 whether RECs generated from imported fuel should qualify for or
17 be excluded from in-state treatment. And I think that's the
18 only reservation I had other than the loss of economic benefit
19 to the state by importing fuel and exporting the fuel
20 production itself.

21 But, again, it technically meets the requirements of
22 a QF, and I will be supporting the project. And these concerns
23 have nothing to do with Progress. I commend them
24 wholeheartedly for the manner in which they adequately
25 protected their customers on this project, and I'm hopeful that

1 the project will move forward in its original state bringing
2 great benefit to the state, not only on the environment aspect,
3 but economic aspect. And, like I say, my only reservation was
4 the outsourcing of the fuel.

5 Thank you.

6 CHAIRMAN CARTER: Thank you. Mr. Wright, I saw --

7 COMMISSIONER ARGENZIANO: Mr. Chair.

8 CHAIRMAN CARTER: Commissioner Argenziano.

9 COMMISSIONER ARGENZIANO: Yes. I wonder if staff
10 could elaborate on some of the points that Commissioner Skop
11 mentioned. Did they look into the barging of fuel? I mean,
12 and all the issues, the CO2, and all of those issues, and some
13 of those negatives that I think are negatives that Commissioner
14 Skop had mentioned. The state's agriculture and all the
15 things. So, I wonder if staff could just elaborate a little
16 bit on that and fill me in on how they looked at those issues.

17 CHAIRMAN CARTER: Let me do this, Commissioner.
18 Before I recognize staff, let me give Mr. Wright an opportunity
19 to respond and then we will go to staff.

20 Mr. Wright, you're recognized.

21 MR. WRIGHT: Thank you, Mr. Chairman. Very briefly.
22 I would just like to say a few things in response to
23 Commissioner Skop's comments. We don't disagree that it's not
24 as good to have the farm potentially in Texas as it would be to
25 have it in Florida. We would prefer to have it in Florida. We

1 would really, really prefer to have it in Florida. We have not
2 given up on Florida, but we have tried negotiating with at
3 least three large landowners who would have the wherewithal to
4 furnish the eighteen to 20,000 acres of land that the
5 integrated farming and power plant operation would require.
6 And we thought we were real, real close a couple of times, and
7 at the end of day it just didn't work out. We could not get a
8 deal to commit the land to our project, or at least we have as
9 yet been unable to get a deal to commit the land to our project
10 in Florida for 25 years, and that's the economic reality we
11 face.

12 Regarding impacts on pro formas, it may impact our
13 pro formas, but it's not going to impact Progress. The pricing
14 under the contract doesn't change. We are very close to
15 actually buying some land in Texas and to leasing some
16 additional land in Texas sufficient to provide the fuel for the
17 plant. And we have evaluated all of that and we can do that,
18 including projected transportation costs for less than what we
19 could lease the land in Florida for on-site. It would have
20 been our desire to do it in Florida.

21 I would say with regard to the total carbon footprint
22 concept, we don't disagree with that concept, either. And if
23 you are going to look at that, that's fine. I would say please
24 don't single out our project.

25 In regard to the closed loop analysis, the total CO2

1 footprint analysis, you do need to look at what we would
2 displace in Florida. And if you are going to look at adding in
3 transportation, then you need to look at the carbon footprint
4 of transporting the fuels to Florida that our plant would
5 otherwise displace, whether it's coal from Wyoming and the
6 transportation fuel impacts to get it here, whether it is coal
7 from central or northern Appalachia and the associated
8 transportation fuels required to get it here, whether it's LNG
9 from somewhere else in the world and the cost to barge it here,
10 whether it is the 1.58 percent plus or minus of the natural gas
11 that is used up as compressor fuel in transporting gas from
12 Texas and Louisiana to Florida, or whether it is something
13 else.

14 Ninety-seven percent of all the fuel that is consumed
15 to generate electricity in the state of Florida is imported
16 from somewhere else. The only exceptions are we have got a
17 little bit of hydro, we have got some woodchips, and we have
18 got waste-to-energy. Ninety-seven percent of all the fuel used
19 to generate electricity in the state of Florida is imported.

