

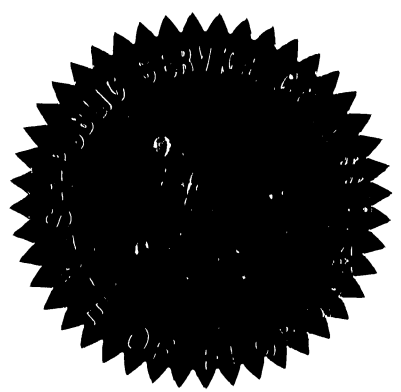
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 080503-EI

In the Matter of:

ESTABLISHMENT OF RULE ON RENEWABLE
PORTFOLIO STANDARD.

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PROCEEDINGS: AGENDA CONFERENCE
 ITEM NO. 3

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

DATE: Tuesday, October 14, 2008

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

REPORTED BY: LINDA BOLES, RPR, CRR
 Official FPSC Reporter
 (850) 413-6734

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1 PARTICIPATING:

2 MICHAEL B. TWOMEY, AARP.

3 JOHN W. MCWHIRTER, JR., Florida Industrial Power

4 Users Group.

5 JOSEPH A. MCGLOTHLIN, Office of Public Counsel.

6 JOHN T. BURNETT, Progress Energy Florida, Inc.

7 ERIC SILAGY, Florida Power and Light Company.

8 RUSSELL BADDERS, Gulf Power Company.

9 BILL ASHBURN, Tampa Electric Company.

10 MICHELLE HERSHEL, Florida Electric Cooperative

11 Association.

12 SUZANNE BROWNLESS, Florida Solar Coalition.

13 JOE TRESCHLER, Covanta Energy.

14 JON MOYLE, Wheelabrator Technologies.

15 ERIC DRAPER, Audubon of Florida Statewide

16 Conservation Organization.

17 LEON JACOBS, Natural Resources Defense Council and

18 Southern Alliance for Clean Energy.

19 BRIAN ARMSTRONG, pro se.

20 MARK FUTRELL, CINDY MILLER and BOB TRAPP, PSC staff.

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P R O C E E D I N G S

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2 CHAIRMAN CARTER: Commissioners, we'll now adjust our
3 schedule to give the court reporter a break and give everybody
4 an opportunity to get settled in because our next issue will be
5 Item 3. And staff has a sign-up sheet and they're trying to
6 work on that. And I want to let everyone kind of get their
7 places.

8 By the way, those of you that are wishing to speak,
9 what we're going to do is we're going to have a place set up to
10 my immediate right. We'll have one microphone for you there
11 because it works better for us. It works better for the court
12 reporter so that she can hear you clearly. And then we're
13 going to, we're going to do that. And I'll get back with you
14 later on in terms of how we're going to structure this, but
15 staff now has a list out.

16 Commissioners, we're on recess until 30.

17 (Recess taken.)

18 First of all, we're going to, as I said, is that
19 we're going to have this microphone to my, to my right over
20 here. And that works for us -- we've had some dissonance in
21 the system before, but this allows the court reporter to be
22 able to hear you by using this microphone here, and it works
23 for us as well.

24 And the way we're going to go, Commissioners, my
25 recommendation is that first we'll have staff to introduce the

1 issue. And then I'm going to recognize Commissioner Argenziano
2 and then we'll proceed from there, Commissioners, anything
3 further, if any of the Commissioners would like to say
4 something, then we'll go with taking some comments. And I've
5 got an order, I've got the list of people so far that have
6 asked to speak, and I would like to go and I've got an order,
7 I'd like to go from there and I'll share that with you after
8 Commissioner Argenziano has completed.

9 With that, staff, you are recognized.

10 MR. FUTRELL: Good morning, Commissioners. I'm Mark
11 Futrell with the Commission staff. Before I introduce the
12 item, I'd like to note a modification to the item that I
13 believe you received on Friday. It's a correction to a table
14 on Page 17 of the recommendation correcting a math error and
15 then noting those changes as they are noted subsequently in the
16 text following the table.

17 To introduce the item, Item 3 is staff's
18 recommendation to propose rules to establish a Renewable
19 Portfolio Standard or RPS for the purpose of going to hearing.
20 We are recommending three rules: First, the first establishes
21 the RPS requirements for the investor-owned utilities as well
22 as the implementation, review and reporting obligations. The
23 second rule addresses creation of a renewable energy credit
24 market. The last rule requires the municipal electric
25 utilities and rural electric cooperatives to file annual

1 information on the standards they establish to promote
2 renewables and data on renewables.

3 In House Bill 7135, the 2008 Legislature directed the
4 Commission to submit a draft RPS rule by February 1st, 2009,
5 for consideration. In order to meet this deadline, the staff
6 issued a strawman draft rule on August 13th to generate
7 discussion at public workshops held August 20th and
8 August 26th, which included nearly 30 participants.

9 Staff revised its strawman draft rule based on
10 discussion at the workshops and the written comments received.
11 Staff has also explained in the recommendation why we agree or
12 disagree with participants on certain points.

13 In Section 366.92 of the Florida Statutes the
14 Legislature expresses their intent that the RPS rule protect
15 existing and encourage new renewable resources, diversify the
16 types of fuel used for electric generation, improve
17 environmental conditions and minimize costs to ratepayers. The
18 draft rules before you are staff's effort to balance the intent
19 expressed by the Legislature.

20 In draft Rule 25-17.400 staff is recommending initial
21 reasonably achievable renewable standards. These standards
22 begin with our estimate that renewables currently provide
23 approximately 3.6 percent of energy needs at this time. Over
24 time staff's recommended standards would approximately double
25 the contribution of renewables every eight years.

1 The Commission will receive additional information
2 from Navigant Consulting at the end of November on existing as
3 well as projected contributions from renewables. This
4 information will give us a better feel for the reasonableness
5 of these initial standards prior to submitting a final draft
6 rule to the Legislature.

7 This rule would also establish a process for the
8 Commission to review the performance of the utilities and the
9 development of the renewable market at least every five years.
10 This process would also provide information for the Commission
11 to adjust the standards, if necessary, based on actual
12 experience.

13 As permitted by the statute, the draft rule provides
14 additional encouragement for solar and wind in that at least
15 25 percent of the RPS must be from these resources and that
16 75 percent of the revenues available for the RPS be directed to
17 solar and wind.

18 Based on the entirety of Section 366.92, staff has
19 taken a broad view of the renewable resources to be included in
20 the RPS to include not just resources that directly generate
21 electricity but those that create thermal energy as well.

22 Compliance with the RPS would be accomplished through
23 the use of renewable energy credits or RECs which provide a
24 common means of verifying and tracking the production of
25 renewable energy. A REC is a financial instrument that

1 represents the renewable attributes associated with 1 megawatt
2 hour or 1,000 kilowatt hours of renewable energy. The purchase
3 and sale of RECs through short-term and long-term contracts
4 will produce an additional revenue stream for renewable owners
5 and developers to meet the economic development directives of
6 the Legislature.

7 The rule addresses the legislative direction to
8 provide incentives by allowing the IOUs to recover the cost of
9 RECs purchased and the cost of self-built renewable projects
10 through a cost recovery clause and earn a return on their
11 renewable investments. Also staff has included provisions for
12 the assessment of penalties as a means of ensuring compliance
13 with the RPS.

14 Staff has addressed the Legislature's intent to
15 minimize costs to ratepayers by including a cost cap. The IOUs
16 would be allowed to spend 2 percent of retail revenues above
17 what they would have otherwise paid for capacity and energy for
18 compliance with the RPS. As an example, in 2007, 2 percent of
19 the IOUs' retail revenues were approximately \$370 million.
20 Again, this would represent the amount of additional funding
21 above costs otherwise paid for capacity and energy available to
22 renewable owners and developers.

23 Finally for this rule, this rule requires the IOUs to
24 file annual reports to allow the Commission to monitor the
25 development of renewables in the state, track costs and monitor

1 the IOUs' progress toward meeting the RPS requirements.

2 Draft Rule 25-17.410 would set forth the processes
3 for the establishment of the renewable energy credit market.
4 The IOUs would be required to select and obtain Commission
5 approval of a third party administrator. The structure and
6 governance of the REC market would also be subject to
7 Commission review and approval. The market, once established,
8 would allow for the certification of RECs from in-state
9 renewable resources and facilitate the ability of renewable
10 owners and utilities to buy and sell RECs either through
11 bilateral contracts or a spot market.

12 The rule identifies the renewable facilities eligible
13 to produce and sell RECs in the Florida market as directed by
14 the Legislature. These include utility-owned renewables,
15 nonutility-owned renewables that sell capacity or energy to a
16 utility, facilities that meet all or a portion of their needs
17 from renewables, and customer-owned renewables that have not
18 received a conservation program incentive from an
19 investor-owned utility.

20 Finally, Rule 25-17.420 would require the municipal
21 and cooperative utilities to file reports on the standards they
22 establish to encourage renewables as well as data on the
23 development of renewables in their respective service
24 territories. These data and information coupled with the
25 requirements of the IOUs will allow the Commission to monitor

1 the development of renewables from a complete statewide
2 perspective.

3 That concludes my summary of the draft rules, and now
4 let me speak to some procedural matters. Commissioners, our
5 recommendation before you today is to propose rules. A
6 December 3rd hearing date has been set aside for the
7 Commissioners and parties to further discuss the rule that you
8 propose. At this hearing the Commission will also review the
9 results of Navigant's technical and economic potential study.
10 Following that hearing, a January 9th Special Agenda has been
11 reserved for the Commission to adopt rules.

12 That concludes my opening remarks. Staff is
13 available for questions. And as you mentioned, Chairman,
14 several parties are here to address you today.

15 CHAIRMAN CARTER: Thank you. Commissioner
16 Argenziano, you're recognized.

17 COMMISSIONER ARGENZIANO: Thank you, Mr. Chair.
18 Thank you, staff. I'm just going to ask for your indulgence
19 just for a few minutes. I know there's a lot of people who
20 want to speak, but I want to say a few things.

21 And, number one, I want to thank staff because staff
22 has been taking a beating by a lot of people, the media, some
23 of you sitting out there, and with all -- everybody has their
24 own opinion and their own great ideas of what we need to move
25 forward with, but staff is charged with recommendations

1 according to the House Bill that passed, the legislative bill
2 that passed. And what they did -- and there are not a great
3 deal of specifics in some of those areas in that, in that bill,
4 and staff does, as they have been doing, I guess, since time
5 began, is, is make those recommendations. And I don't know how
6 suddenly that translated into that was the decision. Staff
7 brings forward to this Commission -- it is us who are
8 ultimately charged with making a decision. So I, I appreciate
9 the hard work and I know how pulling -- because you've been
10 pulled from many, many different places and, trust me, that
11 does occur. There are so many important issues that we're
12 dealing with. This is such an important agenda for the State
13 of Florida. And I do appreciate the hard work you put into
14 this. So for all the beating that you've taken in the past
15 week or two, I apologize for that. It really isn't
16 appropriate. You did the job that you were, you were charged
17 to do. Now do I agree with all of it? Probably not. Does
18 anybody agree? Probably not. But thank you for the hard work
19 and I wanted to say that publicly.

20 The second thing, Mr. Chairman, that I wanted to
21 emphasize, and we all know this but I want to, I want to get it
22 on record because I want people to sit down and really think of
23 this. You have the legislative branch, the policymakers, we
24 are not the policymakers, they are, saying we're going to move
25 forward with, with renewables, we have emphasis on, on

1 renewable energy in the State of Florida. And, of course, our
2 Governor has made it very clear where he wants the state to go.
3 And look at, look at the bigger picture. And please, again,
4 indulge me. We're talking about many different facets. It's
5 not just energy that we're really talking about. It's why
6 we're doing what we're doing. Why not only the people of the
7 State of Florida need to have a sustainable source of energy
8 for the future, whether we're growing at the same rate or not
9 doesn't matter anymore, we're still growing, there's still more
10 people coming into the State of Florida, and we have to make
11 sure we plan appropriately. That's what we're charged with.
12 And we need to make sure that the people of Florida in the
13 future when they turn on that switch or need that electric have
14 it.

15 We also need to make sure that we're talking about
16 environmental changes, a very large concern. Some people don't
17 believe, don't believe -- whatever you want to believe, it's
18 out there. The scientific community is saying, hey, you may
19 have only a certain amount of time to turn things around as far
20 as cleaning the planet you live on, and, and that's a very big
21 consideration for many people, including myself.

22 And you have right now before us not only that, you
23 have reduce the dependence on fossil fuels. That's, everybody
24 knows that we need to do that. And, quite frankly, and I'm
25 going to be very blunt, as I always have, in 1972 when I was

1 waiting on those gas lines way back then, we knew that back
2 then. So if in 1972 our political leaders wouldn't have been
3 so wishy-washy at that time, maybe we would have already moved
4 forward and reduced our reliance upon fossil fuels. So we
5 can't be playing these games anymore of just wishy-washy, and I
6 think that's the mandate you've gotten from the Legislature and
7 also from the Governor. As we all know, something has to be
8 done. Now how you get there, of course, we all have different
9 opinions on. So let's, let's look at -- you're talking about
10 cleaning the air, reducing emissions, reducing our dependence
11 on fossil fuels, creating a new way to get there, creating
12 renewables, giving the incentives, the economic development
13 involved in that because you have to, you have to have a carrot
14 with that stick because sometimes things just won't move. So
15 there's many different ways of getting there.

16 But then you also have to look at the cost and
17 availability, and I think that's what staff had all those
18 factors put in there and said, okay, the cost. Because,
19 believe it or not, we're hearing from legislators who are
20 hearing from their constituents who are saying that, you know,
21 we can't take bigger hits. Okay? But yet you have other
22 factors to look at. Will, you know, will there be a time when
23 you can't turn around the damage that you may be doing to the,
24 to the environment? There may be a point. And at that point
25 does rate, do rates, are rates really going to be a higher

1 consideration than saving your planet? And that is a
2 legitimate question that's out there. So taking all those
3 things together, again, I want to thank staff for coming up
4 with something that you're being pulled in 12 or 13 different
5 places, as we are also.

6 Now what I think, what I would like to propose before
7 anybody gets up and speaks, and maybe you have time to think
8 about this and I'd like to ask my Commissioners to think about
9 this, I would like to see, since we are charged with a draft
10 rule by February, I would like to see two versions of a draft
11 rule. And the reason I want to do that is because, as I said
12 before, some of these issues that have not been very specific
13 in House Bill 7135 are policy issues. And I think that the
14 Legislature, given certain pieces of information plugged into
15 our rule and given certain pieces of information that are going
16 to come down the pike, are truly the only people who can make
17 the call on those policy issues.

18 So if we have one rule that I think is going to
19 differ from staff's rule that says we're going to move forward
20 very aggressively, we're going to do the 2020 date, we're going
21 to, we're going to reduce those emissions and we have to attach
22 costs and other items as best as we can get because they're
23 sometimes hard to get today, but also knowing that we're right
24 on the cusp of many breakthroughs on solar efficiency, so many
25 different renewable breakthroughs that we cannot afford to stop

1 providing an incentive for that type of development to
2 continue. Because that's what happened in '72 when everybody
3 came out with, hey, we can do it this way, and then all of the
4 sudden, no money, no incentive was there and that died away and
5 we just relied on the same old same old, which got us in this
6 position now.

7 So I would like to see, one, a recommendation or a
8 rule, a draft rule, one that says it's going to be much more
9 aggressive than what we have in front of us. Let's get to
10 where we need to go, but also plug in as best as we can the
11 information for those policymakers to make a determination on
12 what, on what they ultimately decide: Will the rate, this much
13 rate be too much on the people today or would it be acceptable
14 or is there something else we could do to reduce the rates?
15 But give them all that information in an aggressive approach to
16 getting where we need to go.

17 And using some of the data that we have from around
18 the country, other states like California, how is, how is their
19 plan working, what are their pitfalls, what can we do to avoid
20 those? And maybe in the second draft, and I'm proposing two
21 draft rules, the second draft maybe be a little bit closer to
22 what staff is recommending that is, is looking at the
23 legislation that passed and saying, okay, we're going to, we're
24 going to take a more conservative approach than Plan A, which I
25 say we need to move aggressive on, but not quite as

1 conservative as the staff has, has come up with. So in doing
2 that, of course, Mr. Chairman, there has to be certain things
3 that need to be plugged in there because the Legislature needs
4 to have additional information.

5 And I guess my point is that some of those pieces
6 that are missing here -- we're not the policymakers. We'd be,
7 we'd be making a call here on some of that of making policy,
8 but let's give them the rule that they need for those two
9 scenarios. Because, quite frankly, what I see coming down in
10 the legislative session is going to be a lot different, well,
11 maybe not a lot different, but it can be changed, it's going to
12 change. I don't think that your rule would fly through and I
13 just don't see that happening, so I see changes taking place
14 anyway. But let's give them the information that they need but
15 also do what we're mandated to do, and that is to simply create
16 the rule. But if you don't have the specifics and you find
17 that you're down the road and the Legislature is saying -- as I
18 said, I'm hearing, I'm sure you are too, from Representatives
19 and Senators who are saying, hey, you know, we have enough, our
20 consumers are screaming and the rates are something you need to
21 take into consideration. So let's give it to them to make that
22 determination. Show them where the aggressive approach is
23 probably something that we need to move forward with, but here
24 are the numbers and here's how we look at it, now you help us
25 to get there, but we give them the rules.

1 And in a nutshell, I mean, I can be more specific at
2 a later date because we don't have certain numbers right now.
3 It's a little hard to find some of those numbers out there
4 right now. It's a little hard to determine what's going to
5 happen in five years. But we can't stifle what's going to
6 happen. We can't say we'll throw it out and, you know, we'll
7 just, we're just not going to give them the incentive. We need
8 to give those renewable companies some assurances that the
9 State of Florida means business and we're going to move forward
10 and let them know they have an insurance policy. We're going
11 to put some money where our mouth is.

12 So, Mr. Chairman, that's my suggestion. And I really
13 am looking forward to hearing what everybody has to say. But I
14 think that we need to be considering a more aggressive approach
15 also and send it to the Legislature as proposed Rules A and B.

16 CHAIRMAN CARTER: Thank you, Commissioner, for your
17 wisdom.

18 Commissioners, anything further? We'll go ahead with
19 our comments. Obviously at any point in time any Commissioner
20 that wants to be heard will be recognized for that. And
21 anything further, Commissioners?

22 Hearing none, let's do this. I've got my own little
23 mind-set in terms of how -- what I'd like to do is to kind of
24 group, have -- we've got this microphone over here and I'm
25 going to ask you, those of you that come up to speak, to be

1 respectful. We want to hear from everyone. And I know your
2 issue is the greatest issue on the planet, but if you'd be
3 succinct in your issue because the critical thing, as
4 Commissioner Argenziano has said, is that we've got to hear, we
5 want to hear from you, but we've got to make some critical
6 decisions. And if you always do what you've always done,
7 you'll always get what you've always gotten, and we can't do
8 that anymore. So, please, ma'am, please, sir, be respectful as
9 you come up.

10 First -- and I'm going to ask you when you come up,
11 if you could limit your comments to five minutes or less. And
12 that would be very helpful because that will allow us to hear
13 what you have to say and that will allow us as Commissioners to
14 have some give and take. We may ask you a question or we may,
15 something happens later on, we may want to bring you back up to
16 ask you that. But that will allow us to have a full and
17 forthright discussion, debate and come to a resolution of this
18 very significant issue that's not about scoring points. It's
19 about doing what's in the best interest for the people of
20 Florida particularly at this point in time. And with that,
21 first up will be Mr. Mike Twomey.

22 MR. TWOMEY: Mr. Chairman, Commissioners, good
23 morning. Mike Twomey. I'm appearing on behalf of AARP, which
24 has over three million members in the State of Florida. I
25 always mention that because it's important, and I think it's

1 especially important today because along with Public Counsel
2 and perhaps some of the industrial customers that might be here
3 and appear today, I'm one of the few people that represent
4 customers who are expected to pay the bills that will,
5 increased bills that will result from presumably any decision
6 you make in this matter today.

7 The -- it's important because if everybody doesn't
8 know outside this room, the utilities will not pay for these
9 increased costs. The costs are going to go to the customers
10 and it's going to increase their bills, and you've seen it on
11 the table.

12 It's particularly important that we just observe
13 briefly that, that a lot of people are suffering from mortgage
14 foreclosures, gas costs, there's insurance costs, there's
15 increased unemployment, there's cost of, increased cost of
16 every nature that people are trying to deal with. AARP
17 contacts told me yesterday they're getting calls from people in
18 their 70s who have seen 20, 25, 30 percent or more of their
19 retirement funds disappear. So it wasn't necessarily a good
20 time for a lot of people on fixed incomes and low incomes to
21 have to face increased electric bills two, three, four months
22 ago. It's even a worse situation for having to do it now.

23 Now as far as the, the proposed rule, AARP has been
24 saying since the legislative session last year that we wanted
25 to see elected officials make the ultimate decisions. And

1 that's going to happen, as pointed out by Commissioner
2 Argenziano, when it goes back to the Legislature next session.
3 We said we wanted to see a budget. Families have to operate
4 with budgets. There should be a budget, there should be a
5 ceiling cap, a cost cap on these expenditures. And your staff
6 has recommended such a cap and we agree with the staff that
7 there has to be a cost cap. It is essential there has to be a
8 budget.

9 We disagree to the extent that we oppose staff's
10 recommendation of 2 percent of the company's previous year's
11 revenues and we agree with the Office of Public Counsel that it
12 should be 1 percent, which is not, by the way, an insignificant
13 number. It's -- 1 percent would be something in excess of
14 \$185 million a year in rate increases for the customers of the
15 five IOU utilities.

16 We said at the Legislature and I've said here before
17 for AARP we want to see the most cost-effective achievement of
18 whatever your goals are. We want to see the most renewable or
19 clean energy attained for these consumers for the money that's
20 going to be spent. And as a consequence, we said at the
21 Legislature, I've said it here before that we are opposed to
22 carve-outs for any technology. And I want to be clear that I'm
23 speaking for AARP and not its various members, and I want to be
24 clear as well that AARP doesn't have a policy on wind or solar
25 or nuclear for that matter. By opposing a solar and wind

1 carve-out we're not in opposition to wind or solar. We're
2 taking a position that we want to get, again, the most energy,
3 the biggest bang for the buck, take the low hanging fruit and
4 all those type things, and we believe and have said from the
5 beginning that special treatments in the nature of carve-outs
6 is wrong for any technology, solar and wind included. As you
7 heard from your staff, 25 percent of the energy but 75 percent
8 of the money under this carve-out would be directed towards
9 solar irrespective of whether there were other renewables,
10 other clean technologies that were available at a lower cost.
11 There should be RFPs by these utilities, an essentially reverse
12 auction that gets us the most energy for the least cost.

13 The, we don't have a position on when you should
14 achieve 20 percent. By and large if we have a cost cap, that
15 issue is somewhat irrelevant in terms of protecting consumers.
16 And, again, the cost cap is essential.

17 The -- I want to speak briefly. I want to be very
18 careful and tread lightly here to a suggestion by FP&L that new
19 nuclear should be counted as, as clean. I don't think the law
20 as written allows that. But this whole rule process is going
21 back to the Legislature, as y'all recognize, and I would
22 suggest to you that you may want to consider recommending to
23 the Legislature that they consider modifying the RPS to a clean
24 portfolio standard. I think Florida Power & Light makes a
25 strong argument that the nuclear generation which is largely

1 emission-free should be counted. And I'm saying that again not
2 because the AARP has a nuclear policy, because it does not. It
3 did not participate, as you'll recall, in the need
4 determination proceedings for the new Turkey Point units or the
5 Levy County units, not in favor nor in opposition. But I've
6 said to you, I've tried to say that AARP would like to see the
7 best deal economically for the cards that we've been dealt to
8 date. And some of the cards we've been dealt so far is the
9 fact that you have approved those four units for recovery and
10 to be built.

11 The projected costs for the four of them I think is
12 somewhere in the neighborhood of \$30 billion. The companies,
13 because the Legislature allowed early cost recovery for these
14 nuclear units, will start seeing increased costs as soon as
15 January 1st of next year. I think as much as \$11 or more for
16 Progress, I forget the number for FP&L, but there are many
17 hundreds of millions. Given that, we suggest to you that it
18 would make sense to have customers get credit for a low
19 emission source that they're already going to start paying for
20 in January. Thank you.

21 CHAIRMAN CARTER: Thank you, Mr. Twomey. I
22 appreciate that.

23 Next we'll have Mr. -- and, again, as you, we're
24 going to continue back and forth, but I want to let everyone
25 get what they need to say up-front so we can move forward for

1 discussion and debate.

2 Next will be Mr. John McWhirter.

3 COMMISSIONER EDGAR: Mr. Chairman.

4 CHAIRMAN CARTER: One second. Commissioner.

5 COMMISSIONER EDGAR: I was just going to say while
6 Mr. McWhirter is coming forward, could I make just a few
7 comments?

8 CHAIRMAN CARTER: You're recognized, Commissioner
9 Edgar.

10 COMMISSIONER EDGAR: Thank you. And, and I wasn't
11 sure when the best time was, early, middle, and as we --

12 CHAIRMAN CARTER: No better time than the present.
13 You're recognized.

14 COMMISSIONER EDGAR: Well, thank you -- as we work
15 through this. I do have, as I'm sure each of us do, some more
16 specific questions about some specific provisions that have
17 been suggested and some points to raise. And I'll kind of hold
18 on that thinking that when we get into more detail.

19 But I did want to follow up briefly on a few of the
20 comments from Commissioner Argenziano and also from Mr. Twomey
21 because they are similar to some of the thoughts that I've had
22 over the past weeks and months on this. I know I feel strongly
23 and we have all made statements about the need for this state
24 to work forward as an energy policy for energy security, for
25 fuel diversity, for job development, environmental quality,

1 fair and affordable rates and reliability. I do think that our
2 charge as economic regulators is to look at and help to ensure
3 that value to the customer, the value to the ratepayers for
4 what they are paying in their monthly bill, and we do that in
5 many, many ways and through many mechanisms.

6 When I think about this issue, some of the issues
7 that came to my mind a few years back when we were looking at
8 proposals on storm hardening, I think some of the analysis is
9 similar, which is we tried to gather all the data, listen to
10 all of the variety of stakeholders, which was vast, and then to
11 look at what is the cost benefit, what is the value to making
12 additional investment and how do we review that. And so I
13 think with some of the comments that Mr. Twomey has made and
14 that we have all made and will make again about the value to
15 the customers and also what the interrelationship and interplay
16 is for a strong RPS with the other things that we are doing as
17 a Commission in this state, and with the direction of the
18 Governor and the Legislature for additional energy efficiency
19 and energy conservation and investments there, a potential
20 future cap-and-trade, as we continue to review and evaluate
21 Ten-Year Site Plans and those processes, and I'm hoping as we
22 get into this a little bit more that there will be the
23 opportunity to expand on some of those ideas and ask a little
24 more specific questions.

25 But I think, again, how we put that together, value

1 to the customers, value to the state, tracking those downstream
2 dollars so that there is oversight and accountability, and then
3 also moving forward this very important policy for fuel
4 diversity and for energy security with affordable rates and
5 reliability is, I mean, a challenge that is just so
6 fascinating, and I think today is going to be an important
7 piece of that discussion. So thank you, Mr. Chairman.

8 CHAIRMAN CARTER: Thank you. And, again,
9 Commissioners, at any time if you need to say something, you
10 would be recognized for that.

11 With that, good morning, Mr. McWhirter.

12 MR. McWHIRTER: Good morning, Mr. Chairman and
13 Commissioners. I represent industrial and large commercial
14 customers, and in order to understand where I'm coming from,
15 I'll give you the load characteristics of these kind of
16 customers.

17 First of all, by and large they operate around the
18 clock and about 80 percent of their operation is during the off
19 peak periods. Secondly, they have -- as Mr. Lily (phonetic) in
20 the energy efficiency workshop which you've had going on
21 correspondingly with this told about a number of things that
22 his company could do to improve energy efficiency, but there
23 are no credits available for that through the DSM clause or
24 otherwise. The DOE has focused on industrial energy efficiency
25 as a good way to save energy. That has nothing to do with this

1 rule you're considering today. And I think that may be one of
2 the problems with the rule because we don't coordinate the low
3 hanging fruit of energy efficiency with the philosophy of fuel
4 diversity.

5 Second, the third characteristic of large industrial
6 customers is that they can produce electricity as they
7 presently do and they can sell that electricity and are
8 presently selling that electricity on an as-available power
9 basis to utilities at a cost less than the utilities pay for
10 the fuel that they use in their own generating plants. And
11 this rule, I'll talk about that in a minute, it may discourage
12 that kind of operation.

13 The second -- the fourth thing I would say about
14 industrial customers is they are just like Mr. Twomey
15 identified them, they don't pay the electric bill. They either
16 pass that electric bill along to the members of AARP and other
17 residential consumers or they go out of business. It's just
18 that simple.

19 It's more characteristic, if you think in terms of a
20 grocery store, when you raise the electric rate for a grocery
21 store, which is a high load factor consumer because they have
22 refrigeration that goes 24 hours a day, you immediately see,
23 they are a low profit margin company and so you immediately see
24 it in customers' food bills. So anything that those customers
25 pay either goes through to the customers or, to their customers

1 or they go out of business. And we saw that in Tampa when the
2 steel company closed down, the brewery closed down and moved to
3 areas where the electricity was cheaper, and that was a major
4 reason for it.

5 Now having given you the characteristics of the
6 industrial customers I represent, I'd like to take a minute or
7 two and ask you or tell you how this rule affects those
8 consumers.

9 In the first instance, as Mr. Twomey and I think the
10 Public Counsel does, we oppose the idea of guaranteed cost
11 recovery clauses. When you have your hearings in November,
12 you're going to find with the action you took today on the
13 nuclear cost pass-through and the -- you're going to find that
14 when you compare the 2007 operating revenues of the public
15 utilities to the sum of money that will be collected in the
16 next year through the cost recovery clause, it's now in the
17 upper 70 percent of their gross revenue. So guaranteed cost
18 recovery clauses bring in most of the money, and in your rule
19 you've proposed a new guaranteed cost recovery clause. So
20 we're not too far away. We'll never get to 100 percent
21 guaranteed costs, but we're a long way from the concept that
22 the utilities proffer that they only have an opportunity to
23 earn a return on their investment. They have a guarantee. So
24 we oppose all cost recovery and I'll deal with that later.

25 Collecting capacity costs through a kilowatt hour

1 charge is harmful to industry and it's harmful to grocery
2 stores and it's harmful to other high load factor customers
3 because they're paying for capacity that is used by other
4 people, and in some instances if they're interruptible
5 customers, is paying for capacity that they don't have any
6 entitlement to at all.

7 The third thing that gives me a little bit of concern
8 about Rule 410(10), it says that any customer that is receiving
9 the benefits of a DSM program from the Public Service
10 Commission shall not be entitled to a renewable energy credit.
11 I may be misinterpreting that, but I do know that all the
12 utilities in Florida have a DSM program for cogeneration. They
13 don't give any money to cogenerators other than the electricity
14 they buy from them at an economic price. What they do is the
15 employees' that monitor the program's salaries are paid through
16 that. If the fact that the utilities pay salaries to their
17 employees for a cogeneration DSM program would discourage or
18 would prohibit an industrial customer that can co-generate and
19 sell electricity from getting a renewable energy credit, I
20 think that would be horrible. I don't know that it does that,
21 but it gives me grave concern.

22 CHAIRMAN CARTER: Are you close to winding up?

23 MR. McWHIRTER: Yes, sir. Yes, sir. I'd like to
24 reemphasize what Mr. Twomey said. I went to -- the Clerk of
25 the Circuit Court had a session for lawyers not long ago and

1 she gave us a list of the foreclosures in Hillsborough County.
2 And they were going -- a year ago there were 1,900 new
3 foreclosures a month. This is in Hillsborough County alone.
4 In the last week in August of this year there were 3,000 new
5 foreclosures in Hillsborough County alone. If you read the
6 newspaper articles about the customers who are getting
7 discontinuance notices from utilities at the current rate, it
8 is very high.

9 Finally, I'd like to endorse two other things that
10 Mr. Twomey said. You've got the 75/25 percent; 75 percent
11 under this rule will go to solar and wind power, which is a
12 popular political thing. But I think we have a good model in
13 FP&L's recent case. It's going to spend \$688 million to build
14 a solar array which has got to be state of the art, and that
15 solar array, they're going to charge 83 cents for every 1,000
16 kilowatt hours to support that. You pay -- you approve part of
17 it today in your depreciation charge for that. But we've
18 gotten a number now. We've got 83 cents is what it costs a
19 utility to produce best technology solar power.

20 What about Mr. Twomey's reverse auction? When you
21 said let high technology people who can come in and sell us
22 electricity at less than 83 cents a kilowatt hour, let's start
23 the auction there. Anybody above that, you don't get in. But
24 if you can sell us power at less than that, we will take it and
25 we'll get diversification.

1 And I quit, Mr. Chairman. You can get rid of me.

2 CHAIRMAN CARTER: Thank you very kindly,
3 Mr. McWhirter.

4 And, again, as I said to you, those of you who have
5 been before us before, we want to hear from you, you know, but
6 you can state your issue succinctly. Because this process --
7 we are, my colleagues and I are deferring to allow you to go
8 and say what you need to say, but we need to go through our
9 deliberations as well. And there's some of the issues that
10 you've raised we have questions about, but out of courtesy we
11 wanted to give you an opportunity to be heard first. So I
12 would -- my grandmama told me to always be nice in manners, so
13 I don't want to give anyone kind of the death penalty or
14 anything like that. But let me just give you a gentle reminder
15 that five minutes is five minutes. Okay? Thank you so kindly.

16 Let's do it this way. Next we'll call up Mr. Joe
17 McGlothlin from the Office of Public Counsel. And following
18 him, you can just go and sit behind him, following him,
19 Mr. McGlothlin, will be Mr. John Burnett from Progress Energy,
20 Carla Pettus and Eric Silagy from FPL, and Russell Badders and
21 Mr. McGee from Gulf Power, and Bill Ashburn from Tampa
22 Electric. And also following that -- is that enough or should
23 I continue to go? Following Mr. Ashburn will be Michelle
24 Hershel from the cooperative association.

25 Mr. McGlothlin, you're recognized, sir.

1 MR. MCGLOTHLIN: Good morning. Joe McGlothlin with
2 the Office of Public Counsel. Usually I'm seated at the long
3 table posing questions to the occupant of this chair, so this
4 is, this is a bit of a novel experience.

5 But I want to begin by echoing something that
6 Commissioner Argenziano said in her remarks. In our written
7 comments following the workshops OPC commended the Commission
8 staff for the good work and hard work the staff performed in
9 what was a daunting task. We said then, we'll say now that the
10 staff approached that thoroughly and thoughtfully. And while I
11 may have some disagreements that I'm going to articulate this
12 morning, I don't want to detract from their hard work on this,
13 on this project.

14 The -- to move forward with emphasis on renewable
15 sources of energy is a laudable goal. That goal would be
16 constrained by two primary factors. The first factor is the
17 amount of renewable energy that is technically available and
18 viable. The second factor will be the amount of money that
19 customers can afford to spend. With respect to the proposed
20 schedule for achieving the goal, OPC has not taken a hard and
21 fast position. It's our view that at this point the Commission
22 will be making a best efforts attempt to identify an
23 appropriate schedule acting on incomplete information.

24 As you know, the consultant, Navigant, is supposed to
25 provide a report, a technical assessment of the availability of

1 technically viable renewables in December. Also, as the draft
2 rule provides, the Commission anticipates revisiting this
3 schedule periodically; as it stands now in the draft rule,
4 every five years. We think the Navigant report and this
5 opportunity to fine-tune going forward will play crucial roles
6 in establishing the ultimate time frame for implementing the
7 statute.

8 However, with respect to implementing the schedule, I
9 want to point out that there is within the draft rule a
10 provision that interferes with the objective of maximizing the
11 amount of cost-effective renewable capacity, and that is the
12 carve-out. Consider that within the rule you have these two
13 competing considerations. On the one hand the Commission says
14 in the rule we want to aggressively pursue the maximum amount
15 of renewable energy that our customers can afford, and at the
16 same time within the same document the Commission says we
17 require that the utility spend 75 percent of the money
18 available on 25 percent of the credits to be purchased. Those
19 two objectives cannot co-exist in the document. And we contend
20 that the carve-out should give way to the overriding
21 consideration that the Commission fashion a rule that requires
22 the utility to give the customers the biggest bang for their,
23 for their bucks. And there are other reasons why the carve-out
24 should fail.

25 As Commissioner Argenziano commented, we are seeing

1 technological breakthroughs in the area of the replaceable
2 generating technologies, and I think it would be a mistake to
3 at this point identify a preference for one technology over the
4 other. Instead, let the marketplace and the innovations
5 available to those developing these renewables all compete to
6 be identified as the most cost-effective and best candidates
7 for consideration.

8 With respect to the amount that customers can afford,
9 others have alluded to the economic downturn, we're all
10 familiar with that, but you don't have to go any farther than
11 the very things that are on your plate currently to recognize
12 that the customers are under considerable pressure. Recently
13 two of the large utilities came in for midcourse corrections to
14 their fuel cost recovery factors, and those corrections were so
15 large that you required them to recover them over two years
16 instead of one, taking into account the need to temper the
17 impact on the customers' bill. They were that large.

18 Today you approved the recovery of nuclear cost
19 recovery matters. One utility asked for \$400 million in the
20 year 2009. And, and as you are very aware, those nuclear
21 units, the cost of those nuclear units is not assured at this
22 point. We're in the early phases of finding out what the
23 ultimate price tag is going to be.

24 The utilities have made massive investments in
25 infrastructure necessary to conform to the requirements of the

1 Clean Air Interstate Rule. And it appears that even though
2 that rule, the status of the rule is in, in doubt, apparently
3 the utilities contend and there's reason to believe that
4 something very much like those requirements will continue to be
5 in force. So it is for that reason that we contend that the
6 Commission needs to be as careful with these renewable dollars
7 as it is with the other factors.

8 Now with respect to the caps that have been proposed,
9 1 percent, 2 percent, 5 percent, it's my impression that at
10 times those caps are, are not described fully. As Mr. Twomey
11 pointed out, even at 1 percent the utilities would be
12 authorized to spend, based on 2007 figures, \$185 million. But
13 you need to bear in mind that that is not the total amount to
14 be spent for renewable energy. That is a premium that is going
15 to be spent to recognize the renewable attributes of the
16 generation. This is over and above the amount that the
17 generator will receive for capacity energy that they sell to
18 the utilities. And so it's a bit misleading to point to a cap
19 of \$185 million and by omission somehow communicate that this
20 is the whole amount that's being spent on renewable energy.

21 It is also worth pointing out that this 1 percent cap
22 is to be applied to the entire revenue base of all the
23 utilities. And then that assessment over the entire revenue
24 base is going to be funneled down and concentrated on a
25 relatively small portion of the total portfolio so it has a

1 concentrated effect. So we're not, we're not talking about
2 small change when we say a 1 percent cap is \$185 million when
3 you take into account this is over and above the price of
4 capacity and energy and it's going to be spent on a relatively
5 small number of kilowatt, of megawatt hours. And it is for
6 that reason that we contend that 1 percent is the appropriate
7 cap.

8 With respect -- I know I'm getting down to the last
9 --

10 CHAIRMAN CARTER: You're over, way over.

11 MR. McGLOTHLIN: May I make one more --

12 CHAIRMAN CARTER: You may make one more point though,
13 Mr. McGlothlin.

14 MR. McGLOTHLIN: All right. In the strawman view, in
15 the strawman work product there was a second check on the
16 maximum price in the form of a, a cap that is the equivalent of
17 \$16 per ton of avoided greenhouse gases. That was deleted and
18 I, and I was disappointed to see that is no longer part of the
19 product.

20 And in trying to communicate why I think this is an
21 appropriate element of the rule, I thought of an illustration
22 that comes from an unusual source but I think it makes the
23 point quite well. In his autobiography, Ulysses Grant, before
24 he turned to his recount of military campaigns, recalled an
25 incident that happened when he was an eight-year-old boy. His

1 father told him that he had permission to go to a neighbor and
2 try to buy a colt that Grant wanted. And so he came to the
3 neighbor and said, "My father said I am to offer you \$20 for
4 the colt. And if you turn that down, I'm to offer you \$22.50.
5 And if you don't take \$22.50, I am to offer you \$25." Well,
6 consider that at least in the opening rounds of negotiations
7 for these renewable credits we have an immature market, an
8 imperfect and immature market, we have perhaps a relative few
9 players, and so until the market is truly competitive, there is
10 the danger that at the outset those who know what the checkbook
11 is will fashion their proposals in a way that is designed to
12 get the maximum amount that the utilities have to spend. And
13 so for that reason, at least until the market is mature, I
14 think there's a very real place for this sanity check, which is
15 the second cap on the maximum price of a, of a renewable
16 credit, and I commend that to you.

17 Finally, we do oppose in principle the additional
18 cost recovery clause. As the Commission is aware, when, when
19 the utility is required to recover new investments and new
20 expenses through base rates, there's a very real possibility
21 that existing base rates may be adequate to absorb those
22 without an increase to the customer's bill. But when you, when
23 you separate that out and say this is a standalone item and
24 there's going to be a cost recovery clause, that means that the
25 customers are going to be seeing this tacked on in a way that

1 increases their bills and shifts the risk from the utility to
2 the customers at an increasing cost when that may not be
3 required. And with that, I know I'm over time, I appreciate
4 your indulgence.

5 CHAIRMAN CARTER: Thank you, Mr. McGlothlin. And I'm
6 guessing that he paid \$25 for the coat.

7 Okay. John Burnett.

8 MR. BURNETT: Thank you, sir, and good morning. It's
9 hard to follow General Grant, but I'll try and I'll keep it
10 very brief.

11 Commissioners, thank you for the opportunity to speak
12 with you. Briefly, the most important thing to our company and
13 to speak to the overall process is to support the development
14 of renewables in a method that's achievable, affordable and
15 equitable, and that seems to be everything, the common themes
16 that we're hearing today. And we think that's important and we
17 continue to look to those three principals as we go forward in
18 this process.

19 We appreciate the constructive dialogue that's taken
20 place so far between all the stakeholders, and we specifically
21 wanted to commend the Commission for engaging in this task in a
22 method that's been efficient, that's relied on empirical data
23 and that's been transparent to everyone. And we appreciate
24 that the Commission has looked at achievability, affordability
25 and equitable treatment of these issues. We remain committed

1 to participating before this Commission and the Legislature,
2 and we thank you for the opportunity to present these comments
3 today.

4 CHAIRMAN CARTER: Thank you, Mr. Burnett.

5 Ms. Pettus and Mr. Silagy.

6 MR. SILAGY: Mr. Chairman and Commissioners, thank
7 you for having me today. I am very pleased to be here, and to
8 reiterate that we are a strong supporter of the development of
9 a well-designed and aggressive renewable energy portfolio. We
10 strongly support the Governor's initiative to attain a
11 20 percent renewable energy standard by the year 2020, and we
12 believe there are a number of ways for the Commission and
13 Legislature to achieve these objectives.

14 We at FPL are fully committed to working with the
15 Commission to explore alternatives that will accomplish the
16 Governor's objectives, create environmental benefits and
17 minimize the cost impacts to our customers. We believe the
18 Commission and the Legislature should take a holistic approach
19 and develop the best strategy to accomplish the goals of
20 developing renewable resources, reducing greenhouse gas
21 emissions, increasing our nation's energy security and, again,
22 in a manner that would reduce the cost to our customers.

23 We believe that the inclusion of zero greenhouse gas
24 emitting, new nuclear and energy efficiency projects as well as
25 the use of a nationwide renewable energy credit market or REC

1 market along with Florida renewable sources, renewable
2 resources, I should say, such as solar generation provide the
3 optimal path to achieving the development of new substantial
4 renewable resources here in Florida. Our approach, we believe,
5 will achieve enormous reductions in greenhouse gases and it
6 will minimize the cost to the customers.

7 We also believe that new nuclear energy efficiency
8 and out-of-state RECs should play a role in achieving the
9 Governor's objectives. We also believe the Legislature is
10 looking for these types of recommendations because they will
11 foster the development of renewable resources here in Florida,
12 they will diversify our fuel sources, they will promote
13 economic development and reduce greenhouse gas emissions while
14 minimizing the costs.

15 We recognize, of course, that the Legislature has not
16 included new nuclear and out-of-state RECs for the purpose of
17 the Commission's draft rule. Nonetheless, the process
18 established by the Legislature allows the Commission to weigh
19 in with its expertise on these proposals such as our clean
20 energy portfolio standard which includes components that are
21 outside the current statutory language.

22 We believe that under this process the Commission can
23 and should weigh in on the merits of these proposals such as
24 ours to accomplish the Governor's goals for renewable and clean
25 energy here in Florida.

1 We recommend that the Commission submit to the
2 Legislature in February along with its draft rule comments or a
3 report addressing the merits of recommendation, recommendations
4 such as FPL's as well as recommendations by other stakeholders
5 that will further the development of renewable assets here in
6 Florida, enhance the state's environment and again minimize the
7 cost to the customers.

8 I'll wrap it up by reiterating our commitment to work
9 with the Commission and the Legislature in developing renewable
10 policy which accomplishes the Governor's objectives, brings new
11 renewable assets to the state and focuses on continued
12 reductions of greenhouse gases, preserves our emphasis on
13 minimizing the cost impact to our customers. Thank you.

14 CHAIRMAN CARTER: Thank you very kindly.

15 COMMISSIONER ARGENZIANO: Could I ask a question?

16 CHAIRMAN CARTER: Commissioner Argenziano, you're
17 recognized.

18 COMMISSIONER ARGENZIANO: Just, just a quick
19 question. In your last statement in preserving the, you know,
20 I guess the minimal cost to the consumer, if the Legislature
21 were to include in the statutes, and, of course, it's not in
22 there now, that nuclear power was clean energy and that that
23 would be included, would you still have incentives to move
24 forward with solar and other renewables?

25 MR. SILAGY: Absolutely. In fact, we would have to,

1 in order to meet, depending on what the ultimate standards are,
2 we would fully expect to have to build additional solar, wind
3 resources or other renewable energy. New nuclear wouldn't come
4 online for FPL until, the earliest would be 2018.

5 COMMISSIONER ARGENZIANO: Okay. But what you said
6 was the most efficient. So if solar is not as efficient as
7 nuclear, what would your incentive be to continue solar?

8 MR. SILAGY: No. When I say most efficient, what I'm
9 really getting to is the whole portfolio approach and utilizing
10 all the resources. That's the most efficient manner for us to
11 promote -- reduce greenhouse gases but also do it at the
12 minimum cost.

13 COMMISSIONER ARGENZIANO: Thank you.

14 MR. SILAGY: You're welcome.

15 CHAIRMAN CARTER: Thank you so kindly.

16 Next we'll hear from Mr. Badders and Mr. McGee. Gulf
17 Power. Sorry.

18 MR. BADDERS: Good morning, Commissioners. My name
19 is Russell Badders and I appear on behalf of Gulf Power
20 Company. Gulf Power, Gulf Power strongly supports the
21 development of cost-effective renewable energy generation in
22 Florida and we appreciate this opportunity to participate in
23 the process.

24 First, Gulf continues to believe that ultimately the
25 percentage RPS requirement must be based on a valid resource

1 assessment using realistic assumptions for both future
2 renewable generation potential and costs here in Florida.
3 Otherwise, goals will not be attainable, costs to customers
4 will be excessive and an RPS will not succeed.