20 And if you are going to look at carbon footprint, and
21 ultimately somebody is going to be looking at total carbon
22 footprint, you need to look at it all. And I would say, you
23 know, we look forward to participating in the RPS project and
24 the in-state versus out-of-state. And I would add that if
25 there would be a premium value attached to in-state generation

1 that might provide enough of a kick to where we could make a
2 deal for the farm in Florida to work, and that would have been
3 our preference.

4 Thank you.

5 CHAIRMAN CARTER: Thank you, Mr. Wright.

6 Staff.

7 MR. GARL: Thank you, Mr. Chairman.

8 In much the same vein, staff assessed this whole
9 petition with some dismay about the source of the fuel moving
10 to outside Florida rather than being in Florida and having a
11 collocated operation. However, in looking at our own Florida
12 Administrative Code and the rules that the Commission
13 established last year, we came to realize that the origin of
14 the fuel is not one of the criteria that we're permitted to
15 measure that by as long as the intent, also addressed in the
16 code, is met. And we took the position that we are talking
17 strictly about the generation facility, and not so much where
18 the fuel comes from, just that it's a renewable energy source.

19 The criteria that is set up, as Commissioner Skop
20 mentioned, one of the big ones is economic benefit to Florida.
21 Putting the generating plant in Florida does create some
22 economic benefit. As was mentioned before, no, it is not as
23 good as it was initially envisioned to be with the crop also
24 being grown in Florida, but just the same, it is still an
25 economic benefit to Florida in several ways, as Mr. Wright

1 mentioned, avoiding fossil fuels for 145 megawatts worth of
2 generation.

3 I hope that answers your question, Commissioner.

4 CHAIRMAN CARTER: Commissioner Argenziano, I will go
5 back to you to see if you have any further questions.

6 COMMISSIONER ARGENZIANO: No. Mr. Wright and staff
7 answered them adequately. Thank you.

8 CHAIRMAN CARTER: Thank you, Commissioner.

9 Commissioners? Commissioner McMurrin, you're
10 recognized.

11 COMMISSIONER McMURRIAN: Thank you. I had one for
12 staff about the discussion about favoring in-state RECs. I'm
13 not sure, are RECs developed at the point of generation? I
14 guess in other states when they have a REC program -- would it
15 be at the point of generation, or would it somehow take into
16 account where the fuel source came from?

17 MR. BALLINGER: No, typically RECs come from the
18 generator and it's per 1,000 kilowatt hours would be one REC.

19 COMMISSIONER McMURRIAN: So under the proposal that's
20 before us now, if there were to be a REC market here, the RECs
21 would be developed at that point of generation, and the point
22 of generation is in Florida?

23 MR. BALLINGER: Yes.

24 COMMISSIONER McMURRIAN: Okay. Thank you.

25 MR. BALLINGER: But that definition is yet to be

1 made, so I think it would be a discussion in terms of your RPS
2 discussions of more precisely what that means.

3 COMMISSIONER McMURRIAN: Thank you. I just wanted to
4 get clarification on that point and make sure I understood.

5 Thank you.

6 CHAIRMAN CARTER: Thank you.

7 Commissioners, any other questions or comments?

8 Commissioner Edgar, you're recognized.

9 COMMISSIONER EDGAR: Mr. Chairman, thank you.

10 I will say that I always enjoy and look forward to
11 many, many more weeks, months, and years of having discussions
12 at the Commission about such issues as carbon footprint and
13 carbon analysis. However, I note that the issue before us in
14 my mind is very narrow, and I would make a motion in favor of
15 the staff recommendation.

16 COMMISSIONER SKOP: Second.

17 CHAIRMAN CARTER: Commissioners, it has been moved
18 and properly seconded that we accept staff's recommendation on
19 Issue 12.

20 All those in favor let it be known by the sign of
21 aye.

22 (Unanimous affirmative vote.)

23 CHAIRMAN CARTER: All those opposed, like sign.

24 The motion passed.

25 * * * * *

1 STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

2
3 COUNTY OF LEON)

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I, JANE FAUROT, RPR, Chief, Hearing Reporter Services
5 Section, FPSC Division of Commission Clerk, do hereby certify
6 that the foregoing proceeding was heard at the time and place
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9 transcript constitutes a true transcription of my notes of said
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I FURTHER CERTIFY that I am not a relative, employee,
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DATED THIS 5th day of February, 2008.

14



15

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