5 When setting achievable goals, Gulf encourages all
6 stakeholders to carefully consider the real potential for
7 renewables in the state as well as the higher cost of those
8 generation sources. In addition, if we do as was discussed
9 earlier, we set a more aggressive goal timetable for reaching
10 the 20 percent goal that is already in the rule, we would
11 suggest that the utilities be given additional flexibility to
12 meet these aggressive goals by removing some of the interim
13 steps.

14 Second, Gulf supports the inclusion of the renewable
15 energy cost recovery clause in the draft rule. The Florida
16 Legislature recognized the importance of such a clause when it
17 provided specific authority for cost recovery in Section
18 366.92.

19 In addition, Gulf agrees with staff that a renewable
20 energy cost recovery clause, one, facilitates tracking the RPS
21 compliance costs; two, would provide a form for addressing RPS
22 related issues; and, three, would facilitate the development of
23 utility self-built renewable projects.

24 Gulf does however have one suggestion in that rule as
25 drafted. It's in Section 7(a)(1). There's, it's unclear as to

1 whether or not the separately set ROE would be separate to each
2 project or to the RECR clause overall. Our suggestion here is
3 to just follow the model that staff seemed to follow for the
4 rest of the clause and follow what is done in the ECRC, which
5 would be to take the utility's last authorized return rather
6 than going through that process for each project.

7 My next comment relates to the 25 percent solar and
8 wind carve-out or set-aside. We fully agree with AARP and the
9 Office of Public Counsel. We believe that a carve-out or a
10 set-aside, regardless of the level, would be an impediment to
11 the most, or could be an impediment to the most cost-effective
12 mix of renewables. The more of the goal that is left open to
13 competition, we think the better the chances are that we'll
14 have a cost-effective mix of renewable resources.

15 Fourth, moving to the penalty mechanism that's
16 already in the draft rule, Gulf believes that any penalty
17 mechanism incorporated into the rule should be symmetrical with
18 an opportunity for both a reward and a penalty. Gulf suggests
19 that this can be accomplished fairly easily by modifying
20 staff's concept of 50 points, basis points penalty and
21 splitting it into a 25 point potential reward or 25 point
22 potential penalty.

23 The Commission actually has experience with this type
24 of an approach with a symmetrical approach. If we look to the
25 GPIF or the generation performance incentive factor in the fuel

1 docket, it is pretty much the same way. It's a 25 basis point
2 reward or penalty. And this, excuse me, this penalty or reward
3 system has proven to be fairly effective in that clause.

4 Finally, Gulf believes it is of critical importance
5 to the interests of its customers that the rule contain a
6 mechanism to control costs. I'll not go into the discussion
7 that we've heard already from Public Counsel and AARP, but we
8 fully support their position on the 1 percent cost cap.

9 CHAIRMAN CARTER: Commissioner Argenziano.

10 COMMISSIONER ARGENZIANO: Thank you. I guess I
11 should have asked this of everybody, and I'm going to, going to
12 do that with everybody coming up. What is -- you opened up
13 with saying that you support the most cost-effective
14 renewables. What in Gulf's opinion now are the most
15 cost-effective renewables?

16 MR. BADDERS: Well, right now I don't know that we
17 all have the best information to know what is the most
18 cost-effective. I know we're waiting to see more information
19 from the Navigant study. We really need to probably wait and
20 see what develops to see where solar, where wind, where biomass
21 and some of these others fall out as far as costs. What do you
22 get for each dollar that you spend, how many megawatt hours do
23 you get with your investment?

24 COMMISSIONER ARGENZIANO: So if -- and they're not at
25 this point, I guess, but if the solar and wind were the most

1 cost-effective five years down the road, so then you would
2 support those or other things like that?

3 MR. BADDERS: Sure. Right. I believe, I mean, as
4 the rule is set up, I mean, we'd have to put out an RFP and you
5 test the market, you see where everything kind of falls out as
6 far as costs. And clearly if solar or wind or any other
7 technology came in as the most cost-effective, that would be
8 what we would try to pursue.

9 COMMISSIONER ARGENZIANO: But as of right now Gulf is
10 not recommending any particular cost-effective renewable or do
11 you have any in mind?

12 MR. BADDERS: I mean, really I think you have to look
13 at it more on a project basis. I mean, in some instances you
14 may find that a particular wind or solar project may end up
15 being from a cost basis better than maybe a biomass or
16 something else. I think you need to be able to look at it --

17 COMMISSIONER ARGENZIANO: And --

18 MR. BADDERS: I'm sorry.

19 COMMISSIONER ARGENZIANO: No. Go ahead. I'm sorry.

20 MR. BADDERS: I think you have to look at it more on
21 a project basis rather than a technology basis when you really
22 get down and do the analysis.

23 COMMISSIONER ARGENZIANO: Okay. And just one other
24 question. With regard to the penalty and reward, as you said
25 making it symmetrical, wouldn't the RECs be considered a

1 reward?

2 MR. BADDERS: Well, it depends. If you're purchasing
3 the RECs, I mean, you're, basically you're paying for it. So
4 I'm not really sure that would be the reward. Now if you do a
5 self-build, those would go through the clause also. So I don't
6 really think there's a, I guess, incentive or reward to the
7 utility for that. That goes back to the customer.

8 COMMISSIONER ARGENZIANO: Okay. So then you're
9 saying that it is asymmetrical now as in the, as in the current
10 recommendation as far as just a penalty and not a reward?

11 MR. BADDERS: Yes, Commissioner. Currently it's
12 drafted as a 50 point penalty potential up to. And I'm just
13 trying to suggest that we have experience in another docket, a
14 docket that has a lot of costs in it obviously, the fuel
15 docket, and it uses a 25 and a 25 penalty and reward system and
16 it seems to work fairly well. So we're just asking maybe to,
17 to look at that, maybe include that rather than just a penalty.
18 I think in the past the Commissioners looked at a penalty or an
19 incentive as both a reward or a penalty. I think you get more
20 with that than just a penalty.

21 COMMISSIONER ARGENZIANO: Okay. And, Mr. Chairman,
22 at the appropriate time if staff can address that particular
23 part, I'd appreciate it.

24 CHAIRMAN CARTER: Staff is ready.

25 COMMISSIONER ARGENZIANO: Okay. Go for it, Bob.

1 MR. TRAPP: Ready any time you are.

2 COMMISSIONER ARGENZIANO: Thank you. Yes.

3 CHAIRMAN CARTER: Thank you, Mr. Badders.

4 MR. TRAPP: Let me just say that the basis for
5 staff's recommendation for the separate authorization for
6 return was to reflect some of the unique aspects of this
7 particular rulemaking proposal.

8 First, I would note that your question was I think
9 right on point with respect to the incentive associated with
10 RECs. But if you think of it in terms of the utility's
11 self-build option is going to most likely reflect a cost higher
12 than what the utility would otherwise pay for generation in
13 order to attain renewable attributes, the company will then
14 earn an extra component of return on that extra amount that
15 they had to spend to get those attributes. That to me is an
16 incentive.

17 The 25/25 split is something certainly that staff is
18 willing to look at, the Commission perhaps should look at. But
19 I would like to mention that the program that that is tied to,
20 the generating performance incentive factor, the 25 basis
21 points is used as a cap, but the measure on how much reward or
22 penalty you get is based on actual fuel savings, savings, not
23 increased cost. So there's a little bit of a disconnect with
24 respect to the philosophy used in the GPIF and the philosophy
25 being used here.

1 We tend to agree with the idea that a separate clause
2 was being proposed because it does consolidate all the
3 renewable costs in one area where the Commission can review
4 them in one place and take into consideration the special
5 unique attributes associated with renewable power, and also the
6 fact that it's being recovered through a clause and the
7 Commission in my opinion should take into account the reduced
8 risk associated with recovering those dollars and setting that
9 return on equity. And those are the points that staff would
10 make.

11 COMMISSIONER ARGENZIANO: I appreciate that. Thank
12 you.

13 CHAIRMAN CARTER: Thank you.

14 And from TECO, Mr. Bill Ashburn.

15 MR. ASHBURN: Thank you, Mr. Chairman and
16 Commissioners. Unlike Mr. McGlothlin, I am used to sitting
17 over here.

18 Tampa Electric commends the Florida Public Service
19 Commission staff for its efforts to comply with the renewable
20 portfolio standard provisions included in HB 7135 and
21 appreciates this opportunity to speak at today's Agenda
22 Conference on this important issue.

23 The workshops held by the PSC and the RPS strawman
24 developed by the staff in this matter have been helpful and the
25 proposed rule presents a significant and thoughtful approach in

1 developing the ultimate program. Tampa Electric believes the
2 PSC must actively pursue the RPS through strategies that
3 recognize the interrelated nature of environmental, economic
4 and energy policy. Effective renewable energy policy can only
5 be achieved if each of these priorities are properly balanced.

6 Tampa Electric appreciates and supports the
7 Legislature's and the Commission's efforts to encourage
8 renewable energy, and we look forward to working within an RPS
9 that recognizes the full potential of Florida renewable energy
10 resources to be identified by the Navigant study.

11 We have two specific issues we wanted to bring up
12 today. Tampa, Tampa Electric believes the evaluation of the
13 availability and the cost of renewable energy is inextricably
14 linked with the affordability provisions in HB 7135, and that's
15 been brought up today, and is a vital part of balancing the
16 Legislature's clearly expressed objectives of promoting the
17 development of renewable energy while minimizing the cost of
18 power to the utility and its customers.

19 The Navigant study is essential in ensuring the RPS
20 targets are technically and economically achievable. It's
21 imperative that the study is completed and vetted before the
22 consideration of the final draft rule to be sent to the
23 Legislature.

24 Another element we wanted to bring up in the draft
25 rule is the renewable energy credit market structure is an

1 essential element of the development of the RPS and it must be
2 developed in a thoughtful and deliberate manner. Tampa
3 Electric is a little concerned that there's not adequate time
4 provided for in the draft rule to issue and conduct an RFP,
5 select a winning proposal, establish an organization or
6 contract with an independent corporation for the development,
7 administration and maintenance of the REC market, particularly
8 given the need for involvement of all the affected persons, and
9 there's a lot of them as you can see here, in such a process.
10 So we're a little concerned about the timing that's in the, in
11 the draft rule. With that, I'd be happy to answer any
12 questions.

13 CHAIRMAN CARTER: Commissioner Argenziano.

14 COMMISSIONER ARGENZIANO: Thank you. Same question.
15 Has TECO looked at what they perceive in the future to get
16 where the state is obviously heading what could be
17 cost-effective and, as you mentioned that, you mentioned 7135
18 and the costs being minimal or being cost-effective to the
19 utility as well as the customer?

20 Have you looked at anything as you -- is there
21 anything that the company can share with this Commission as far
22 as numbers or definites or anything that looks possible as far
23 as the most cost-effective approach to moving where we need to
24 move?

25 MR. ASHBURN: We certainly have been involved in

1 testing the market. We've had an RFP out and we're talking to
2 people who are making us offers to sell renewable energy.
3 We've been looking ourselves at what kind of development to
4 make. We look forward to the Navigant study, as was mentioned
5 by Gulf, as being an important element of that.

6 I think it's important to understand too that some of
7 these renewable suppliers are a little bit geographically
8 dependent as well. An example would be Mr. McWhirter was
9 talking about, say, some of the interruptible customers, the
10 phosphate companies who are included in their renewable group,
11 they're located in a specific area. So we have a lot of
12 experience with them in producing power for us and so that
13 certainly is a very cost-effective option in our area. Whereas
14 the -- we're on the Gulf Coast. There may not be so much tidal
15 action or current action for oceans. So, I mean, it just
16 depends where you are on what kind of geography and what kind
17 of renewables may be available. We are not necessarily in an
18 area where there's a lot of forestry, so it may not be a place
19 where we can get a lot of woody biomass. It may be better for
20 crops. I don't know.

21 But the point is the study is looking at the state as
22 a whole and each utility is looking at its own region, its own
23 footprint as a whole, and each footprint of the utilities is
24 slightly different. So we may have different answers to that
25 question depending on development.

1 COMMISSIONER ARGENZIANO: It seems, Mr. Chairman,
2 that the answers are not, not there right now in many
3 instances. But in 7135 there's kind of a couple of things
4 going on. There is an emphasis on reducing emissions, which
5 the Governor and I think many people agree with must take
6 place. But there's also -- when you talk biomass and other
7 things, even though some people argue that biomass is emission
8 neutral or whatever, and it could be, but when it comes to the
9 reducing emissions -- and I guess I'm trying to get from some
10 of the companies, I'm trying to get some of the areas you might
11 be going into that reach the -- the heavier weight on 7135 to
12 me was reducing emissions, and cost, of course, is in there,
13 and some of the others, other renewables may not be so
14 aggressive in reducing emissions. Are you looking into those
15 renewables also with the study being done that are, how do you
16 say it, that are, you know, looking into the emissions as well?

17 MR. ASHBURN: Certainly. Certainly. And I think the
18 other element of 7135 that's a big element to come is the
19 cap-and-trade and so forth that we're all facing. So we're
20 looking not only at developing new plant that would have less
21 emissions, we're also looking at our existing plant and how we
22 can, what can we do with that plant to reduce the amount of
23 emissions coming out. Because from the cap-and-trade
24 standpoint whether it -- it's just pure emissions is what's
25 going to be paid for through some sort of cap-and-trade regime.

1 So we're also looking at our existing plants and how much
2 emissions they're doing and what we can do to reduce those.

3 COMMISSIONER ARGENZIANO: Thank you.

4 CHAIRMAN CARTER: Thank you. Thank you. Thank you.
5 Just as Michelle gets ready to go -- Michelle, hang on one
6 second -- but as Michelle is getting ready, let me kind of give
7 you the batting order. Following Michelle would be Suzanne
8 Brownless, following Suzanne would be Joe Treschler, then Sean
9 Stafford, then Jon Moyle, then Eric Draper, and batting cleanup
10 will be Leon Jacobs. And I'll kind of give you a little
11 reminder just in case you missed the order.

12 Michelle, how are you?

13 MS. HERSHEL: I'm fine. How are you?

14 CHAIRMAN CARTER: You're recognized.

15 MS. HERSHEL: Thank you, Mr. Chairman, Commissioners.
16 I'm Michelle Hershel. I'm with the Florida Electric
17 Cooperatives Association. And I've just got a minor suggestion
18 on proposed Rule 25-17.420.

19 As you know, many of our distribution cooperatives
20 are members and get power from their G&T cooperative, and I
21 believe it's the same situation for the municipals and FMPA.
22 And we thought that it would be better served to have our G&T
23 provide the Commission with a report on the information since
24 it's readily available to the G&T and not to the distribution
25 co-ops. We would ask for that, that change be made to the

1 proposed rule.

2 CHAIRMAN CARTER: Mr. Trapp.

3 MR. TRAPP: I, I would really have to defer to our
4 legal people to look at our jurisdiction over the G&Ts relative
5 to our jurisdiction over the individual systems and make sure
6 that there was enough grab there.

7 CHAIRMAN CARTER: Okay.

8 MR. TRAPP: We've had a similar problem with the
9 Ten-Year Site Plans from different people and different
10 authorities that we have. And we don't have jurisdiction over
11 the Florida Reliability Coordinating Council as such but their
12 members we do have jurisdiction over, and we have cooperated to
13 get an aggregate for the State of Florida from FRCC by
14 requiring it from the individual members. And I think
15 something like that could be probably worked out, but we'd be
16 happy to work, work that problem out.

17 CHAIRMAN CARTER: Okay. Michelle, maybe you and our
18 friends in the co-op association can assist us as we ask them
19 if they would, you know, supply staff with that necessary
20 information. Commissioners? Cindy, you had a comment? You're
21 recognized.

22 MR. MILLER: And we'll be glad to take a look at
23 that. The statute, I think, refers to each municipal electric
24 utility, so we'll, we'll need to take a look and see if that
25 will fit within it.

1 MS. HERSHEL: Okay.

2 CHAIRMAN CARTER: And we do, we do want to let you
3 know, Michelle, that we appreciate the cooperation and the
4 assistance with the cooperative associations, and we want as
5 much as possible to continue that, foster that dialogue and get
6 whatever information that we can to make this -- I think
7 Commissioner Argenziano kind of set the tone is that we, and
8 Commissioner Edgar, is that we, one, we're open for business
9 for renewables, and but we're doing it in a, in a responsible
10 and economical and efficient manner. So we thank you for that
11 and we ask that you will continue to be with us in the process.
12 So as those that we may not have necessarily jurisdictional
13 authority over, but your colleagues could, certainly could
14 provide that information to us. Thank you.

15 MS. HERSHEL: Thank you, Mr. Chairman.

16 CHAIRMAN CARTER: All right.

17 Ms. Brownless.

18 MS. BROWNLESS: Thank you. First I want to thank the
19 Commission for the opportunity for the Florida Solar Coalition
20 to speak with you, and we are very appreciative of the staff's
21 efforts in this area. This is by no means a simple equation.

22 I want to start out by saying first of all that we
23 believe the RPS goals proposed in the staff's new rule are
24 insufficient. Meeting a 5 percent goal by 2017 when the
25 staff's own report indicates that 3.6 percent of retail sales

1 are currently being provided by renewable energy appears to be
2 no goal at all, to be honest with you. So we are strongly
3 supportive of a 20 percent by 2020 goal. We would like to urge
4 that a goal be set by 2010, which was the staff's original
5 strawman proposal.

6 We have submitted a study by Crossborder Energy to
7 the PSC, and that's in the record available to the PSC, which
8 indicates that our goal of 20 percent by 2020 would result in a
9 3.4 percent increase in IOU revenues using a 15-year renewable
10 energy contract. And basically our goals would be 2010,
11 2 percent, 2015, 10 percent and 2020, 20 percent. And as I
12 say, given the fact that already 3.6 percent of the renewable
13 energy is out there, we believe those to be doable and
14 efficient and cost-effective manageable goals.

15 CHAIRMAN CARTER: Excuse me, Ms. Brownless. This
16 won't be taken off your time. Could you back up for a second?
17 You gave those percentages. 2 percent by -- can you give me
18 those again, please?

19 MS. BROWNLESS: 2 percent by 2010.

20 CHAIRMAN CARTER: Okay.

21 MS. BROWNLESS: Which obviously would be met if
22 there's 3.6 percent currently.

23 CHAIRMAN CARTER: Okay.

24 MS. BROWNLESS: 2015, 10 percent and 2020,
25 20 percent. However, if the Commission takes the position that

1 no goal should be set until 2017, then we believe it's inherent
2 upon the Commission in order to encourage third party renewable
3 generation, which is part and parcel of what this rule is also
4 supposed to be doing, to set a price for RECs, a cents per
5 kilowatt hour price. I know Mr. Twomey indicated to you or I
6 believe Mr. McWhirter that FP&L's price was 83 cents a kilowatt
7 hour. What we're talking about is something substantially less
8 than that that would be sufficient incentive for third parties
9 to develop renewables. And we would provide the exact cents
10 per kilowatt hour charge in our comments on December 3rd at the
11 rule hearing. But I can tell you it would be somewhere in the
12 neighborhood of 22 cents per kWh, so it's significantly less
13 than FP&L's number.

14 We think it important that third party construction
15 of renewables be encouraged as well as investor-owned
16 utilities. And as the staff's proposed rule is now with the,
17 with the separate incentive clause in which an IOU can put its
18 cost of construction, fixed O&M, and I'm not sure about
19 variable O&M but I believe so, and the price of the REC passing
20 through the clause, that's an, that's an automatic incentive
21 because that's automatic cost recovery.

22 I have been doing this long enough to when I started
23 the only thing that came through a cost recovery clause was
24 fuel, and that was a direct result of the Arab oil embargo
25 crisis in 1974. As Mr. McWhirter pointed out, now 70 percent

1 of a utility's revenues are being generated through cost
2 recovery clauses. You are moving more and more away from the
3 rate base cost of recovery model for regulation. I don't
4 necessarily perceive that as a good thing because you're moving
5 more and more away from any opportunity at one point in time to
6 look at the entire picture for an investor-owned utility. So I
7 think that that is a bad thing.

8 And what I would suggest is that you do this, is that
9 for investor-owned utilities you rate base their renewable
10 projects, they be treated like any other project, and that you
11 recover the cost as originally proposed by staff of the RECs
12 generated by that IOU project through a cost recovery clause.
13 That limits the scope of the cost recovery clause and it
14 encourages the development of third party renewable sources.
15 Because what you're seeking is a balance between IOU
16 constructed facilities and third party constructed facilities.
17 If you don't have the third party constructed facilities, I do
18 not think you appropriately encourage a green industry in
19 Florida. You don't appropriately incent the small
20 businesspeople who are out there now building solar hot water
21 heaters, pool applications, the types of solar applications
22 that are the low hanging fruit, the easiest to implement and in
23 fact are being implemented now. So you want an incentive for
24 the larger photovoltaic projects.

25 We do agree with the 25 percent set-aside and the

1 75 percent money cap because that recognizes the fact that
2 there are, there is an increased price for certain technologies
3 in the market today. We believe that that price will come
4 down. I think that's been borne out if you look at what's
5 happened in Germany, if you look at what's happened in Europe.
6 And if you set a price for the REC contract, then, of course,
7 the REC contract price should decrease over time as well
8 because you're starting a market and the incentive should
9 decrease.

10 I do want to take a minute to say that the staff has
11 indicated and several people have commented that you need the
12 Navigant study. We absolutely agree with that. We only have
13 one problem with the Navigant study, and for us it's a very
14 significant issue. While your staff has included solar hot
15 water in, in its definition of the technologies available for
16 the RPS goal, Navigant has excluded all of those technologies
17 except greater than 2 megawatts and also except greater than
18 those that can be mounted on a roof.

19 Now in thinking about who that would be that would be
20 included in the Navigant study, other than Disney World or
21 something where you have a large, a large facility that's using
22 that, a significant amount of electricity, there's not very
23 many people that are going to use more than 2 megawatts of
24 solar thermal capacity. You are excluding everybody in the
25 residential area. And I appreciate that there is some thought

1 that they can be picked up in the demand-side management
2 programs in the conservation goal docket that's coming before
3 you next fall, but the point is that they should be picked up
4 here as well. So I would request respectfully that the
5 Navigant folks be instructed to include them in their study.

6 Finally, I want to follow up briefly --

7 CHAIRMAN CARTER: Ever so briefly.

8 MS. BROWNLESS: Yes, sir -- on the comments made by
9 Commissioner Argenziano, which I greatly appreciate, as to
10 exactly the unique nature of what you're doing here. This is a
11 draft rule. This is not the normal course of events where
12 legislative authority is delegated to an agency. You are also
13 the only legislative agency in the State of Florida. You share
14 a distinctly unique posture. So with respect to Commissioner
15 Argenziano, I believe in this instance what you have been asked
16 to do is apply your uniquely specific legislative mandate.
17 What did the Legislature create you for? The Legislature
18 originally created you to give thought to the policies, thought
19 to the policies. So I don't think it is inappropriate for you
20 to, to pursue Commissioner Argenziano's ideas with regard to a
21 range of options. I think that is exactly appropriate.
22 Because in, in part what they've done is asked you for your
23 opinion as to what the policy should be based upon the data and
24 the expertise that you have. And so I would urge you to give
25 them options not that you think can pass the next legislative

1 session but options that you think should pass the next
2 legislative session. Thank you.

3 CHAIRMAN CARTER: Yield for a moment, Ms. Brownless.
4 Commissioner Argenziano.

5 COMMISSIONER ARGENZIANO: Thank you, Mr. Chair.

6 A couple of things. The question about why you think
7 we were created is a far lengthier answer that I'll probably
8 give you at another time. And as far as us being a
9 legislative -- we are a creature of the Legislature. We work
10 for the Legislature. They are the policymakers, the only
11 policymakers. They do not want us to make policy. Trust me.
12 I was a legislator and I can tell you that is a fact. So what
13 they send down to us -- and one of the things you object to I
14 guess was the moving more and more away from the rate base
15 recovery. That's the legislative policy that's been mandated
16 to the Public Service Commission. So it's not our decision.
17 And when we give them our opinion, they say that's nice and we
18 want to know your opinions about things we mandate, but don't
19 create policy. So I want you to make no mistake that while we
20 can give them opinions on what they ask us to do, they are the
21 policymakers. So we have our hands tied even if we personally
22 agree that, you know, something should be a different way, then
23 we have to become legislators in order to get that policy moved
24 forward.

25 And I understand that, you know, within our capacity

1 we can give opinions and they're asking for that in the rule,
2 this is what we want to do. But also in the legislative
3 process for rulemaking there are criteria that we have to meet,
4 and the criteria is that we develop a product that is
5 sufficiently developed, I guess, to then go on and move to
6 ratification. Now if you don't get specifics from the
7 Legislature, here's a general idea of what we want to do but we
8 don't have specifics to it, then we can't develop, to me,
9 sufficiently develop a rule to send to them without saying,
10 okay, we need more specifics from you. You know, when you say
11 give weight to solar or renewables and so on, are you including
12 also the rates and the costs and so on to that?

13 So part of -- and I guess the other part of the
14 question that I do have for you is in, in your support of the
15 25 percent carve-out, do you take into consideration the rates?

16 MS. BROWNLESS: Yes, ma'am.

17 COMMISSIONER ARGENZIANO: And I heard you say that
18 they come down eventually, but --

19 MS. BROWNLESS: We did provide a study to you, the
20 Crossborder Energy study, that in fact takes our proposed RPS
21 goals and tells you exactly what the rate impact is for those
22 goals.

23 COMMISSIONER ARGENZIANO: I know. Do you consider
24 those the most cost-effective? Because that's what Senators
25 and legislators are asking me.

1 MS. BROWNLESS: I do consider those to be
2 cost-effective.

3 COMMISSIONER ARGENZIANO: Not asking me, asking us to
4 do as a, as a body.

5 MS. BROWNLESS: For exactly the reason that you gave
6 with regard to the example of we started out this process in
7 the '70s. And what did we do with it? Absolutely nothing.
8 And we didn't do anything with it because the emergency was
9 over, the price of gas and oil derivatives and natural gas fell
10 and everybody said, oh, great.

11 COMMISSIONER ARGENZIANO: Right. And I said that at
12 the beginning it was great, and I blame our leaders at that
13 time for not moving -- wishy-washy is the word I used. So we
14 have things on the table now that we're looking at, but we're
15 also instructed and we, as the Public Service Commission, have
16 to look at rates.

17 MS. BROWNLESS: And I think you should look at rates.
18 But my point is this, I think it's clear that everybody
19 understands that is this going to cost more than traditional
20 generation? Yes. Just like nuclear power initially is, the
21 capital cost of nuclear power is a significant issue. That's
22 why the investor-owned utilities came in here and said, oh, by
23 the way, this is such a significant issue that we have to have
24 a separate cost recovery clause for it.

25 This isn't going to be inexpensive, but the broader

1 policy goal can only be met by having more renewable energy.
2 And based upon historical factors it is clear that the
3 investor-owned utilities in the past left to their own devices
4 have not pursued that for a raft of reasons that we could
5 discuss at length otherwise.

6 COMMISSIONER ARGENZIANO: Right. And I'm not arguing
7 that and there are, we need to have incentives and we were told
8 there needs to be incentives to move towards renewables and I
9 don't think you're hearing an argument there.

10 Just one other question. You referred to Germany and
11 I tried to look at Germany as an example about their costs
12 coming down. I've seen the opposite. Can you help me, maybe
13 either provide something to Larry or my staff?

14 MS. BROWNLESS: Sure.

15 COMMISSIONER ARGENZIANO: Because I've looked at
16 Germany and I found that I think -- Larry, am I right -- 55
17 cents per kilowatt? And that's, that's kind of a shock.

18 MS. BROWNLESS: It's 55 cents per kilowatt in
19 Germany, a state that has much less solar capacity than here.
20 But if you look at the entire legislative package for Germany,
21 and I think we have provided an English translation of that to
22 your staff, then what you see is that the cents per kilowatt
23 has rapidly decreased, it's on the decline. It is not on the
24 ascendancy. And so as the incentives have kicked in, more
25 players, more market competition has come in and the technology

1 has developed, the price has gone down.

2 COMMISSIONER ARGENZIANO: Okay. You have sent that
3 to my staff already?

4 MS. BROWNLESS: I have sent that to someone on the
5 PSC staff. But, Commissioner, I'll make sure you get it.

6 COMMISSIONER ARGENZIANO: Thank you. I appreciate
7 it. Thank you, Mr. Chair.

8 CHAIRMAN CARTER: Thank you so kindly. Thank you,
9 Ms. Brownless.

10 COMMISSIONER SKOP: Mr. Chair.

11 CHAIRMAN CARTER: One second.

12 Commissioner Skop.

13 COMMISSIONER SKOP: Thank you, Mr. Chairman.

14 Good morning, Ms. Brownless.

15 MS. BROWNLESS: Yes, sir.

16 COMMISSIONER SKOP: I'd be also interested in seeing
17 that study --

18 MS. BROWNLESS: Sure.

19 COMMISSIONER SKOP: -- in detail. I mean, I'm
20 familiar with renewables, familiar with the technology,
21 familiar somewhat with what's going on in Germany and the UK
22 and Europe.

23 I guess my concern is, is the assertion that the
24 costs are coming down. I haven't seen that. I've recently
25 seen some data from the largest array in Florida that causes me

1 to, to doubt some of the, the values that are, that are being
2 offered in terms of the cost-effectiveness. And so I'd be
3 interested in seeing any data that you have that would
4 independently substantiate that position. Because, again, I've
5 done some additional analysis which I'll get to later in the
6 discussion today, but I just can't -- for whatever reason, the
7 economics are, are what they are and I'm just not seeing that,
8 that decreasing cost scale. I'm seeing a very significantly
9 expensive cost driver for solar technologies. And I wish it
10 was different, but, again, I can't reasonably convince myself
11 in light of what I've seen that the costs are not substantial.

12 MS. BROWNLESS: I think it depends on the study you
13 look at. Obviously there's different types of solar
14 technology; there's thermal, photovoltaic, I mean, there's
15 concentrating, there's a whole, a whole range.

16 What we are advocating is the structure that's been
17 proposed here because of the legislative mandate, and I
18 appreciate that, is that there would be a renewable energy
19 market, a REC market that was a competitive free market system.
20 We don't have a problem with that. But what we are saying is
21 that as an alternative to that one can have a set price that
22 decreases over time with the original price recovering a
23 reasonable return. It is the equivalent, if you will, of
24 allowing the investor-owned utilities to put their construction
25 costs, their O&M costs into an accelerated cost recovery

1 clause. What we are looking for is parity between
2 investor-owned utility self-build options and third party
3 options.

4 COMMISSIONER SKOP: And just, just to follow up on
5 that. Again, I'm familiar with New Jersey and California. But
6 New Jersey, the REC rate or the maximum cap for REC rate is
7 approximately \$711 per megawatt hour, that's one REC, and at
8 least that's based on me speaking directly to the coordinator
9 in New Jersey. So, again, in relation to, again, things I've
10 seen recently, the costs seem to be what they are. I mean, I
11 wish I could do the "I Dream of Jeannie" and nod my head and
12 make the costs go down, and maybe that will happen in time with
13 advances in technology. But, you know, I just would be
14 interested in seeing the additional studies that you'd like to
15 proffer. I think it would be informative to making a
16 well-reasoned decision on my part.

17 But I do see a substantial cost driver for
18 particularly the, the solar technologies including solar
19 thermal and solar PV. I'm not against them, but, I mean, I
20 have to be equally cognizant of the cost as well as the net
21 capacity factors. So, again, I think the data that you can
22 share with me would be very helpful.

23 MS. BROWNLESS: Thank you so much.

24 CHAIRMAN CARTER: Commissioner Argenziano.

25 COMMISSIONER ARGENZIANO: Thank you. And just one

1 more thing. If you have any information, I've got some
2 information, and anybody out there who may have the
3 information. Because as, as solar could be, could be more
4 expensive right now, her point is well taken. The cost of
5 building a nuclear plant has risen quite a bit also. But there
6 are, as I mentioned earlier, we're right on the cusp of a lot
7 of, of breakthroughs in solar with greater efficiencies that
8 are not here yet but they're right there. So at the same time
9 you can't close the door because they could wind up being an
10 incredible asset to all of us in the future and I don't want to
11 see us closing the door. And if you close that door even
12 halfway, you may shut down that incentive to move forward like
13 we could have if we started in '72, and I don't want to do that
14 either.

15 But there is something, and you may be able to help
16 me or someone else may, I need more information on the, on the
17 breakthroughs with some of those new solar panels as far as
18 gathering more light from the sun. And I think at one area,
19 one lab came through a 47.7 percent efficiency rate. And I
20 know that sounds very high but I know I read it and saw it
21 somewhere. And if you have any information, I'd love to have
22 that.

23 MS. BROWNLESS: Thank you, ma'am.

24 COMMISSIONER ARGENZIANO: Thank you.

25 CHAIRMAN CARTER: Commissioner Skop.

1 COMMISSIONER SKOP: Thank you, Mr. Chair. And to
2 Commissioner Argenziano's point, which I think is a, is a very
3 good one, I think that there are some emerging technologies
4 which would significantly, if proven commercially viable, would
5 significantly reduce the deployment costs of solar. One of
6 those is a very thin film solar which actually, I think there's
7 a, there's a company, the name eludes me, but I believe it's on
8 the west coast and they're actually using something analogous
9 to a laser-jet process to deposit the film. And it's almost
10 like running something through a printing press and you get a
11 solar panel at the end. So certainly if that technology proves
12 viable, that would be one of those quantum leaps where you
13 would expect to see huge economies of scale in cost reductions.
14 And hopefully those with the proper incentives and support,
15 again, being cognizant of costs, will nurture and develop those
16 technologies in a short time frame.

17 CHAIRMAN CARTER: Of course I run the risk of saying
18 something I probably shouldn't say, but on a visit to one of
19 our military installations I saw some of the emerging
20 technologies as Commissioner Skop is mentioning in terms of
21 solar because a lot of times when they go to different places
22 they have to take everything with them, and it would be
23 interesting to see if some of that is moved over to the
24 civilian side of the house in terms of R&D and applications and
25 all. And that's an exciting time for us, but that's all I'll

1 say about that.

2 Thank you so kindly, Ms. Brownless.

3 MS. BROWNLESS: Thank you.

4 CHAIRMAN CARTER: Joe Treschler.

5 MR. TRESCHLER: Good afternoon, Commissioners. My
6 name is Joe Treschler. I work for Covanta Energy and have
7 represented my company in the Tampa Bay area for over 20 years,
8 and I appreciate your time today and the ability to comment.

9 Just taking a moment just to remind you who Covanta
10 Energy is and what we do, we operate energy from waste
11 facilities, facilities that take what's left over after a
12 community's recycling program and take that material, use it as
13 fuel, generate renewable energy in the form of steam or
14 electricity. We operate four of Florida's 11 energy from waste
15 facilities.

16 Basically I hope you take three things away from my
17 comments today: That energy from waste can and should
18 significantly contribute to Florida's renewable energy going
19 forward. That the PSC rule as it's written right now, we don't
20 see that it supports renewable energy generation. In fact, we
21 think it inhibits it dramatically. And, three, a restructuring
22 of the avoided cost calculations would be a significant step in
23 creating a true competitive and job creating market for
24 renewable energies.

25 Right now in Florida the 11 facilities that are in

1 operation generate about 517 megawatts, and what we reported to
2 staff as potential in the future could be as much as an
3 additional 1,600 more. But the problem comes down to is do we
4 really have a competitive marketplace for independent power
5 production under the rule as proposed? And I was glad to see
6 that Commissioner Argenziano was open to the idea of rethinking
7 or relooking at the rule and providing alternatives. Because
8 right now we see that the rule is leaving what we see as the
9 low hanging fruit, the biomass, not just the waste but the
10 biomass, on the tree. Okay? There's no incentive for
11 independent power producers like ourselves, Florida Crystal in
12 the counties we serve. And it places, the rule right now
13 places the control and responsibility and the incentives that
14 exist in the hands of the investor-owned utilities.

15 Staff in the workshops has given us the impression
16 that avoided cost concept will remain the law of the land.
17 This has stopped independent power development of renewable
18 energy in the state since the early '90s, except for the recent
19 expansions in Lee County and Hillsborough County of their
20 energy from waste facilities. And those were made basically
21 purely on environmental reasons, not because they were going to
22 get fair payment for their electricity.

23 I'd like just to discuss the avoided cost issue
24 problem as we see it, which we thought went away in the
25 legislation last year but we don't think it has. The challenge

1 is that under the current rules the avoided cost rate offered
2 for new capacity is very low. Despite what everybody tells
3 you, currently in negotiations it's about six to seven cents
4 per kilowatt hour. That does not get a project done or move it
5 forward.

6 Prior to 1991, the last time our industry was able to
7 create a new greenfield energy from waste facility, the
8 calculation of avoided cost took into consideration the capital
9 investment the project owner or developer was making in that
10 baseload type facility and included the capacity payment that
11 reflected that investment for a baseload type facility. After
12 '91 the calculation was changed allowing the investor-owned
13 utilities to consider the capital investment the utility would
14 make in a peaking power unit that had a much lower capital cost
15 and a much higher fuel cost. Hence, the capacity payment
16 offered to communities for their baseload type facility became
17 much less and they were allowed to go away with paying an
18 energy and a low capacity payment. That leaves the fuel risk.
19 If a new renewable, renewable energy project doesn't go forward
20 and that option is a gas turbine or such gets built, which is
21 low in capital (phonetic), leaves the fuel risk in the
22 consumer's hand because it's a pass-through. So it's not
23 helping the situation.

24 Communities in fact like Hillsborough County and the
25 City of Tampa, two governments that committed to renewable

1 energy early on, are currently negotiating renewal of their
2 existing power purchase agreements from the 1980s. And
3 unbelievably they are being offered less for the renewable
4 energy going forward than they're currently receiving under
5 their old contracts that expire in 2011.

6 Here's why it's important to all of us, Covanta and
7 all and everyone else, in an industry, in our industry we think
8 competition is good. We compete though against not only other
9 energy from waste companies that work for communities, we
10 compete with landfills, the absolutely worst and least
11 desirable way to handle what's left after a community's
12 recycling program. And even though our government clients
13 retain 90 percent of the electrical revenues generated by the
14 facilities we operate, under the avoided cost rules it's still
15 cheaper to bury garbage than to build a renewable energy
16 facility because of what they're being offered in exchange for
17 the electricity. It's a very complicated, you know, complex
18 calculation. The staff constantly asks for things like heat
19 rate and other things, but that's really not the issue when
20 you're building an energy from waste facility. How do you
21 offset and balance the costs of that operation and what
22 electrical revenue is necessary to make that balance and be
23 cost competitive with the landfill, which is your true
24 competition in this area?

25 We thought the 2008 legislation specifically

1 addressed not using avoided costs as the main criteria, but
2 from what we've seen staff seems to see it as the alternative
3 of not using avoided cost as the choice of last resort. And
4 until that changes we don't believe that the contribution that
5 could be made by energy from waste or other biomass facilities
6 will be truly recognized, and that is the true low hanging
7 fruit that could be brought online in a very short period of
8 time to help stem the gap. I thank you.

9 CHAIRMAN CARTER: Thank you so kindly.

10 All righty. Our next person will be -- in this order
11 we'll have Sean Stafford, Jon Moyle, Eric Draper and then Leon
12 Jacobs.

13 MR. STAFFORD: Thank you, Mr. Chairman. I'm Sean
14 Stafford. I represent Florida Crystals. Florida Crystals, as
15 many of you know, owns and operates North America's largest
16 biomass electric plant that sells to the grid. It's a
17 140-megawatt plant located at the Okeelanta facility. Florida
18 Crystals is primarily a sugar company, but uses its left over
19 waste or bagasse to generate this electricity. About 1 million
20 dry tons a year of sugar bagasse are burned in the facility
21 alongside one million dry tons of wood waste that comes from
22 municipal solid waste authorities.

23 Florida Crystals has currently a, an application with
24 the Palm Beach County, Palm Beach County Commission to expand,
25 to expand its facility. But we do not believe that under the

1 current draft if it was adopted and became the law of the land
2 that, that, we don't believe it's enough incentive for Crystals
3 or other biomass producers to actually move forward, expand
4 existing operations, or go into other parts of the state and
5 create new renewable energy facilities.

6 We believe there are a couple of problems with the,
7 with the staff proposal. The targets are too timid. We agree
8 with Governor Crist that we believe 20 percent can be achieved
9 by 2020. Additionally, we believe the price caps, imposing a
10 2 percent price cap is, is too restrictive. Our general survey
11 of the land of other states that have renewable portfolio
12 standards, the 28 or so RPSs have on average about a 4 percent
13 price cap. We believe 2 percent is just not enough room to
14 move, especially when most of that price cap by a 3-to-1 ratio
15 is geared towards Tier 1 technologies.

16 We believe, as the Commissioner of Agriculture
17 indicated in a letter to you a few weeks ago, that biomass is
18 Florida's renewable energy resource. Florida has a tremendous
19 growing season. We have the best climate and soil in the
20 country to grow these biomass energy crops. We believe that
21 this number that the Commissioner of Agriculture recommended to
22 you, which was that the state can produce somewhere around
23 92 million dry tons of biomass, is a reasonable number and it's
24 achievable. We look forward to working with Navigant to, to
25 see what, what their number is, what their recommendation is on

1 that.

2 Biomass, and to specifically address Commissioner
3 Argenziano's point, we believe biomass is the most
4 cost-effective way to generate renewable electricity in
5 Florida. We believe it is cheaper than other, than other
6 technologies. We believe it is going to provide baseload
7 generation capacity, 24/7 renewable energy. We also believe
8 that it is going to create an enormous amount of job growth in
9 this state. Additionally, biomass -- and we were very pleased
10 to see that staff recommended or agreed to referring to biomass
11 as, as carbon neutral. Biomass is a carbon neutral process,
12 the burning of a biomass plant. What you sequester when you
13 grow your crop is the equivalent amount, is the equivalent
14 amount of carbon that you burn when it is burned in the boiler.
15 So you are not emitting any more than you grow. And when you
16 have a sustainable farming operation, you are essentially
17 creating what's called an open loop cycle, which is very, very
18 environmentally friendly and provides, provides that carbon,
19 that carbon neutrality that we know is going to contribute to,
20 contribute to offsetting greenhouse gas emissions.

21 We have submitted on a number of occasions a study
22 that was conducted by Tony Villamil with the Washington
23 Economics Group back in 2003. This was back when fuel costs
24 were far cheaper than they are today, traditional fuel
25 generation costs. That study indicated that when you look at a

1 biomass plant, when you look at how you grow your fuel, the
2 farmers that grow it, the farmers that harvest it, the folks
3 who transport it and then the energy facility itself,
4 85 percent of the dollars that go into the cost of producing
5 that energy stay in the local economy. That translates into a
6 huge job growth boom. And we believe that, that, that economic
7 model applies to other renewable technologies as well.

8 Specifically in our study and then recently the
9 Gainesville, I believe the Gainesville Regional Utility study
10 there were specific quantifiable job numbers. Back in 2003
11 when gas prices were far lower than they are today, it was a
12 conservative estimation that 11,000 jobs would be created in
13 Florida by a 7 percent RPS by the year 2017. We believe -- and
14 these jobs would be growers, farmers, land managers,
15 harvesters, people who transport this fuel source, people who
16 operate and maintain the plant. These are real jobs, they stay
17 in Florida, they don't get, the funds don't get sent over to
18 other states, they don't get sent to the northeast for coal,
19 they don't get sent out west for natural gas, they stay right
20 here in our community.

21 We believe energy diversity is critical. When you
22 weigh the needs in 7135, and obviously part of the energy
23 diversity argument that we're going to make coming from a
24 biomass facility is that, is that 70 percent reliance on
25 natural gas just isn't an appropriate way for Florida to move

1 forward with its energy policy. We believe biomass must play a
2 large role in Florida. We do not support the carve-outs, the
3 solar and wind carve-outs. We believe that there ought to be
4 an open marketplace, that this open marketplace will eventually
5 drive down costs. You will, you will, you will get to your
6 most cost-effective options when you put all the technologies
7 on the table and you then ask for the, the best bang for your
8 buck. We believe biomass is that, is that option.

9 We are committed to working with the Commission. We
10 appreciate the hard work that staff has put in this proposal.
11 We're also committed to working with the Legislature moving
12 forward, and thank you for your time and we'll answer any
13 questions.

14 CHAIRMAN CARTER: Thank you. And hang on one second,
15 Sean. Thank you.

16 Commissioner Argenziano.

17 COMMISSIONER ARGENZIANO: Thank you. Thanks, Sean.
18 There are, I guess, some, some in the community that disagree
19 with the carbon neutral position that Agriculture has taken on,
20 you know, growing and burning. And if you could provide, I
21 guess, maybe more specifics on the emissions, it would be
22 important. And also land, the amount of land that you would
23 need. From what I have read and heard, that in order to meet a
24 substantial amount of the electric or energy that we would
25 need, you'd have to acquire a lot more land in the State of

1 Florida. And is that being considered as far as cost of land
2 and is that correct, or what could you meet with the existing
3 farmlands that we do have now?

4 MR. STAFFORD: Thank you. And I will, excuse me,
5 I'll answer your first question.

6 On carbon emissions we will provide you a specific
7 study that, or specific white paper that we've developed on
8 that issue. But if you are -- to be very specific, the only
9 time we believe that you will, you provide a negative carbon
10 contribution to, to the atmosphere is if you are in an
11 unsustainable growing model; that is if you just cut and move
12 on, cut and move on, cut and move on. What you're essentially
13 doing is you're taking forestland or growing land that
14 ordinarily would sequester carbon and you are, you are then
15 stopping that process and you then have, of course, carbon
16 leach into the atmosphere. A sustainable model where you have
17 a dedicated land source and it is, your fuel is grown
18 sustainably we believe is absolutely not only carbon neutral,
19 but when you take into consideration that we also burn wood
20 waste that would go to a landfill that would produce methane,
21 it's actually a net, net reducer of carbon emission.

22 On the land costs there are several issues I guess
23 that biomass companies are looking at today when looking at
24 securing land. First, what are you going to grow and what are,
25 you know, what's the best fuel source today to grow in Florida?

1 Is it an energy cane? Will an energy cane grow in North
2 Florida? It will grow in North Florida, but when a cold snap
3 comes it will die off. So you will have a time where you will
4 have a, you know, cyclical crop on part of your land and you
5 might have to use another crop on another part.

6 The cost of land is certainly an issue. Most, we
7 believe most biomass facilities are going to lease their land
8 much the same way that you find pulp and paper mill operations
9 lease their land today. They actually divested themselves of
10 their land holdings years ago; I guess two or three years ago
11 most of them did. Companies, biomass companies are likely
12 going to go in and, and go to existing farmland or, or existing
13 forestlands in all parts of the state and negotiate land
14 leases.

15 COMMISSIONER ARGENZIANO: Can I ask you a question to
16 that point?

17 CHAIRMAN CARTER: You're recognized.

18 COMMISSIONER ARGENZIANO: I'm a proponent of
19 preserving farmland. I've been known for that in the
20 Legislature. But what I found is that the farmer can't make a
21 living today, and that's a shame because I hate to think of us
22 having to be reliant on any other country than our own for our
23 food source. But what I found is that in many cases even when
24 the farmer does not really want to stop farming but it's, but
25 it's more, I guess it's a better investment to him or if he

1 makes more money selling his land to development. So for
2 leasing, do you think that's going to be sustainable? If, if
3 someone has large tracts of land that could be used for
4 biomass, wouldn't it, wouldn't it start disappearing to the
5 development who, you know, would obviously have more money for
6 the farmer or the family who owns the farm to sell off rather
7 than lease land?

8 MR. STAFFORD: Well, we advocate -- you know, Florida
9 Crystals owns all of its land, its 160,000 plus or minus acres
10 in South Florida. And I don't -- no decision from what I
11 understand has been made as to whether or not a lease is
12 preferable to a purchase. It's an option to put on the table.
13 But we would suggest to you that there is no better way to, to,
14 to revive a farming community that may have been hit hard by
15 trade issues, that may have been hit hard by CAFTA or NAFTA,
16 than to actually allow them to on their land today make more
17 money growing an energy crop.

18 And we may, we may not know today what the energy
19 crop is going to be five years from now. I mean, IFUS, the
20 University of Florida, many folks in this country and frankly
21 around the world are developing new energy crops every day, new
22 ways to grow, new ways to, new ways to maximize the cellulose
23 that's grown in these, in these crops that can be used. We
24 don't know what those are going to be. And we would suggest to
25 you that, that there is no better way to, to create these jobs

1 and to revitalize these farming communities than to go down
2 this path and incentivize biomass as a, as a clean renewable
3 energy resource.

4 COMMISSIONER ARGENZIANO: And I'm not arguing that.
5 I guess what I'm looking for is what percentage of our energy
6 needs do you think biomass can really realistically provide,
7 given the land issue, you know, and the amount of crop it would
8 take?

9 MR. STAFFORD: Well, we believe that when you look at
10 the, and I think it's going to be real interesting to see
11 Navigant's study and the numbers they come up with, but the
12 numbers that the Commissioner of Agriculture has said, around
13 92 million dry tons are going to, we believe -- and those are
14 dry tons growing existing, existing crops that are today in
15 Florida. This is without any advancement down the road and
16 growing better crops that are more cold tolerant, crops that
17 grow faster, crops that are maybe drought tolerant in some of
18 the soils that don't get as much water. We believe biomass
19 could provide at a, at a bare minimum 10 percent of Florida's
20 renewable energy resources.

21 COMMISSIONER ARGENZIANO: Thank you.

22 CHAIRMAN CARTER: Thank you.

23 Next we'll have Jon Moyle.

24 MR. MOYLE: Thank you, Mr. Chairman. For the record,
25 I'm Jon Moyle with the Anchors, Smith, Grimsley Law Firm, and

1 I'm appearing before the Commission today on behalf of
2 Wheelabrator Technologies.

3 Wheelabrator Technologies is a renewable energy
4 producer that uses biomass to generate electricity specifically
5 in the form of municipal solid waste.

6 Before I get to specific comments, and a number of
7 folks have said this, I mean, this is, this is a very difficult
8 issue that has been wrestled with quite some time, not only by
9 staff but by the Commission. We've had workshops, I think, for
10 darn near a couple of years on this issue. There's been a lot
11 of work that's gone into it. And I think, you know, staff has
12 worked hard and we'd like to publicly thank them for the
13 efforts.

14 From Wheelabrator's perspective there's still some
15 room for improvement, and I think you've heard comments today
16 from a lot of people believing that there's room for
17 improvements in certain areas. And at the end of my comments I
18 want to put something on the table that I'd ask you to consider
19 that hopefully may be viewed as a constructive option to
20 consider.

21 But in going through and preparing my comments I read
22 the staff recommendation and noted that the Florida Alliance
23 for Renewable Energy, the Sunshine State Solar Power Group,
24 Clean Energy Group, Florida Crystals, Covanta, Wheelabrator and
25 FPL under certain circumstances all indicated that they could

1 support an alternative compliance payment. And an ACP as it's
2 termed is something that Wheelabrator has put forward comments
3 on. In addition to the entities that I just named, and the
4 staff recommendation, I think, notes this, that of all of the
5 states that have enacted a Renewable Portfolio Standard, over
6 half of them have in place an ACP mechanism. And an ACP
7 provides the ability for, for a utility to be compliant by
8 making a payment if they don't achieve the percentage of the
9 RPS that has been established for them. And I am told by folks
10 that it really works as a, as a ceiling, a price cap, and
11 there's been a lot of discussion about price caps and what not.
12 But as we move forward, I would urge you to consider and maybe
13 take another look at an, at an ACP.

14 And I wanted to comment, staff has looked at and I
15 think they have contacted other states, we think it's a good
16 idea that should be further pursued, but staff has indicated
17 that it has questions about whether it has the express
18 legislative authority to move forward with an ACP. I would
19 suggest that there is such express legislative authority.
20 366.92(3)(b), and it's referenced in the staff recommendation,
21 the Legislature did give particular directives to you all, and
22 one of the things they said is that the rule should provide for
23 appropriate compliance measures. We would argue that express
24 language saying the rule should provide for appropriate
25 compliance measures is a strong indication that an ACP is

1 something that can be considered.

2 Now staff is concerned about, well, if we put that in
3 place, we're not sure we have the authority to spend the money.
4 You know, given these times, I'm sure the Legislature can come
5 back and figure out where to spend the money. I don't think
6 that's going to be, be an issue. So we would encourage you to
7 take another, another look at the ACP.

8 I wanted to comment briefly, there's been discussion
9 about what the right numbers are in terms of the RPS. On Page
10 17 of your staff recommendation there is, I think, a pretty
11 helpful column that shows the RPS draft rule as it's currently
12 proposed and then the RPS strawman draft which was originally
13 proposed.

14 And the first sentence on Page 17 says that, quote,
15 the standards are based on an estimate of currently available
16 renewable energy resources, which is currently 3.6 percent. So
17 the way I'm reading this is if we currently have 3.6 percent
18 renewable energy in the state and under the proposed rule in
19 2017, nine years from now, we're looking to get to 5 percent,
20 that's a net increase of 1.4 percent over the next nine years,
21 which I think is, is, I think we can do better than that.
22 Staff suggested about doubling every eight years in other
23 portions in the rule. And even if you double, double the
24 3.6 percent, you're at a 7 percent number in the year 2017.

25 Another comment on the year 2017, you know, we've

1 been at this for a couple of years. The Governor issued his
2 executive order a couple of summers ago. The Legislature has
3 looked at this issue. I think 2017 is a long time away.

4 Mr. Twomey and others got up and talked about the difficult
5 economic situation and that you should be hesitant to pass on
6 costs at this point in time. Well, if we're not going to do
7 this until 2017, I sure hope that the economy has improved by
8 then. I think the 2017 time frame is, is too long before you
9 implement the RPS.

10 In talking to some others here, we kind of came up
11 with an analogy of if Florida had a renewable general store,
12 what would the sign in the window say? Would it say open? I'm
13 not sure. Would it say closed? Florida Crystals might suggest
14 that it would if they testified to you that they are not
15 inclined to expand given the current scope of this rule. I'm
16 not sure exactly what it, what it would say. I know that there
17 hasn't been an aggressive development of renewable energy, but
18 I sure hope it doesn't say we'll be back later and the later is
19 nine years. So the point is I think, I think we can do better
20 than deferring this decision out for, for nine years in terms
21 of implementing the RPS.

22 The final point that I wanted to make because, you
23 know, you talked about your grandmother, Chairman Carter. I
24 mean, one of the things that I was told is, you know, you can,
25 you can be critical but sometimes it is important to also offer

1 suggestions. And this is a difficult rule. In thinking about
2 this -- I spent some time over in the Legislature. I know,
3 Commissioner Argenziano, you know, you served over there as a
4 Senator for a number of years and Chairman Carter was involved
5 in the legislative process, as was Commissioner Edgar,
6 sometimes when we have tough issues over there, the chairman of
7 the committee will gather the affected interest groups and say
8 we've got to get this done and they'll put them in a room and
9 everybody sits around the table and they work to come up with a
10 product that is acceptable to everybody. It's a give and take
11 negotiated process. And I've seen it happen, been involved in
12 those meetings. And sometimes it works, sometimes it doesn't.
13 But I think it is a good concept that has been employed in the
14 legislative halls for quite some time.

15 I've heard everybody that comes up today say we're
16 supportive of renewable energy, we're supportive of renewable
17 energy. I think everybody is supportive of renewable energy,
18 but it's not getting done. And, you know, I think it's
19 incumbent on the Commission, on us as participants in this
20 process to figure out a way to get it done and to move it
21 forward. You know, watching the debates, I think the energy
22 policy is a significant issue in our country's future and we're
23 trying to reduce the dependence on oil. There's still a lot of
24 oil that's being used in our power plants. So, so I think, I
25 think that this is an issue that's of great importance to the

1 state.

2 And what I was going to specifically refer you to is
3 there is a process for a negotiated rulemaking that's in
4 Section 120.54(2)(d)(1). And I'll quote, it says the agency
5 should consider the use of negotiated rulemaking when complex
6 rules are being drafted or strong opposition to the rules is
7 anticipated. I think this rule qualifies on both counts.
8 There's opposition and it's, and it's pretty complex. So I
9 throw that out there as a, as a suggestion. You know, given
10 the time frame, I know a draft report is due to the Legislature
11 in February, but if we're not talking about implementing this
12 until 2017 and what not, I would encourage you to consider
13 whether there might be some process that could be pursued that
14 would put the interested groups in a room and see if there
15 could not be a negotiated rulemaking. The statute has more
16 detail, I've talked with your counsel about it, and there's
17 some obstacles to it. But I think if we roll up our sleeves
18 and are creative, we might be able to, to look at this as an
19 option. The worst-case scenario is it doesn't, doesn't result
20 in a rule.

21 But Commissioner Argenziano was talking about another
22 option, maybe we'll propose a second more aggressive draft.
23 You know, you might consider moving forward with some type of
24 negotiated effort because if the Legislature has everybody and
25 they say we've spent time and we've worked this out and there's

1 been give and take, I think they're more inclined to ratify and
2 move forward with an RPS, which at the end of the day is
3 important for our state. So, Mr. Chairman, I hope I didn't
4 exceed my five minutes there, but thank you for the opportunity
5 to comment.

6 CHAIRMAN CARTER: You doubled, but that's okay.

7 Commissioner Argenziano.

8 COMMISSIONER ARGENZIANO: Well, first of all, I want
9 to clarify I also served in the House, six years in the House,
10 five and a half in the Senate. And I appreciate the suggestion
11 because it's great. People come up all the time and never have
12 any suggestions. So I do appreciate that.

13 However, I don't think that that's in my opinion
14 where we need to go. I think you should, I think your emphasis
15 should be with the legislative body to get everybody in a room
16 and say here, here's where we need to go because there's not
17 enough definition or specifics in, in some of the ways we need
18 to move forward, and I think that's a policy issue. I don't
19 think that should go to an outside negotiator. And what you
20 read from, I believe, is from the typical agency, which is the
21 executive branch agency. Not that there's a difference. You
22 probably, we probably could still go out there and negotiate,
23 but I don't think that's the problem. I think the problem
24 needs to be more specific from the legislative branch, the
25 policymakers. But I do appreciate the suggestion.

1 And I guess I needed to ask you a question. You
2 mentioned 366.92(3)(b)? Are you sure? Because there is no
3 (3)(b).

4 MR. MOYLE: I might have cited it wrong. I'll tell
5 you in a sec.

6 COMMISSIONER ARGENZIANO: I was trying to go read it
7 right away and --

8 MR. MOYLE: If you look at Page 3 of the staff
9 recommendation.

10 COMMISSIONER ARGENZIANO: Okay. What is -- instead
11 of me flipping channels, pages here, is it referring to a 366?

12 MR. MOYLE: Yeah. It says, "In addition to
13 establishing RPS percentages and timing, Section
14 366.92 requires that the Commission's RPS rule include the
15 following," and there are a number of bullet points set forth
16 in the staff recommendation. And the second one down says,
17 "Appropriate compliance measures and conditions under which
18 noncompliance can be excused when the supply of renewable
19 energy is not adequate or the cost of securing renewable energy
20 is cost prohibitive."

21 So I read that to say it ought to have two things:
22 Conditions under which noncompliance can be excused and
23 appropriate compliance measures. And so the, you know, the
24 concern about not having express legislative authority to come
25 up with compliance measures I think is clearly addressed by

1 this language.

2 COMMISSIONER ARGENZIANO: If staff could address
3 that. And it's not (3)(b) then. It's just, you're talking
4 about the whole section, 366.92 (1), (2), (3) and (4)?

5 MR. FUTRELL: Commissioner Argenziano, it's actually,
6 it's (3)(b)(2). There's a (2) is the quote that Mr. Moyle gave
7 from.

8 COMMISSIONER ARGENZIANO: And we're talking about
9 366.92? Do you see a sub here? Am I in an old book?

10 MR. FUTRELL: Does that reflect the 2008 update?

11 COMMISSIONER ARGENZIANO: That's what it is then.
12 Okay.

13 MR. FUTRELL: It may be just two thousand -- that's
14 the 2007 statute book.

15 COMMISSIONER ARGENZIANO: Okay. We need to get new
16 statutes up here.

17 MR. FUTRELL: Yes, ma'am.

18 COMMISSIONER ARGENZIANO: Okay. I thought they would
19 automatically be the new statutes. Okay. That's what the
20 problem is. That's why you need to ask.

21 Okay. So it's (2)?

22 MR. FUTRELL: It's (3)(b)(2).

23 COMMISSIONER ARGENZIANO: Okay.

24 MR. FUTRELL: It starts with --

25 COMMISSIONER ARGENZIANO: "Shall provide."

1 MR. FUTRELL: -- "Shall provide."

2 COMMISSIONER ARGENZIANO: Okay. That's what I
3 needed. Thank you.

4 CHAIRMAN CARTER: Commissioner Edgar. Oh, one
5 second.

6 COMMISSIONER ARGENZIANO: Mr. Chairman, could we get
7 new statutes?

8 CHAIRMAN CARTER: Staff was listening just before you
9 said it. They said we need to get the appropriate set of
10 statutes for the, for the bench. Thank you.

11 Commissioner Edgar.

12 COMMISSIONER EDGAR: And I was, just to follow up on
13 that as well. Mr. Chairman, I expect that here in a little
14 while we'll have the opportunity for a little more discussion
15 back and forth.

16 CHAIRMAN CARTER: We will.

17 COMMISSIONER EDGAR: I know I have a couple of points
18 in general but more specific on the rule that I would like to
19 ask staff to do some additional analysis and help us flesh out
20 a little more data gathering on. And one of them, and I'll
21 save the others, but one of them is this question of
22 alternative compliance measures. And I understand the
23 discussion, I think it's on Page 29 in the write-up, but some
24 of the concerns that staff has expressed about statutory
25 authority. But this larger question of alternative compliance

1 measures and what may or may not fall into that is something
2 that I'd like to ask for some additional work and discussion.

3 And then one question, Jon. I think I heard you say
4 in your earlier comments that in the staff proposed draft as of
5 today that implementation would not be until 2017. And I'm
6 assuming that you're referring to the fact that the first date
7 that would be given as required is 5 percent by 2017, again
8 recognizing a draft for discussion. But yet in my mind there
9 are a number of things that would be happening prior to that,
10 at least I'm hopeful a number of things would be happening
11 prior to that that I would think of as implementation. In
12 other words, the first mandatory deadline does not seem to me
13 as the point of implementation. But if you could just
14 elaborate on that.

15 MR. MOYLE: Sure. In thinking about this, I mean,
16 the RECs are an important component of this, as I think has
17 been recognized, that you have a REC market, and part of the
18 legislative intent is to encourage economic development, let's,
19 let's get Florida out front on renewable energy. One of the
20 things that, that banks, I believe, are going to look to is, is
21 how is the project going to be financed, and the REC payment is
22 a key piece of that. What is the revenue stream associated
23 with, with the REC? And it doesn't contemplate that RECs will
24 be tradeable, if you will, to meet the compliance requirement
25 until the year 2017. So in 2016, you know, people can have

1 renewable and what, renewable energy, but there's no
2 requirement that requires anyone to show their RECs and that
3 they've purchased these RECs and that here's where they are
4 with the RECs. The whole REC market does not come into being
5 until the year 2017. And I will, I will recognize that maybe
6 2010 is a little early because you're having to go out and get
7 an independent administrator and conduct an RFP. I would think
8 that there is a point in between 2010 and 2017 that would be
9 probably the rational point to settle on with respect to
10 establishing a REC market.

11 Because, again, I think part of what you're doing is
12 sending a signal. You know, what does the sign on the front
13 door of the renewable market say: Open, closed, be back later?
14 And I think if you establish a REC market, then bankers and
15 people who would lend money on these renewable projects will,
16 will have that certainty that that's available to help with the
17 financing decision for the project.

18 COMMISSIONER EDGAR: And just to follow up on that.
19 Thank you, Jon. I'm going to just throw out there for
20 discussion later the number that keeps banging around in my
21 head is 2012, but I welcome discussion about that as more of a
22 market, REC market implementation point for lack of a better
23 term at the moment.

24 But then also that brings me back to the point, and
25 this is just for later discussion, as to the relationship

1 between a time period, a mandatory initial time period that we
2 may or may not decide to propose and the relationship with a
3 retail sales percentage cap and how those, those two kind of
4 will or will not work together, and, again, for later
5 discussion.

6 CHAIRMAN CARTER: We'll do that. Thank you.

7 Jon, you did, you did almost fine except you forgot
8 the major sign that says gone fishing.

9 MR. MOYLE: Right.

10 CHAIRMAN CARTER: Mr. Draper.

11 MR. DRAPER: Thank you. Eric Draper, I'm Deputy
12 Director for Audubon of Florida Statewide Conservation
13 Organization. We generally have -- I'm going to make comments.
14 I'll try and be brief with them.

15 We're generally aligned with the Southern Alliance
16 for Clean Energy and contributed to the comments they gave on
17 the rule, and I appeared before your staff on one of the
18 workshops.

19 I generally agree with, I want to say Senator, I'll
20 say Commissioner Argenziano, that your staff worked hard on the
21 recommended rules and deserves credit for their effort. And to
22 the degree that there's been public criticism of the staff
23 rule, I think that's just the nature of the narrative of public
24 debate and can be expected as the public starts engaging
25 specifically in this very, very meaningful process.

1 I note that the staff did follow the narrow, if
2 somewhat confusing, legislative direction, and I agree with
3 Commissioner Argenziano that it's likely that we'll be
4 clarifying this in the legislative process next year. And, and
5 I think that as that, as that takes place, I think that what
6 was missing in the legislative direction on this and something
7 I really would urge you to consider today even though it's not
8 in the rule, which is that this is, of course, a much larger
9 issue than simply an issue of providing reliable electricity at
10 an, at an affordable price to our consumer. I mean, it's way
11 bigger than that. And it's unfortunate in a way that this
12 debate, you know, by the function of the PSC, you know, has to,
13 has to have its consideration that limited.

14 In that sense, you know, I think that as the
15 discussion of, as we saw, the climate change issue matures,
16 that I would expect that you're going to get additional
17 direction on how to, how to use this particular solution,
18 renewable energy, to advance that. And in that sense as we can
19 look at that, we can look around the horizon, we can look
20 around the curve and know that's coming. You know, I would
21 encourage you and your staff to be as ambitious and as
22 open-minded as you possibly can given your constraints as an
23 agency about how we can accelerate the solutions that are
24 implied in renewables.

25 Now since we heard earlier discussion that basically

1 follows a logic, which I don't agree with, that since some
2 people can't follow their mortgages, therefore, there should
3 not be additional costs that are imposed on consumers in the
4 State of Florida, I don't get that, I'm going to take the
5 liberty of going outside of where I would have generally
6 narrowed my comments onto just the rule-based issues.

7 Certainly, you know, your job of providing -- you've
8 done a great job, by the way, the Public Service Commission,
9 over the past 30 years or so since I was a teen-ager and
10 remember, you know, in Florida the rapacious utilities and how
11 the PSC had to step in and kind of rein them back. But you've
12 done a great job in making sure that there's reliable and
13 affordable electricity in the State of Florida, but we can't
14 deny the fact that the provision of that has tremendous
15 environmental costs. I don't usually lecture about that. I
16 usually stick to the issues. But it's very important that we
17 not stick inside that little box of consumer protection which
18 is, in fact, shortsighted and ignore the need to induce the
19 twin strategies of conservation and renewables.

20 And so with that said, I think that a 20 percent by
21 2020 is a reasonable target to really give some consideration
22 to and to get your, get your arms around. That would, that
23 standard which was called for by Governor Crist, you know, has
24 been backed off from. And if, in fact, considered in the staff
25 recommendation based largely, as far as I can tell, on the fact

1 that you're looking at forecasts rather than what could in fact
2 be potential if in fact incentivized by an aggressive rule, and
3 I'm not sure that's exactly what the Legislature wants you to
4 do was to incentivize things.

5 If you look at the previous legislation, not just
6 what was passed in 7135, it definitely seemed like the
7 Legislature wanted to incentivize renewables. I'm not sure
8 that this rule gets there. So I would encourage you in your
9 considerations, your deliberations to look at that question of
10 incentivizing and really pushing the market forward.

11 Now the cap, you know, on the cost, of course, you
12 know, should be somewhat data driven. I'm not sure that the
13 2 percent cap is completely data driven. I started thinking a
14 little bit once I heard the staff today in reviewing the rule,
15 and I really do appreciate their clear explanations of what
16 they've done, recommended \$360 million. What is that? You
17 know, on a monthly basis, that's, that comes to about \$1.50 per
18 person. You know, I thought about that in context of other
19 government budgets that I work on, other kind of big picture
20 things. I think, well, that's just about how much the South
21 Florida Water Management District collects from its taxpayers
22 to run the water supply system in South Florida. So if we
23 think about that as a cost, if that was the cost you go with,
24 is that really, you know, exceedingly unaffordable for the
25 collective people in the State of Florida, all of us as

1 consumers and shoppers and users of the businesses that would
2 pay this? I don't think that's an exceptional cost when you
3 think about it in the context of our gross state product,
4 project -- product and, in fact, all of the other costs that we
5 have associated with getting, you know, the other public needs
6 that we have. I think particularly relevant to that South
7 Florida Water Management District thing, when you think about
8 it, that's just the cost of like making sure that people have
9 water in South Florida and, of course, cleaning up the
10 Everglades.

11 I'm going to just conclude here by saying that this,
12 this discussion when it is expanded, you may not be able to do
13 it here, but the Legislature is, I know they're going to be
14 looking for, for what your recommendations are, not just
15 technically what is in your rule. But when we go to that
16 legislative process next year, they are going to be looking at
17 what you have to say in a general sense. In other words, we
18 would have made a rule that would have done this except you
19 didn't give us the legislative direction to do that and give us
20 additional legislative direction. I'm almost reading that,
21 Commissioner Argenziano, into your words in deferring to the
22 Legislature as a, as a policy driving body.

23 And so let's look at what is really the back story of
24 renewables. We could be using this right now to create jobs in
25 the State of Florida, get all those people. Now I'm only

1 saying this, I'm only saying this because I think that the
2 people from the consumer point of view said, oh, watch out for
3 the economy and the poor people that are suffering. And, by
4 the way, I'm one of those too and my family. But, you know, we
5 could use renewables, as long as we're expanding the scope of
6 this discussion, we could use renewables to put a lot of people
7 to work right now. Not just -- I mean, with the construction
8 of nuclear power plants we'll have people working over the next
9 ten years. With the construction of biofuels programs and,
10 and, and solar collector programs, solar farms you could be
11 putting people to work within the next year. We could solve a
12 tremendous number of environmental issues which are very, very
13 pressing.

14 And finally in the context of this discussion, let's
15 not be focused simply on short-term costs, especially as they
16 appear in rates or in charges on a, on a person's bills. Let's
17 also make sure that we're considering something that you would
18 be required to consider certainly as soon as the cap-and-trade
19 concept goes into effect at the federal or state level, which
20 is long-term costs. And let's look at what those long-term
21 costs are and know that the long-term costs at least associated
22 with renewables is going to be much, much less for our
23 children, if not for us. And let's also think about what those
24 long-term costs are for the environment because one of the
25 things that I'm having to work on right now is coastal

1 strategies.

2 Senator Argenziano, Commissioner Argenziano, you know
3 from our work in the Legislature we looked at, we worked a lot
4 on water supply issues. Water supply coastal issues are going
5 to be dramatically affected, of course, by the climate change
6 issues that we're facing in the not too near future. So as
7 we're working on this, let's look at renewables. I know this
8 is not new information, but as long as the debate has been
9 expanded let's make sure that we're injecting into this
10 discussion and send back to the legislators like we need to, to
11 look at some long-term costs here too. We can't be constrained
12 simply by narrow questions of affordability and impacts on
13 ratepayers right now. Thank you very much.

14 CHAIRMAN CARTER: Hang on before you go.
15 Commissioners, let me just, before I lose this moment, let me
16 just ask you this. You've been here all morning? Were you
17 here all morning when we started?

18 MR. DRAPER: Yes.

19 CHAIRMAN CARTER: Do you remember when I had asked
20 Ms. Brownless about her recommendation on the percentages, she
21 said 2 percent by 2010, 10 percent by 2015 and 20 percent by
22 2020?

23 MR. DRAPER: I think a schedule approximately like
24 this is, is, is a good recommendation.

25 CHAIRMAN CARTER: That's pretty much what you were --

1 MR. DRAPER: Yes.

2 CHAIRMAN CARTER: I mean, you won't have a problem
3 with that?

4 MR. DRAPER: No.

5 CHAIRMAN CARTER: In the process of that we got into
6 a discourse about the costs and we looked at solar and the
7 set-asides and we looked at the information that we'll be
8 getting from the Navigant study and all. I mean, so you're not
9 saying that we shouldn't consider the cost of this, are you, in
10 the context of looking at these percentages, are you?

11 MR. DRAPER: No. You've got to consider the cost,
12 particularly given the legislative direction in the rule and
13 what your responsibility is as the Public Service Commission.
14 So I certainly wouldn't say that.

15 CHAIRMAN CARTER: Commissioner Argenziano.

16 COMMISSIONER ARGENZIANO: Thank you. And it's
17 still -- you know, the funny thing is when I left the House,
18 they said, well, when you leave the House of Representatives
19 they'll never call you Representative again. But when you
20 leave the Senate, you can always be called Senator. That's one
21 thing I'm proud of. So that title still remains, so no
22 problem. But, and I just say that jokingly because people
23 don't know what to call me anymore. Just Nancy is fine with
24 me.

25 But in going back to what I've been trying to say all

1 morning is this is really difficult. You know, coming from the
2 legislative branch and then coming here, this is difficult
3 because we are not the policymakers. We could sit here and say
4 it makes a lot of sense to do this and that or my personal
5 belief is and my personal and so on and so on. But we are
6 confined. This is really for the media to get out to the
7 public that we are confined with what we are mandated to do.

8 Now what I see is that the, the staff did what they
9 could with what they had. Some of our mandates, as you say,
10 the box of consumer protection, we are there for the consumer
11 protection. We have a mandate that says costs will be looked
12 at. This is why I say we need to send something back to the
13 legislative branch to say you have to give us more policy here,
14 because if you want us to fill in the blanks, and there's
15 probably a lot of reasons why you may want us to fill in the
16 blanks, we can't do that. And being from the Legislature, I am
17 not about to create policy here. I can make suggestions to the
18 Legislature, my colleagues there, and I do and I will, but the
19 hard part is getting to the costs. We have to look at costs.
20 Now but what I want to get forward is that those costs could
21 change. Like I said before, you can't close the door on
22 something that three years from now could have a dramatic
23 change in cost and you can't not provide incentive for them to
24 keep moving in that direction so that three years or five years
25 from now they come up with something that could be an

1 incredible way to go.

2 I, I personally believe that, and this is my personal
3 opinion, that in this, this, all of this discussion is not just
4 about providing energy, even though that is our charge too,
5 making sure the people of the State of Florida have enough
6 energy for the future, and I'm going to ask staff a question
7 about that in just a few minutes. But it also is in my
8 opinion -- when you look at it because sometimes it looks like
9 there's conflicting language in that statute: Well, how do you
10 do low emissions if you're going to include this and that and
11 that? Part of it is to reduce our dependency from, from that
12 oil dependent status quo that we've been in for so long.
13 Because if they cut us off, you see what happens. If it falls
14 off and it's not there anymore, you see what happens when you
15 get to the gas station and you have no gas and you have no way
16 to do what you've just taken for granted for so long. So there
17 is a real, a real movement to get, get us off that dependency
18 and that's very important.

19 But there is also an environmental compact to that
20 part of that, and I think that's where the Legislature is going
21 to have to have more policy direction. What is it that you
22 want from us environmentally? You want the least amount of
23 emissions possible. There are, there are energies out there
24 that are very clean. Do we need to look more into those? But
25 so, and I guess the reason I'm saying this is because I want to

1 emphasize again to the media who may be in here that understand
2 we are, we are in this box that we have. And I think that
3 sending back a recommendation that is similar to staff's, maybe
4 less conservative, and one that's really aggressive that says
5 if this is where you want to go, you are the policymaker, now
6 take the bull by the horns and figure out what you want to give
7 us from this. So what I'm asking everybody here today is
8 while -- I'm going to ask my, my colleagues if they want to go
9 with a Plan A and a Plan B so that the Legislature understands
10 we need more guidance and more direction and put little fill in
11 the blanks, Plan A will do this now and Plan B will do this.
12 Does it meet the goals? And take into consideration the costs
13 and understand that the costs could come down, the costs could
14 go up.

15 So I guess any suggestions that you have in sending a
16 draft, two drafts to the Legislature, and one that is much more
17 aggressive that we have in front of us, that kind of, because
18 we have ten different directions and very good arguments on
19 either side, whether it's for energy dependency or
20 environmental, we need to get that to the Legislature. And
21 just again, and I hate, you know, beating a dead horse --

22 CHAIRMAN CARTER: You're recognized.

23 COMMISSIONER ARGENZIANO: As I told you, that is
24 illegal in the State of Florida, but to make sure that we get
25 better policy guidance. And, again, going back to a

1 sufficiently developed rule, you can't sufficiently develop a
2 rule if you don't have more specifics in the policy. So, and I
3 think our legislators are probably learning a lot more since
4 that last session and I know a lot of you are going to be there
5 giving input. But if you can give us input into possibly, if
6 we decide to go with, with a couple of different ways to send
7 the rules, we'd love all the help we can get. And I appreciate
8 you allowing me to take the time to say that, Mr. Chairman.

9 CHAIRMAN CARTER: Thank you, Commissioner Argenziano.
10 This is -- it's a fascinating time to be on the Florida Public
11 Service Commission, and it's a great opportunity for us to move
12 forward as we take these directions and move Florida forward
13 and provide, as you say, to the policymakers the things that
14 they may -- you know, there are some, some fine tuning and
15 some -- you know, as they say, the devil is in the details.
16 Thank you so kindly. Excuse me one second. We're off the
17 record.

18 (Discussion held off the record.)

19 All right. We're back on the record.

20 You're recognized, sir.

21 MR. JACOBS: Thank you. And good afternoon, Mr.
22 Chairman and Commissioners. I couldn't agree with you more; an
23 incredibly important time, an opportune time for you to be in
24 this position.

25 First of all, I think it's really important that

1 we -- I join in the comments of others that this is a
2 challenging subject matter. You've been put in a position that
3 probably is somewhat uncomfortable. You were asked to start a
4 new market, relatively new market and using traditional
5 regulatory tools, and those tools are probably not as best
6 suited to carry out all the objectives of establishing this
7 market. So it is a very challenging and daunting task and we
8 appreciate that.

9 We also -- first of all, I'm here on behalf of the
10 Natural Resources Defense Council and the Southern Alliance for
11 Clean Energy, and we do appreciate the work that you and staff
12 have done to put forward this, this public debate. It is, it
13 is a difficult thing to do and we recognize the challenges that
14 staff is facing. We believe that the work has been very
15 credible and we also believe it's an important work in
16 progress, and so we're here today to, to constructively add to
17 that debate.

18 Timing is always incredibly important, and if you
19 were to wait to 2020 or 2025 to establish any kind of a
20 renewables requirement, we'd be talking much different
21 circumstances, much different issues, much different challenges
22 today. The Legislature has said it wishes to do now, put
23 renewables into the mix of this energy, of the energy plans of
24 this state now, understanding some of the, many of the
25 challenges, certainly not totally understanding but having some

1 grasp and consciousness of those challenges, and let's figure
2 out how to do it the best way we can.

3 We would suggest to you that the, that the draft rule
4 that you have before you is a start, but clearly has some, some
5 substantial flaws. We would suggest to you that the
6 fundamental purpose that you want to, we all want to be here
7 today is because you see the need to establish renewables as a
8 legitimate sustainable marketplace in Florida. And in order to
9 do that we are, we are, we are absolutely convinced that the
10 rules of that market have to be evenly, evenly established and
11 have to be supportive of a diverse marketplace. We believe
12 this rule fails to do that. It favors incumbent producers
13 without adherence to true economic drivers.

14 We believe that when you, when you establish this
15 market, there must be incentives to bring in diverse players.
16 Those players must be able to get the message and communicate
17 to their funding that they're going to have sustainable
18 revenues if they come to this market. We don't believe that
19 that's set out here. We believe that on the contrary the
20 disincentives to those new interests are pretty substantial.
21 And we believe that if you're going to do a market in Florida,
22 diversity will be absolutely vital. You have a nascent market
23 here that's gone on for some time, you've had independent power
24 producers, you've had some biomass and waste to energy.
25 They've existed here on, on a fringe and have done so by very

1 awkward rules that exist, and they've done, and some of them
2 have done so very successfully, but that won't make it with
3 setting up this marketplace. We suggest to you that much more
4 stability, much more clear messaging to this market is going to
5 be critical.

6 In this proposal the, the incumbent utilities will
7 design the rules of the market. Your rule, I believe, requires
8 that they put forward the rules of the REC marketplace for your
9 approval. We suggest to you that's, that's, that's probably
10 not a good course of action. We don't think that they'll do
11 anything that's harmful to the state. We just think that in
12 order to set a good, solid market foundation you want to have
13 open voices in those rules.

14 In the past that, the idea of these, these, doing the
15 cost recovery clauses has, has, while being expedient and
16 convenient, I would, we would suggest to you has not proven to
17 be the best possible result for consumers. And we suggest to
18 you that in establishing this marketplace that we will probably
19 go along with some of the recommendations that were made by
20 Ms. Brownless, that it's probably more appropriate that,
21 particularly for the utility's self-build options, we want them
22 to participate in this market. But your concern, I would
23 suggest to you, should be that they bring, they deliver power
24 to this market that's on par with what's reasonable, as should
25 the third party providers. And so if you're going to do cost

1 recovery, you want them to appreciate the risk and understand
2 what this market requires in terms of cost.

3 There's some implication that the projects that have
4 already been done, those costs are going to be out of line with
5 what traditional prices would, would give for solar projects.
6 You want to have in place mechanisms and methods whereby you
7 can ensure even if those projects are done, they're going to be
8 delivered to the ratepayers at rates that are reasonable.

9 We suggest that, that the, that the proposal by
10 Ms. Suzanne is one way, by Suzanne Brownless is one way of
11 doing that; i.e. that those projects will be done by putting
12 them in the rate base. We would even suggest that in the
13 prudence process and putting them in rate base that you apply
14 that filter. Are these -- is this price being -- is this power
15 being delivered at a cost that we deem to be reasonable? What
16 does reasonable mean? You can use a national average standard,
17 you could be, you could use industry standards, you could look
18 at -- it's your discretion to look at what it means that those
19 delivered prices be reasonable.

20 I hear, I hear your concern about cost. I think it's
21 very important to talk about what you're defining as cost. Are
22 we talking about the cost to produce renewable energy or are we
23 talking about the cost to buy RECs? I think I would, I would
24 propose to you that there's every evidence around the nation
25 and around the world that the cost to produce renewable

1 technologies is declining. The time cycle that you look at, it
2 varies. But I believe there's irrefutable evidence that the
3 cost to produce renewable energy is declining.

4 Now the challenge is how to deliver that cost curve
5 to this state. I would suggest to you, Commissioner Skop, that
6 if it turns out that REC prices are hovering at \$700, the
7 market is out of whack and your oversight is absolutely and
8 desperately needed in that circumstance. I do not believe that
9 if you do the market rules right over the course of time by
10 2020 you'll have the challenge of a utility facing either a
11 \$700 REC or building a plant that's out of line. I think that
12 the market dynamics, if you do it right, will give them the
13 option of doing a self-build that's reasonable for them or
14 going, buying that power from an independent producer who can,
15 who can make it work in this market. That's the conundrum --
16 that's the, that's the circumstance that you want to create and
17 not the conundrum of sitting there trying to figure out how to
18 deal with those kind of REC prices.

19 I think this rule takes an appropriate attention to
20 cost management as the statute allows. I think it takes that
21 attention too far. It overwhelms the desire to set a firm
22 foundation for markets. Experience that we're just now seeing
23 emerge indicates that RPS programs can generate substantial
24 investment, diverse investment in renewables at negligible
25 ratepayer impact. There's some studies out now that indicate

1 that if you take what the experience is now, and we, we
2 acknowledge that that experience is somewhat limited in the, in
3 the U.S., but if you take what the trends are developing now in
4 RPSs and you project them out over 20, out to 2020, the rate
5 impact will probably be around 1 to 3 percent.

6 Now I'm not endorsing a cost cap at that level. I'm
7 suggesting to you that the overriding concern that there will
8 be something grossly out of order with that is inappropriately
9 placed. We think that there's much more worthy attention to be
10 placed on how do we attract strong, competitive, independent
11 providers to the state? We think that much more appropriate
12 attention should be placed to how do we incent larger projects
13 by ratepayers, maybe by increasing the net metering
14 opportunities that, that ratepayers might have to do projects
15 above 2 megawatts. We think that those are some much more
16 appropriate issues that could be looked at and keeping in
17 balance the concern for cost. We don't think that that should
18 be the overriding prevailing consideration that you bring to
19 this discussion.

20 We, we, we think that specifically there are some,
21 that this should start before 2017. We think 2010 is good,
22 2012 at, 5 percent at 2012, but we do think 2010 is appropriate
23 at 3 percent. That would be a good starting point.

24 The compliance provision, compliance is an
25 absolute -- all the, all the literature, everything you see

1 indicates that compliance provisions are an absolute critical
2 ingredient of an RPS. They must be clear, they must be
3 adequately enforced. We don't believe the draft rule reaches
4 that level quite.

5 There is, there is little indication that we would
6 give appropriate value to things in this marketplace other than
7 cost avoidance by the utility. There must be value given to
8 those other attributes in this marketplace because those are,
9 those are driving factors about why the Legislature and now why
10 you are considering renewables. Diversity, fuel diversity,
11 that's an important consideration; carbon reduction, that's an
12 important consideration; environmental advantages. Those
13 things are driving why we're talking about this now.
14 Otherwise, we would wait until 2020 or 2025 before we would do
15 renewables. We're doing them now because they have societal
16 and public benefits now. And so I think we have to think about
17 how to do them most constructively and most effectively now,
18 and I think to do that, by slanting the marketplace
19 overwhelmingly towards incumbent providers won't get it done.

20 A classic example that, that I would suggest to you
21 is if, is where you can look at ways to cost manage, as I
22 believe the statute says, but yet make sure that you're doing
23 things that will allow out-of-state, independent, not
24 necessarily out-of-state but independent providers to locate in
25 Florida, to create the jobs, to give the overall, expand the

1 economic base of the communities where they locate. Those, I
2 think, are legitimate considerations, although not normally
3 part of your regulatory concern.

4 To sum up, I really want to encourage you to consider
5 this more broader perspective. I think the point brought out
6 by Mr. Draper about how you measure cost is a vital issue here.
7 I think the long-term -- if you look at a snapshot analysis of
8 these costs, if you look at a snapshot analysis of renewables,
9 they're going to probably lose out, just to be blunt. They
10 make sense when you look at them over, over a life cycle
11 horizon. They make even greater sense when you determine that
12 you can, you can bond the renewables policy with energy
13 efficiency policies, which this state is, is a very great need
14 in this state. Consumers are paying more in the state per
15 capita for energy and they're using more of that expensive
16 power. So if you can figure out a way to help them reduce
17 their consumption and help them pay less in a high demand time,
18 you've done a great deal.

19 And finally I'll leave you with this. The idea that
20 consumers won't understand this I think is not well taken.
21 Consumers have exhausted the incentives for solar rebates every
22 year that they've been there and in the last few years have sat
23 in line waiting for the Legislature to give more money. This
24 year the entire allocation for solar rebates was already taken
25 up by those who were waiting in queue. Consumers understand

1 the value here. In other states we're starting to see
2 innovative things done in the business side where you see third
3 party providers who go out and buy roof space for, for, that
4 they will use for solar entities and then enter into various
5 elaborate and sophisticated arrangements as to how that solar
6 power gets sold. We're not going to get the benefit of that
7 innovation under this rule. And I thank you for where we are
8 and I'm encouraged because I know we're going to continue to go
9 farther and do more. Thank you.

10 CHAIRMAN CARTER: Thank you, Mr. Jacobs. And I look
11 forward to, as we get into more of a discussion here, talking
12 to you about some of the issues that you raised at, later on,
13 particularly as it relates to the self-build versus the
14 third-party option on that. I was intrigued by some of the
15 things that you said. I'd like to get with you on that.

16 Let me do this, Commissioners. Any further questions
17 for Mr. Jacobs? Before I make any decisions on where we go,
18 everybody kind of hold in place, let me just ask this, is there
19 anyone here that wanted to be heard this morning that did not
20 get a chance to be heard? I obviously want to, you know, want
21 to do that because once we get into our deliberation and our
22 discussion, the issues may not flow based upon some agenda.
23 It's going to flow based upon where we are at the bench in
24 terms of the issues that are important to us that we may want
25 to get some feedback from any or all of the parties or

1 discussion with one another.

2 You're recognized. Come on up and for the record
3 state your name and we'll go from there. Anyone else? Is
4 there anyone else? We want to make sure we heard from everyone
5 that wanted to be heard today. And we're adhering to the
6 modified five-minute rule.

7 MR. ARMSTRONG: Mr. Chair, I'll be brief. I know
8 everybody wants to get to lunch, so this is a dangerous place
9 to be in. But my name is Brian Armstrong and I'm here as an
10 individual. I have listened very closely all morning and I do
11 want to repeat some of the things I heard or second some of the
12 things I heard lately from the last couple of speakers.

13 Mr. Chair, I really think that I know your position.
14 I've represented investor-owned utilities, government
15 utilities, water, wastewater, electric. Sometimes there's
16 things to be learned from representing different utilities in
17 different industries. And one of the things I've heard today I
18 really hope, I know this Commission will consider is the
19 long-term costs.

20 Having worked in the water industry for many years,
21 in Southwest Florida starting in the 1990s through about 1995
22 there were many significant issues about water quality. They
23 couldn't just pull water out of the ground and treat it with
24 chlorine like they could in other places. They had to go to
25 reclaimed water, they had to do a number of things that were

1 very expensive, reverse osmosis, desalination, a number of
2 things that were very expensive. Southeast Florida down in
3 Miami, Northeast Florida, Northwest Florida, they all could
4 treat their water with just chlorination. They could all
5 dispose of their wastewater very cheaply. So when
6 everything -- the problems going on in the early '90s in
7 Southwest Florida, everybody said, well, that's not our
8 problem. That's somebody else's problem. We can do it cheap
9 and we have good cheap rates, we're fine and dandy. But, you
10 know, in the last couple of years there's been even statewide
11 analyses done and it's no longer sustainable in Southeast
12 Florida, no longer sustainable in Northeast Florida to just
13 chlorinate water and have it be cheap.

14 My point is if when the problems were first surfacing
15 in Southwest Florida everybody, instead of saying we can do it
16 cheap, let's do it as cheap as we can for as long as we can, if
17 they had said look at the problems over there, we might
18 experience that same problem in the future if we don't change
19 the way we do things, if they had started saying we're not
20 going to just send our wastewater to the ocean outfalls in
21 Southeast Florida and say we'll treat it and use reclaimed
22 water here and we'll send it back on to the farms, we'll make
23 farmers use it, then maybe the water wouldn't have been
24 degraded. What used to be huge supplies of fresh water were
25 degraded and now you can't use that water anymore and the Water

1 Management District won't let them.

2 My point is now they're spending billions and
3 billions and looking at huge amounts of money to correct water
4 and wastewater issues in Southeast Florida. They're looking in
5 Northeast Florida at desal and reverse osmosis. And the
6 problem is because they didn't address the problem when it
7 would have been a lot cheaper to do. If they had just done
8 some of these things on an interim basis of, of reclaimed water
9 and a few other things, they might have had a, maintained a
10 good water quality all these years and that cost would have
11 been a lot less.

12 So I really see the same thing coming here if we
13 don't make sure that we consider the fact that, hey, if we
14 continue to do what we're doing right now, we are degrading the
15 air quality, we are causing global warming, we are causing
16 problems. Let's do the things that we can do now, and it's the
17 utilities that have to do it. They have to be asked and
18 sometimes they have to be forced to do it to look at these
19 other things. Might it cost more now on an avoided cost basis
20 to another supplier? Yes. But in the long-term it's going to
21 be cheaper.

22 And I really hope, and I know this Commission is
23 really -- I'm encouraged by hearing several of you, I think all
24 of you saying something to that effect, but I really think
25 that's something we really need to make sure that we address in

1 this rule because this is going to set, this is going to set
2 the course for a long time.

3 And, Commissioner Skop, I heard you mention earlier
4 about are the costs coming down? I can just -- the experience
5 in the water industry, in 1990 and early '90s they were doing
6 reverse osmosis for the first time in the State of Florida.
7 Costs were huge, capital costs were huge, power costs were
8 huge, the operating cost was huge. I can tell you for sure
9 that as other parts of Florida started to use that technology
10 and had to use it, the costs have come down for the equipment
11 and for the operating costs and the electric costs. That will
12 happen in this industry as well. That will happen. But we
13 have to make sure that there's a market for that industry, for
14 the renewables. The market is key to make sure that it's not
15 just the investor-owned utilities that have to do it, but we
16 have other people coming in and making investments here in
17 Florida to make sure there's a market, and they're not going to
18 come unless they have some reasonable renewables requirements
19 here in this state. We fought those battles a few years back
20 with the, with the City of Tallahassee in a proposed coal
21 plant. And it's very, very clear that if we suggest that
22 business is going to be as usual, we're not going to see the
23 alternatives coming like we otherwise would have. We're not
24 going to see the cost decreases in the capital costs and the
25 power costs as we would have.

1 So I just encourage you. I was kicked out of bed
2 this morning from my wife saying come down here and listen to
3 what's going on. And I really feel strongly about this. I do
4 intend to participate in this process with you all. Like I
5 said, I'm encouraged by what I hear. We just have to make sure
6 we're moving forward and not just in baby steps. We have to
7 move forward a lot more quickly than what I see in the staff
8 rule. And I thank you.

9 CHAIRMAN CARTER: Thank you.

10 Commissioner Argenziano.

11 COMMISSIONER ARGENZIANO: Excuse me. Thank you.

12 I agree, we need to move forward. I think everybody
13 knows that. And, again, I'm going to emphasize on you need to
14 also participate in the legislative deliberations because --
15 and I'm going to harp on that because no matter what I agree
16 personally, I have to look at what we're charged with. We
17 cannot discard, not look at costs. We are mandated to be
18 prudent and look at prudent and reasonable costs. And it's
19 kind of like here's what we want you to do -- and I was jotting
20 down some things that the Legislature and the statute says.
21 You know, we need to, we need to look at the needs, energy
22 needs of Floridians, we need to diversify fuel types, we need
23 to encourage investment, absolutely right, instate, as they
24 say, minimize volatility, yeah, volatility of fuel costs,
25 improve environmental conditions and make Florida a leader in

1 new and innovative technologies. And then it also says we need
2 to be prudent and have reasonable costs. And it also says add,
3 we may give added weight to solar and wind over other forms of
4 renewable energy.

5 Now, you know, given a question to consumers out
6 there today, if you asked the question, you know, the
7 environmental question, which is one my son talks to me about
8 and I talk to him about and says, you know, let's say the
9 scientific community is right and, you know, and a lot of
10 people believe it is, some don't, that if you reach a certain
11 point of no return, then you've killed yourself and your
12 planet, so what would anything else matter beyond that point?
13 So that is something you all have to take into concern along
14 with all of these other things. And most people would say, who
15 believe that that's happening, yes, that needs to be done.

16 Now given the question, ask another question: Would
17 you like for us to be encouraging more renewables? Most
18 people, yes, they're out there, voluntary programs, they want
19 renewables and say that makes sense, let's do that. And we
20 know, just as we had when we were kids, a little Brownie, this
21 is going to say how old I am, the camera that improved to
22 the -- remember the Instamatic that came out? Wow, that was
23 technology. Into what you have today in digital and so on.
24 And your hi-fi, remember it was a Victrola. Most of you are
25 too young. And then it moved on to all -- it's going to

1 happen, okay, but you have to provide the -- so most people
2 would say yes. And if you tell them, do you think we should
3 get off the oil dependency that we're on now because, after
4 all, we're going to run out of that stuff sooner or later and
5 look at how they're holding us over a barrel and look what it's
6 doing to this country and what it could do to this country?
7 And you know what the answer would be? Yes, heck yeah, we need
8 to get off this oil dependency. So everybody is in agreement
9 there.

10 Now though when you have legislators calling and
11 their constituents calling them at a time when we are at a
12 financial collapse, you ask them to say, okay, do you think
13 cost should matter right now, you know what they say? Yes. So
14 now not being a policymaker and being in a box that says the,
15 that we're mandated that we must look at reasonable and prudent
16 costs and to take into consideration these factors while we
17 want you to do everything else, and of course we do, we all
18 want to get there, now it's time for the Legislature to make
19 the decisions. And that's why I say, and I'm sorry to repeat
20 it again, is that a couple of different scenarios need to go.
21 Let's send that aggressive recommendation there that says,
22 okay, you know, it emphasizes do you really want us to look at,
23 add weight to solar and wind over everything else? Is that
24 what you really meant? And then let's look at the cost to do
25 so. Is that okay with you, or are there other mechanisms in

1 reducing that cost, providing more incentives and lessening the
2 impact on the consumer and still enable the companies to be
3 able to come in and say, okay, Florida has put its money where
4 its mouth is? And then, of course, go with something a little
5 closer to what the staff's recommendation is that would send,
6 not that conservative though, and says, okay, this is what this
7 is and this is what the ramifications of this will be.

8 So, and the reason I repeat that, and I won't do it
9 again, is because while you're sitting there, you're
10 100 percent right with the water issues. But you know what the
11 truth of that is too? In 1935 the west coast, the coastal
12 areas of the State of Florida knew that they shouldn't be
13 developing in those areas, the tidal influence was too much and
14 they knew that overpumping would cause the potable zones to
15 disappear, and they did. And in 1942 the Florida Handbook came
16 out and said do you know what you're doing to the State of
17 Florida? So it was a lot more than just putting money -- it
18 was a lot of politics involved. And I think it's gotten to the
19 time where our legislators even understand that, that politics,
20 this goes beyond that for all the reasons I mentioned, whether
21 it's your planet, whether it's diversity of fuels, all those
22 reasons. So it's gotten too big.

23 So what I guess I'm telling you is please also be
24 involved with the legislative branch because as a, as a
25 Commissioner sitting here now I can see that we're the ones,

1 we're being -- don't just think of cost. We have to. We're
2 told we have to. So we need a little bit more direction from
3 the Legislature, and that would be most helpful if all of you
4 can do that.

5 MR. ARMSTRONG: Commissioner, I appreciate the
6 comments too. I appreciate what you said about 1945 and the
7 west coast. I guess that makes the point too that we both have
8 and that is it's still happening --

9 COMMISSIONER ARGENZIANO: Actually, it was actually
10 '35 they ran out of potable zones.

11 MR. ARMSTRONG: '35. And it still happened in
12 Southeast Florida. I mean, they still let it happen again down
13 there and have the problems and the lack of sustainability if
14 they kept doing it the way they were doing it.

15 COMMISSIONER ARGENZIANO: But can I tell you one
16 thing, and I'm sorry, just to show you what innovative thinking
17 sometimes does? The City of Dunedin, okay, right in the middle
18 of Pinellas County -- Pinellas County was your true water wars
19 in the State of Florida. That's where all the litigation took
20 place, that's where we, where they were stealing and mining the
21 aquifers, poor Pasco County was sinking and all kinds of stuff,
22 their lakes dried up and everything else. But the City of
23 Dunedin had the unbelievable innovation, and it started out
24 because there was too much iron in the water and then they
25 realized that, my goodness, we have a water shortage problem

1 too. The Water Management District at the time didn't even
2 think there was a water shortage. But what they did was they
3 created an RO plant. And if you're familiar with Dunedin's RO
4 plant, what they did was retrofitted the city, put lines out to
5 say, you know what, we're going to have this reverse osmosis
6 plant. By the way, when they got finished paying off the
7 capital outlay of dollars, their cost per thousand gallons were
8 like 55 cents, which is unbelievable. But even before that it
9 was like 88 cents per thousand gallons, cheaper than anywhere
10 else using RO membranes. And the way they did it, my point is
11 they had the innovation and the insight. And now it's time to
12 do that for this issue because it encompasses so many different
13 facets of sustaining our life the way we know it.

14 So -- and I'm sorry to go off on that, but that's the
15 truth and that's what we need to do. And I think everybody in
16 this room is trying to do that and we're trying to get there.
17 It's just that this Commission -- and there's a lot of
18 misunderstanding about what this Commission can and cannot do.
19 So that's what I'm saying, we may be in a box. And I don't
20 think the Legislature did it on purpose. They have great
21 initiative and the Governor has this great initiative and says
22 let's move forward. But now it's time we realize we've got to
23 refine it because you can't say do all these things, but, or we
24 want this, but. It's going to have to be you have to make the
25 decision now.

1 MR. ARMSTRONG: Commissioner, this board is aware of
2 a water utility that was out there in Pasco County, Florida,
3 which we are now hopefully on behalf of a number of local
4 governments we're buying. Just what's important here is the
5 education process. You mentioned that, yes, the costs will be
6 higher, may be higher short-term, but over the long-term they
7 might, they might be lower.

8 We were able to buy that utility because we worked
9 with customers and said, yes, your rates are going to go up but
10 they're going to go up a lot less than they otherwise would
11 have. And how did we do that? Through an education process.

12 I have heard, I've had the benefit of hearing several
13 CEOs of the IOUs, the electric utilities in this state say
14 recently as a result of the Governor's action and probably just
15 before that, yes, we recognize renewables and conservation have
16 to be done, they have to be given high, high priority. I and
17 everybody else who heard them say that took that to heart and
18 we were very encouraged by that. And I guess my point would be
19 let's -- the staff rule I don't think gets us far enough quick
20 enough and I don't think it really stands behind the comments
21 the way I heard those comments made in the last couple of
22 years. So I encourage this Commission, as I know you're doing,
23 we can push them. You know, utilities can be pushed, private
24 utilities can be pushed, government utilities can be pushed to
25 do the right thing on a long-term basis and ultimately the

1 bottom line is going to be it's going to cost less. Will rates
2 go up? Yes. But they'll go up less than they would have
3 otherwise. And I appreciate the fact that you are looking at
4 that.

5 CHAIRMAN CARTER: Thank you so kindly.

6 What we're going to do is -- and I sincerely
7 appreciate the patience of our court reporter. I've kind of
8 gone over time with her and allowing her to get a break. We're
9 going to have an opportunity, Commissioners, for each one of us
10 to go through -- I wanted to hear from everyone and we've heard
11 from everyone that wanted to be heard first and we can go into
12 our deliberations. But before we do that, I want to give the
13 court reporter a break, give staff a break, give everyone else
14 an opportunity because now we'll be in our give and take. And
15 let's do this. Let's, let's break and come back at -- I'm
16 looking at -- I've got a different time on each one of them.
17 2:35, does that work?

18 COMMISSIONER ARGENZIANO: That is one hour?

19 CHAIRMAN CARTER: An hour. Let's do an hour. So
20 we're on recess until 2:35.

21 (Recess taken.)

22 **CHAIRMAN CARTER:** We are back on the record.

23 When we last left, I had a call from some people that
24 wanted to be heard. And let me just make this one final
25 announcement. Is there anyone that wanted to heard this

1 morning that was not heard when we were taking information from
2 the parties? Okay, good.

3 With that, Commissioners, let's move into Phase II.
4 And in Phase II what I would like to do -- and let me, first of
5 all, say to you how much I appreciate your patience from this
6 morning for allowing the parties to be heard. I mean, just
7 deferring your time to allow that to occur. And now we can
8 move into our deliberations and questions and concerns.

9 Commissioner McMurrian, are you still with us?

10 **COMMISSIONER McMURRIAN:** I'm here, Chairman. Thank
11 you.

12 **CHAIRMAN CARTER:** There you go. Okay. Well, let's
13 do this. Commissioners, I had a coin I was going to flip to
14 see who went first, but I couldn't find a five-sided coin, and
15 the guy outside of the record store that was trying to sell it
16 to me, you know, he said that I had to give him a \$20 silver
17 gold piece in order to get it, and I couldn't find that, so I'm
18 at a loss here. So, who is on first?

19 **COMMISSIONER ARGENZIANO:** (Inaudible. Microphone
20 off.)

21 **CHAIRMAN CARTER:** Sleep deprivation, that's what it
22 is.

23 Commissioner Edgar, help me out here.

24 **COMMISSIONER EDGAR:** Okay. If I may, Mr. Chairman, I
25 will jump in and see where it takes us. Thank you.

1 I think that the morning, although long and I was
2 getting very hungry, I think was real helpful. I realize that
3 many of the people who spoke to us this morning have
4 participated -- I think all, if not all, certainly most -- in
5 the workshops, and have sent us written comments, and I know
6 that that has been very helpful to our staff, it is very
7 helpful to me, and probably to each of us.

8 But yet, you know, when we hear comments and read
9 some of the written comments and testimony, as well, sort of at
10 an earlier stage in our administrative process, then it also
11 can be very helpful to hear some of those comments or
12 refinements of those comments as we work further through the
13 administrative process. So I realize that it may have been
14 repetitive to some of the speakers, but I thank them for their
15 patience and for sharing their comments, again, with us.

16 From the discussion that we have had this morning and
17 the workshops and all of the written material leading up to
18 this point, I mentioned earlier that there are a couple of
19 areas that I still have more questions in my mind that I would
20 like to ask our staff to maybe do some further work on. They
21 may already have all of this information. I know that some of
22 it is in the written material, but yet some additional data
23 gathering, and maybe written analysis would be helpful to me.
24 So I'll lay out just a couple of those issues here in just a
25 moment.

1 My thinking is this, if I could make a few comments

2 --

3 **CHAIRMAN CARTER:** Certainly.

4 **COMMISSIONER EDGAR:** Thank you. Process and
5 procedurally, where we are. I know that when the legislation
6 was passed and the Legislature directed us to put forward a
7 rule and for it to go to them by February 1st for their
8 additional review and ratification, one of the first questions
9 I asked, and probably many of us did is to our staff is, okay,
10 how do we do this. What is the process. What are the
11 requirements under Chapter 120. How do we get from Point A to
12 Point Z through that process. And realizing all the notice
13 requirements that we have, and the time frame under the FAW,
14 and trying to meet all of those, we laid out a process that is
15 part of, you know, having workshops and that has brought us to
16 agenda today for this item.

17 We designated a day, and I've got it here somewhere,
18 but not right in front of me, but a day coming up in a month or
19 so roughly that we have on our calendar for a hearing, and then
20 a day in January to come back and have some further
21 discussions. So my thinking is since we have those dates
22 identified, that maybe I can lay out some of the areas that I
23 have questions. I expect that each of us may have a few of
24 those areas as well that we would like some additional analysis
25 done, that we use that date we have scheduled to then come back

1 in what I would think of as -- I would, in my mind, call more
2 of a workshop rather than a hearing, but whatever we need to
3 call it is what we need to call it, but I'm thinking of more of
4 a workshop. Have some further discussion. Have some
5 additional data shared with us from our staff. And then work
6 through on that day with the idea of coming back in January and
7 proposing some language that would go forward to the
8 Legislature.

9 It may well be that that language has options in it.
10 It may well be that some areas in that language has ranges.
11 You know, I don't know that I'm quite ready yet in my thinking
12 to say it needs to be two different sets, or one, or three, but
13 I think that there is time and a few more bites at the apple
14 that we can work our way through that process administratively.

15 So, that is kind of my thinking. I just feel like to
16 try to vote on some specific language, realizing that we are
17 going to come back in this process and have additional
18 discussions, feels a little premature to me. But I am very,
19 very, very mindful of the deadline that has been set for us,
20 and I know that we can meet it and that we can meet it with a
21 good product. I'm just not quite sure what it may look like
22 yet at this point. So those are my thinkings procedurally.

23 Mr. Chairman, would you like for me to go through
24 some of my points and then we can go from there?

25 **CHAIRMAN CARTER:** You're recognized.

1 **COMMISSIONER EDGAR:** Okay, thank you. One thing I
2 would like to ask for a little additional information and
3 analysis of is this issue of the cost-recovery clause
4 potentially that's proposed in the draft language right now
5 versus a rate base analysis or accounting treatment. You know,
6 how much may be considered O&M, how that type of discussion or
7 accounting treatment, rate base clause, or some other or some
8 blending relates to where we are with the settlement
9 agreements. I think that would be very helpful for my
10 thinking. So that's one point.

11 A second would be -- and I mentioned this earlier,
12 but the interrelationship or interplay between a retail revenue
13 percentage cap, whatever that number may or may not be, and the
14 relationship or interplay between that, the revenue percentage
15 cap, and a phased-in mandatory time frame, whatever those time
16 frames may be.

17 The third area would be additional ways or how it is
18 already in there, but I'm thinking it through a little more
19 about providing oversight and accountability for the downstream
20 dollars. There may be a better way to say that, but that is
21 kind of the way I think about it in my mind. I think that
22 oversight and accountability and accounting goes right to the
23 heart of the cost-effectiveness, and also something I mentioned
24 earlier and others have about providing good value to the
25 ratepayer. So that's an area I would like to look at a little

1 more closely with the help of our staff. I'm almost done.

2 Then also the interrelationship of the Ten-Year Site
3 Plan review process by the Commission. The revenue and
4 programs for investments in energy efficiency, and potentially
5 maybe a cap and trade program. And I say all of that, and I'm
6 not quite sure how to do it, which is why I'm asking staff to
7 look at it, but I think that each of those and probably some
8 other things too, but, RPS, Ten-Year Site Plan review, energy
9 efficiency programs, and a potential future perhaps cap and
10 trade program really are very related when we look at the
11 overall energy policy. But also, again, dollars that may be
12 charged and passed through through customer bills and on to
13 ratepayers. And there may be some offsets in there, too. And
14 obviously that would be great if that is the way it turned out
15 to be, but I would like to just look at that a little more and
16 help think it through.

17 And then I mentioned earlier the potential role of
18 alternative compliance measures. We have discussed that a
19 little bit, but I'd like to look at it a time a little more.

20 And, Mr. Chairman, that is where I am in my thinking.
21 You know, if there are other areas that my colleagues have to
22 maybe ask staff to do a little bit more work on. I have spoken
23 frequently about how excited I am to have the opportunity to
24 continue to work on these issues. I am just reminded again and
25 again how important for Florida's energy future our actions in

1 conjunction with the Legislature and the Governor and all the
2 stakeholders will be. And it's very exciting, and I know that
3 we can come up with a good proposal by the deadline we have
4 been given.

5 **CHAIRMAN CARTER:** Thank you, Commissioner.

6 The interesting process that we have before us
7 here -- it's a very exciting time to look at where we are as a
8 state, indeed, as a nation, as we try to go to things like
9 dealing with the impacts of climate change, the results of
10 being energy independent, energy security, the process of going
11 to 21st century technologies. I'm convinced that with the
12 11-state university system schools that we have in the state of
13 Florida, with all of that great brain power of our students out
14 there, as well as the private colleges here in the state of
15 Florida, and a lot of our policymakers, as well as moms and
16 dads, I believe that within the collective intelligence and
17 energies that we have here our best is before us.

18 And the more that we can look at different things
19 from a different perspective the better off we are going to be.
20 So I agree about some of the technologies that we may need to
21 get where we need to get to may or may not be fully developed
22 at this point in time, but I was reading an article the other
23 day -- Commissioners, I'm just slightly digressing. I was
24 reading an article the other day about a process in Florida
25 where a lot of the -- like FSU at the mag lab, the University

1 of Florida in terms of what they are doing there with
2 renewables and cellulosic ethanol, and FAU with the wave
3 energy, I mean, we are on the verge of so many fantastic things
4 that it kind of seems like Buck Rogers. I may be dating myself
5 when I say Buck Rogers, but whiz bang kind of things.

6 But I do believe that what staff has done is -- and,
7 Commissioner, you're right about what people said in the press,
8 but what staff has done is at least put together a framework
9 for us to work from. You know, you may disagree with the
10 percentages, you may disagree with the caps, you may disagree
11 with the process and all like that, but what they have done is
12 provided us a framework from which we can work. And I'm
13 exciting about it.

14 I think that the Governor's Executive Order last year
15 in terms of where he wanted to get to 20-by-'20 is something
16 that's out there that we can look at. I mean, I don't see any
17 reasons why -- you know, nothing is off the table in my mind.
18 And if nothing is off the table, that means everything is on
19 the table. And I believe that it's time for us -- Commissioner
20 Skop has spoken so eloquently before when he made reference to
21 John Kennedy who said that, you know, I'm convinced that if we,
22 as a nation, will put our resources together, we can safely
23 land a man on the moon and return him safely back to the earth
24 in the next ten years. And we don't have ten years, ya'll.

25 Commissioner, I think that we can get there. I think

1 that our goal and our vision is no less significant now than it
2 was back in 1960, and I think that with what the Governor has
3 set forth in his executive order, with what the Legislature has
4 set forth in House Bill 7135, and with the commitment and the
5 profound intelligence and respect of my colleagues here, I know
6 we can get there.

7 And we have had some great discussions this morning,
8 some good ideas. We had an opportunity -- a lot of us came in
9 and sat in when staff was holding their workshops, and it was
10 great to see a lot of the comments. And to some of the parties
11 that were here, just because you didn't make -- your comments
12 were not necessarily within the context of the draft rule that
13 staff put, that doesn't mean that we didn't hear you because we
14 did. That's why we participated. And we wanted to make sure
15 at that point in time that the parties had an opportunity to be
16 heard. And you were heard, and we hear you, and we are
17 looking.

18 And I just wanted to say from a standpoint of -- from
19 a global view is that these are very, very, very exciting times
20 for us. And from the standpoint of a more pedestrian level, we
21 do have to be efficient, economical, reliable, reasonable,
22 safe. So while I've got my head in the clouds, I've got my
23 feet on the ground.

24 I think that's probably enough pontificating for now.
25 But, again, Commissioners, as we go forward with this, I think

1 there's some exciting things that are before us in Florida, and
2 I saw something in one of the press reports where they said
3 that we are dead last. And being a former football player back
4 in the day is that I used to watch the cheerleaders in between
5 plays, and I got familiar with a lot of their cheers and all
6 like that. I never heard them saying we're number two. They
7 always said we are number one. And, as Florida, as we move
8 forward our goal is to be second to none.

9 And with that Commissioners -- Commissioner Skop,
10 you're recognized, sir.

11 **COMMISSIONER SKOP:** Thank you, Mr. Chairman.

12 I guess I will just kind of chime in and, I guess,
13 express some concerns having listened to my colleagues and the
14 parties that appeared before us.

15 I guess first and foremost, I just want to come out
16 and say that I fully support Governor Crist's vision of
17 achieving a 20 percent RPS by 2020. You know, House Bill 7135
18 provided the comprehensive energy policy legislation that
19 embarked us down this path, and I commend the Legislature for
20 their actions.

21 And in furtherance of reaching the Governor's goal, I
22 do equally feel that it would be appropriate for the Commission
23 as expressed here today by some of my colleagues to provide the
24 Legislature with various options that they may wish to consider
25 during the ratification process. I think that, as Commissioner

1 Edgar has alluded to, I think there is still quite a few
2 questions that I have, I think each of us have, you know, in
3 terms of what goals are achievable. Anything is possible. We
4 sent a man to the moon. It is just a matter of what resources
5 are available to allocate towards that. What cost impact
6 analysis there is, and recommendations as to how we can achieve
7 goals of various options that, again, exist.

8 I guess to my point, I looked at the staff
9 recommendation, and I noticed that, you know, there's a lot of
10 emphasis being placed on waiting until the Navigant consultant
11 report comes in, and that is very late in the process. At
12 least as the basis for discussion, I tried to at least do a
13 very quick-look analysis, which I think I provided to my
14 colleagues that tries to at least identify what might be
15 achievable as a result of some of the price caps from one
16 percent up to five percent. I think I stopped there.

17 Again, the analysis is very perfect world, a utopia,
18 if you will. There's no resource constraints. I didn't try
19 and account for production tax credits, or investment tax
20 credits, or anything of the like. I just tried to see as a
21 quick sanity check if you had a certain amount of money at each
22 cap, and you invested that money, kind of like compounding on a
23 year-to-year basis, in that renewable resource, what you could
24 logically get to based upon a realistic estimate of what the
25 installed cost per capacity would be on a megawatt hour, the

1 net capacity factor, what production you could expect.

2 Because, again, at the end of the day, we have been
3 tasked by the Legislature to relate it back to a target number
4 based on a prior year production. And so that's what -- the
5 analysis that we have that I provided to my colleagues, and I
6 think staff has it, as well as some of the aides. It attempts
7 to just do a quick look analysis at that. And, again, it's
8 very idealized in terms of it's a capacity-driven analysis
9 where resource constraints are not really considered.

10 But if you look at some of the comments made today, I
11 think for biomass one of -- the spokesperson I think for
12 Florida Crystals mentioned that they thought at minimum a 10
13 percent biomass would be doable. Well, if you look at the
14 first top left-hand column, at 2020, assuming a one percent
15 cap, lo and behold, biomass is at 10.18 percent. So that
16 comports pretty well with some of what we heard, and that is
17 probably more a realistic expectation noting that resource
18 constraints do exist. And, again, this is an idealized version
19 of that.

20 But going to the two percent cap that staff has
21 recommended, at least in 2020 if you had unlimited feedstock
22 and you could bring these biomass plants or renewables into
23 operation each year, which is, again, somewhat of an realistic
24 assumption, but it is just a matter of a quick look to see what
25 might be possible. Clearly, at least my limited analysis would

1 show that, you know, 20 percent in 2020 would be achievable on
2 biomass.

3 I think that if you look at some of the other numbers
4 that I have put there for wind and solar, again, solar is
5 exponentially more expensive at least from what I have seen. I
6 reran my numbers, even at the two percent cap, and even if
7 solar came down 66 percent in terms of its cost, to \$4 million
8 per megawatt hour of PV solar -- excuse me. I talk too quick
9 at times. -- \$4 million per megawatt installed for solar PV,
10 which is, again, probably one-third of what the real cost is
11 today, you could only achieve, basically, 2.18 percent at a
12 2 percent cap. So, again, solar is expensive, but I hope we
13 will see those quantum leaps in technology.

14 But, again, the economics are what they are, and I
15 really can't change that. So what I'm trying to do is just
16 visualize or put some sort of rational basis towards what might
17 be achievable as we move forward as a Commission to try and
18 determine what some of the best decisions that we could
19 recommend to the Legislature would be.

20 On the second page of the analysis, and, again, I
21 want to emphasize the analysis I did just due to the math
22 involved, it is only for FPL. I took the largest utility and
23 basically took their generation numbers that were provided by
24 staff and ran those numbers for FPL. So this is what FPL as
25 Florida's largest utility might be expected to accomplish if

1 funds were continually invested into a single renewable
2 resource.

3 The analysis, I think, would be scalable because,
4 again, if it works for one utility then there might be some
5 slight variances, but you could extend the analysis as a
6 statewide initiative. But looking at a one percent cap and a
7 summary for FPL-only economic investment and achievable
8 capacity through 2020 on the second page, at least with the one
9 percent cap, and I think as Mr. McGlothlin accurately stated,
10 there is the cost of the cap plus the avoided cost. And my
11 analysis encompasses those in terms of my total dollars
12 available comprise the avoided cost plus the revenue cap.

13 So I have incorporated those into the analysis. And
14 under a one percent cap a total economic investment in the
15 state through 2020 could rationally be expected to be
16 \$4.1 billion. And those are some of the numbers for installed
17 capacity that might be achievable by renewable type. For the
18 two percent investment, I mean, two percent cap, it goes up to
19 8.2 billion; 3 percent, 12.3 billion; 4 percent cap,
20 6.4 billion; and 5 percent cap, 20.5 billion. So as you see
21 with the additional economic investment and revenue stream,
22 certainly that creates jobs and develops renewables. But, you
23 know, some renewables as correctly noted provide more bang for
24 the buck to the extent that they are nearly equivalent to base
25 load generation such as biomass, where other cleaner

1 renewables, admission free renewables are intermittent
2 resources and have lower capacity factors and cost a lot more,
3 particularly solar PV.

4 But I guess putting it into somewhat of a
5 perspective, unless something substantively changes with the
6 cost of solar, by 2020 investing 5 percent solely in solar you
7 would be essentially -- it would be the equivalent cost of a
8 nuclear plant. And you could only theoretically achieve two
9 percent of your total prior year generation in terms of what
10 that investment would be rationally expected to deliver, at
11 least based on my math, subject to check.

12 And so, again, you know, I just wanted to provide
13 some basis. Again, I would not say that my numbers are gospel
14 by any means, and I look forward to looking at the Navigant
15 consultant report. But, again, my quick look analysis attempts
16 to rationalize what could be theoretically achievable if we had
17 a pool of money that we could invest in a renewable type and
18 running that through 2020. And I would hope that, you know, as
19 a basis for discussion that that might be useful to not only my
20 colleagues, but to staff, and perhaps even maybe the Navigant
21 consultant.

22 But just as a rational basis check, the numbers that
23 I used for installed costs in terms of dollars per megawatt for
24 biomass was about 1.9 million per megawatt; wind, 2.3 million
25 per megawatt; solar thermal, 11.2 million per megawatt; and

1 solar PV about 12 million per megawatt. I realize that those
2 numbers could be debated or what have you. They may be a
3 little bit lower, they may be a little bit higher. But, again,
4 the magnitude really doesn't change no matter what the numbers
5 are. Base load generation obviously provides more generation,
6 which is critical towards achieving the goal sooner rather than
7 later to the extent that the goal is based on past year
8 generation in terms of the current year.

9 A very idealized analysis, and so I don't think too
10 much should be made of it, but at least it shows that the
11 Governor's vision is achievable in some regards. And I think
12 that it's important to move forward with that and provide the
13 Legislature with options to consider. And, again, I think that
14 that is a policy decision that's best left to the Legislature
15 in terms of what they feel that the consumer is able to burden,
16 and what the long-term policy benefits to the state are in
17 terms of the environment. And it's, I think, better left to
18 them to make those value choices.

19 Just briefly commenting on two of the comments that
20 were made by some of the presenters. I look forward to
21 reviewing some of the solar data that may be available in terms
22 of the report. Again, I'm just basing it on numbers I have
23 seen currently, and just a reasonable cost of what I think
24 solar PV would be on a cost per kilowatt or cost per megawatt
25 hour basis. Also, too, just briefly touching upon FPL's

1 comments, again, this gets down to we're not the policymakers,
2 but if I understand FPL correctly, they are effectively asking
3 the Commission to somewhat legislate or make recommendations.
4 And at least from my perspective, you know, we are not in the
5 position to make policy in contravention of the statutory
6 provisions that were enacted by the Legislature. And I guess
7 as a lawyer, I kind of, you know, I tread lightly.

8 So with respect to the position that was advocated
9 for weighing in with expertise or on the merits of nuclear, I
10 think I would be deferential to the Legislature at this point.
11 I have my own personal views, but I would be more inclined to
12 be deferential and not really take a position currently.

13 But with respect to the comments that were made in
14 support of having a national REC market in terms of the benefit
15 to consumers and such, you know, while I respect FPL's argument
16 and really can't fault them for asking, I guess, you know, my
17 view is very consistent with the legislative mandate that has
18 been given to the Commission, to the extent that at least my
19 personal view is buying out-of-state RECs is analogous to
20 buying thin air.

21 And to me it provides no economic benefit to our
22 state, and it would be troublesome to me, at best, to in good
23 faith recommend that we ask Florida consumers to contribute to
24 something that really doesn't have that tangible nexus or
25 benefit to our state. And I respect the argument that is being

1 advanced, but it's also, in a sense, somewhat self-serving to
2 the extent that -- well, you know, the unregulated subsidiary
3 would stand to probably benefit financially from adopting that
4 position.

5 So in good faith I just could not support that just
6 because, again, I think it would be inherently unfair to ask
7 consumers to step up and the state of Florida to pay for
8 something that is out of state. And so I respectfully
9 acknowledge the request, but I just couldn't support it just
10 because of the dollar amounts involved. And if we are going to
11 ask people to make that commitment, we ought to recognize the
12 in-state benefit of that commitment. And if we can do it in
13 other states we certainly can do it in Florida, and it brings
14 that business here.

15 So that's basically all I really had to say. I look
16 forward to moving forward. I think Commissioner Edgar made an
17 excellent point with respect to looking at alternate compliance
18 payments and some of the other points that she mentioned. And
19 I think as we move forward, you know, certainly we are on a
20 very tight frame. It's unfortunate that we will be getting the
21 Navigant consultant report late in the game. I mean, I don't
22 have the ability to really talk to the consultant at this
23 point, so that's why I took a little initiative and tried to
24 come up with the analysis that I did as a basis for discussion.

25 I hope it helps, or at least provides a little bit of

1 visibility towards that. But, like I say, I think moving
2 forward in the process, it's an exciting time in Florida to be
3 working on these policies. And it's a great time to have the
4 honor and privilege of serving as a Commissioner with my
5 colleagues. So, thank you.

6 **CHAIRMAN CARTER:** Thank you, Commissioner.
7 Commissioner McMurrian.

8 **COMMISSIONER McMURRIAN:** Thank you, Chairman.
9 Can you all hear me okay?

10 **CHAIRMAN CARTER:** Yes, ma'am. We can hear you fine.
11 You're recognized.

12 **COMMISSIONER McMURRIAN:** Thank you.

13 Well, I guess I will start off by saying that I'm
14 very encouraged by all the things I have heard today,
15 particularly from my colleagues. I think that it is an
16 exciting time. And I am very optimistic about what we can
17 accomplish when we are putting our heads together on this
18 issue. And I've heard a lot of the things today from all of
19 you that I have some concerns about, but I think that we are
20 hearing -- I think we are coalescing around some agreement in
21 some areas, and also identifying the areas where we need more
22 information.

23 The Governor and the Legislature recognized the need
24 to address this issue for all the reasons that you all have
25 mentioned today, and a lot of the stakeholders, and also for

1 the reasons that are so clearly laid out in the statute. And
2 obviously we need to address it, too. But I do agree with some
3 of what has been said about taking time to get the information
4 we need in order to address it in the most effective way. And
5 I guess the way I have been approaching this are what things
6 can we do to move the ball forward and to show that Florida is
7 open to the renewables business, but while balancing the
8 concern about the cost to the ratepayer.

9 And, of course, I have listened to the comments today
10 about the short-term versus the long-term cost, and I think
11 that's something we definitely have to keep in mind as we try
12 to make the best recommendation we can to the Legislature. But
13 I think those answers about what we can do to move the ball
14 forward, those should be in whatever we submit to the
15 Legislature. And I listened intently to the comments by
16 several of the speakers. I know that Mr. Twomey, I think, was
17 the first that talked about if we had suggestions that perhaps
18 we were concerned about our authority to put forward at this
19 point, that maybe we ought to consider at least sharing those
20 and making the best recommendations we could to the
21 Legislature.

22 I agree that ultimately, just like Commissioner
23 Argenziano said, that the Legislature, they are the
24 policymakers and it's up to them to divvy out the tools. But
25 it is also our responsibility, I believe, to let them know if a

1 certain tool may be helpful in striking the right balance as we
2 try to get to that answer.

3 And in the spirit of Commissioner Edgar's list of
4 things that she would like to follow up on and get some more
5 information about, and I have heard comments today along these
6 lines from at least a couple of the speakers about nuclear.
7 And, of course, I feel strongly about taking full advantage of
8 our nuclear resources. Certainly the new ones, and perhaps
9 even the old ones could be accounted for in some way because
10 they are clean resources and because the ratepayers have paid
11 for them or will be paying for them in the future. And it
12 seems that that should be recognized as a clean resource.

13 I realize that the current statutes probably do not
14 allow us to recognize it as a renewable source, but I think
15 there are probably some options out there for taking advantage
16 of it in some way or another, whether it's looking at the
17 denominator that we are applying the percentage to, or perhaps
18 looking at the definitions, or those sorts of things that have
19 been raised.

20 I don't think that -- I think it is hard at this
21 point to say exactly what the answer should be, but I think we
22 are at least coalescing around a list of things that we want
23 more information on. And they can help move us to that best
24 possible proposal that we can put forward in February. But I
25 agree that we should take full advantage of the time that we

1 have left and continue to work on the best product that we can.

2 **CHAIRMAN CARTER:** Thank you, Commissioner.

3 Commissioner Argenziano.

4 **COMMISSIONER ARGENZIANO:** Thank you.

5 First, let me say that when we broke, my staff handed
6 me a little sheet of newspaper that there was an article I
7 guess on the Internet already that was titled "Argenziano Tells
8 Legislature to Finish Their Job." Well, none of you heard me
9 say that today, and I want to make it very clear I did not say
10 anything like that.

11 What I suggested was that just as we have before
12 us -- and first I suggested that the Governor and the
13 Legislature took the bull by the horns and said we're going to
14 do something. And then just as I said here many times today,
15 almost ad nauseum, was that we found in deliberating what they
16 were trying to get out that there are more questions, obviously
17 more questions that we need answered. And some of those
18 questions are policy, are answered only by the policymakers.
19 So let's rewrite that headline and "Argenziano Says Policy
20 Decisions Should be Made by the Legislature. Standby for Part
21 Two of the Energy Bill." So there you go with headlines for
22 newspapers.

23 In making that clear, what I said before is that
24 staff came up with a product within our jurisdiction and worked
25 very hard at coming up with something, and did what they could

1 within our parameters and the information we had. In looking
2 at the language of what we are asked to do as a Commission,
3 what we shall have in rulemaking authority, they are talking
4 about in developing the rule the Commission shall evaluate the
5 current and forecasted levelized cost in cents per kilowatt
6 hour through 2020, and current and forecasted installed
7 capacity in kilowatts for each renewable energy generation
8 method through 2020.

9 I'm having a really hard time coming up with those
10 numbers, and so did staff. They are hard to just pull out of
11 the air. And if we are supposed to be putting those into a
12 rule, then we have to have some kind of a clue as to where to
13 go and what they should be. And on the other hand, we have in
14 the statute, and I know that the Legislature had to get this
15 together very quickly, and I'm sure my colleagues over there in
16 the Legislature are going to be coming back with us with other
17 things that they are finding that they need to add to this
18 legislation. Other things that some of you here today have
19 said, look, we need to look at this, we need to look at that,
20 and some have said, look, don't pay attention to costs. Well,
21 we have to pay attention to costs because in this statute it
22 says that's what we should do, also.

23 So what I think, because I have been waiting since
24 1972, waiting on those lines, personally thinking that we
25 should have moved ahead a long time ago, is that while we have

1 so many other questions to answer, and while we know -- I am
2 certain that the Legislature in its wisdom is going to come up
3 with Part B and other things that need to be addressed in this
4 great bill that they did pass, and with the Governor's
5 initiatives, that there is going to be more that we have to
6 look at. It is just not as simple as saying that is what we
7 want to do.

8 They did a great job, and now something more is
9 coming at us, I am certain. But at the same time I don't want
10 to sit and wait and do nothing. I want us to move forward, and
11 my suggestion still remains that incorporating all those things
12 that we have discussed is that we need to move forward with an
13 aggressive approach, an aggressive recommendation that says by
14 2020 this is what we're going to do and this is why.

15 Now, what I would like to ask the Legislature along
16 with that is if you want us to do this, do you still -- I know,
17 I realize that the statute says we may give greater weight to
18 solar and wind above all other forms of energy. Are you
19 certain that is what you want if the costs are this way? And
20 please give us some direction, and to that specifically,
21 because there are a lot of renewables out there that want to be
22 part of that and can be a great part of that economic
23 development and including that energy. We need that policy
24 direction.

25 But I would like to move forward with that, but also

1 keeping in mind you have two different forces here. We have
2 the Legislature, who really -- and I'm going to ask staff,
3 because I read it, but I want to make sure, because I want to
4 get this on record. Did the Legislature give us a time frame,
5 and a percentage, and a date to do it by?

6 **MR. RUDD:** Ryder Rudd of staff. The Legislature did
7 give us a time frame when to submit them a draft.

8 **COMMISSIONER ARGENZIANO:** No, I mean to implement a
9 reduction of any particular type, or kind, or when, and where,
10 and how much did it cost.

11 **MR. RUDD:** No, ma'am.

12 **COMMISSIONER ARGENZIANO:** Okay. Now, you have the
13 Governor's proposal, which I happen to think is a great
14 proposal, okay, that says we need to move forward. You know,
15 we need to go here. But now we have the Legislature, who I'm
16 not going to sit here and ignore what they said, okay. I'm
17 going to say, okay, I have the Legislature's statute here in
18 front of me that this is where they want to go. Now I want
19 them to tell me if we can give them two scenarios. Let's give
20 them a more conservative, maybe not quite as conservative as
21 staff came up with, and that's another thing the article got
22 wrong. It said that the second part of my recommendation was a
23 more conservative approach. No, a more conservative than
24 Option 1, but here is Option 2. But it also says, okay, give
25 us some kind of policy direction as to when, and knowing that

1 there is some cost that we could possibly plug in here, and
2 also letting them know we are not sure of all the costs yet
3 because they are ever changing.

4 You know, we could maybe give a guesstimate of what
5 today's costs are for some of the renewables, but what will
6 they be two years from now. And what do we do in the case in
7 two years from now in incorporating a rule, and I know we can
8 always go back and change the rules. But having those two
9 scenarios makes me feel more comfortable that I did not neglect
10 either one of those great proposals by our Governor or the
11 Legislature. And I think that they can come back and give us
12 the policy direction.

13 When we are talking about rulemaking we are not
14 talking about policy. We are talking about rulemaking. Now,
15 give me the policy with specifics to how I can go about
16 developing a rule to that specific policy. And all I'm saying
17 is there is some missing components there, and there are very
18 good competing renewables out here that we need to understand
19 how we incorporate those into a rule, and just to what degree,
20 and how much is cost a factor. And I'm going to ask the
21 Legislature that because we need to know.

22 And I'm sure they are going to hear from their
23 constituents, and some of those constituents are going to say,
24 you know, I don't mind spending that money here if this is
25 where we are getting to. So with having those two proposals in

1 front of me, and I don't have all the particulars. I need
2 staff to help here. I'm giving you some kind of -- you know,
3 to me it says I'm not going to turn my cheek on the Legislature
4 or the Governor, because they are both great plans. Now we put
5 them together and figure out -- let's take direction from them
6 on how we propose the rules after we have a few more specifics
7 in there.

8 Thank you, Mr. Chairman.

9 **CHAIRMAN CARTER:** Thank you, Commissioner.

10 Commissioner Skop, you're recognized.

11 **COMMISSIONER SKOP:** Thank you, Mr. Chairman.

12 I think Commissioner Argenziano made some good points
13 there. With respect to, I guess, Mr. Rudd's discussion of what
14 we are mandated to do pursuant to the legislative mandate in
15 terms of providing achievable megawatts or something like that,
16 I think that part of the second page of my analysis attempted,
17 again, a rough order to try and articulate if you had this much
18 available for each of the caps as proposed by staff, how many
19 megawatts that you could -- installed megawatts in the state of
20 Florida would be achievable by renewable type through 2020.

21 So I think part of that, again, I'm trying to answer
22 some unanswered questions, I think, as all of us have, and it
23 is difficult because we don't have those answers. And I would
24 hope that, you know, perhaps staff could share at least these
25 preliminary results with the Navigant consultant or maybe at

1 some point I could talk to them during the process. Because,
2 again, I would like to see what's achievable in terms of
3 installed capacity by megawatt renewable type through 2020, or,
4 you know, what have you. What target RPS date you can make;
5 what percentage by year. And also, too, those levelized costs.

6 Again, I didn't try and project any of that. I made
7 some just really gross first order of magnitude estimates on
8 what would be doable as a basis for facilitating discussion.
9 And also, you know, whether we could achieve the goal. And,
10 again, I think that that is doing that at least rough analysis
11 has convinced me that we can move forward and do so
12 aggressively, or we could do so more moderately. But, again,
13 that's a policy decision. But, again, clearly, you know, those
14 goals can be realized through a lot of combined effort and hard
15 work on our part and getting something, the best possible
16 product and best options to the Legislature for ratification.

17 **COMMISSIONER ARGENZIANO:** Mr. Chairman.

18 **CHAIRMAN CARTER:** Commissioner Argenziano.

19 **COMMISSIONER ARGENZIANO:** I'm sorry, I forgot I had
20 some questions for staff. And I hope that they will lead to
21 something else that we need maybe to ask the Legislature.

22 Number one, what have we come up with as far as the
23 determination of need for 2020; what is the energy amount that
24 we need to take us through those times?

25 **MR. BALLINGER:** Tom Ballinger with staff. Are you

1 talking the forecasted retail sales of the IOUs?

2 **COMMISSIONER ARGENZIANO:** To meet the needs of
3 Floridians.

4 **MR. BALLINGER:** A ballpark figure would be about
5 255,000 gigawatt hours.

6 **COMMISSIONER ARGENZIANO:** And the second part of that
7 question, with the proposals of the four new nuclear power
8 plants, how much of that energy will we be achieving with the
9 four new plants when they come on-line?

10 **MR. BALLINGER:** That I do not know. You want to know
11 a percentage of what would be provided by nuclear?

12 **COMMISSIONER ARGENZIANO:** Right. I'm trying to
13 figure out if we are trying to get to an energy level, making
14 sure that we have energy, where are we with the four nuclear
15 plants, and then how much do we need above that? And that is
16 besides the other issue, because another issue that is probably
17 going to come up in this session is going to be the new energy.
18 I mean, clean energy, not just renewables. And that's going to
19 be -- I think it's going to be a big factor, but I want to
20 know -- I guess I'm trying to figure out how much demand do we
21 have that we are looking for down in the future and how much
22 are we going for so we know how much we should be including
23 into this picture and letting the Legislature know at the same
24 time. This is the demand we see for the future. We have four
25 plants coming on. We want to open the door for renewables for

1 many different reasons, but let's figure out the remaining
2 energy that we forecast.

3 **MR. BALLINGER:** Another part of that question would
4 be the capacity needs. In our Ten-Year Site Plan there is a
5 lot of capacity that has been proposed. About half of that
6 capacity has already been committed to by utilities, either
7 through need determinations from the Commission, certification
8 through the Governor and Cabinet, or under construction. It
9 didn't require certification, it's peaking capacity that's
10 under construction.

11 There has been several more thousand megawatts that
12 has happened over time that has been removed from utility
13 plants for various reasons, primarily reduction in load growth.
14 Bottom line, we're looking at maybe 1700 megawatts of capacity
15 and energy that's available that can be avoided, if you will,
16 by new renewable generation out through 2017. Then you have
17 two more nuclear units that come on in 2018 and 2020 with FPL.
18 So between that, we are pretty much covered as far as needed
19 capacity needs through the 2017 to 2020 time frame.

20 **COMMISSIONER ARGENZIANO:** So you're saying -- I think
21 what you just told me is that we are covering our need, our
22 predicted need.

23 **MR. BALLINGER:** Our reliability capacity needs; yes,
24 ma'am. That doesn't mean renewables can't avoid a fuel, an
25 energy need, which they do today, they sell as-available energy

1 and can displace fuel.

2 **COMMISSIONER ARGENZIANO:** Okay. That's great. And
3 maybe you can get me those numbers, because I didn't jot them
4 down quick enough.

5 **COMMISSIONER EDGAR:** I'm sorry, when I said earlier
6 and kind of ran through a laundry list of a few items, when I
7 said additional information on our review of ten-year site
8 plans and the interrelationship with energy efficiency
9 programs, some of those points were what I was hoping to kind
10 of bring in. So, I'm hoping that with the further discussion
11 that they are sort of part of what we can discuss the next time
12 we're together.

13 **COMMISSIONER ARGENZIANO:** It just makes sense to know
14 those things, put them altogether when we are reporting back to
15 the Legislature, and say here is what it looks like. Here is
16 where we need to go. And then, of course, there are other
17 reasons to look at renewables. But keeping in mind that that
18 clean -- and I'm not predicting what the Legislature is going
19 to do, but it sounds like the clean energy issue is going to be
20 a major issue this session, too, and that is going to change,
21 I think, some of the things that has already been sent to us.

22 **CHAIRMAN CARTER:** Commissioner, before you go to
23 another issue, would you yield to Commissioner Skop?

24 **COMMISSIONER ARGENZIANO:** Sure.

25 **CHAIRMAN CARTER:** I think he wants to be heard on

1 this point.

2 Commissioner Skop.

3 **COMMISSIONER SKOP:** Thank you, Mr. Chair.

4 Just two quick issues, I think, in response to
5 Commissioner Argenziano's question. I want to take a rough
6 stab at the new nuclear generation in terms of gigawatt hours
7 per year with four reactor plants. I would guess that it would
8 be about 36,000 gigawatt hours per year. That was some quick
9 math, but subject to check.

10 And then secondly, too, in terms of the capacity,
11 that avoided capacity that Mr. Ballinger mentioned, the
12 1700 megawatts. Again, when I ran my preliminary numbers, I
13 just assumed that, you know, that there was wasn't a constraint
14 on that, either. But, again, I just wanted to clarify those
15 two points. But I think if we do the math we will come close
16 to probably about 36,000 gigawatt hours for the new reactors.

17 **COMMISSIONER ARGENZIANO:** Okay. And my point -- and
18 I'm sure my colleagues feel the same way, is to make sure that
19 gets passed on to the Legislature so they have a good
20 understanding.

21 One other thing I have been curious about for the
22 longest time, and it's very hard to get the numbers on, and I
23 know Steve and my staff has been trying to work hard to get
24 this, and I think I would like to bring it up in the
25 legislative capacity.

1 Because from time to time legislators do talk to our
2 federal counterparts and talk to them about the needs of the
3 states and the country as a whole. And I think that in, what
4 was it, in 2003 the Federal Clean Air Act was changed. And I
5 wonder when you think about going back and putting it back to
6 where it was pre-2003, how much of emissions reductions are we
7 getting in doing that?

8 And I would like to get some kind of an answer to
9 that question. And maybe advice, or ask our Legislature if
10 they can look into that, and if there is anything being done on
11 that. Because if it is being done on a federal level and you
12 can reduce emissions, then that has got to help the states in
13 so many other areas. And I'm just curious that I can't come up
14 with that kind of information. I think that's it, Mr.
15 Chairman.

16 **CHAIRMAN CARTER:** Good. And be aware -- I know we
17 have used the term aggressive, but we do have an aggressive
18 schedule, and we are going to stay on our schedule, because we
19 have got those dates locked in because of our time frame to
20 report to the Legislature. So, staff, as we are asking this --

21 **COMMISSIONER ARGENZIANO:** Mr. Chair, you are talking
22 about the aggressive schedule for rulemaking.

23 **CHAIRMAN CARTER:** Right. Yes.

24 **COMMISSIONER ARGENZIANO:** When I say aggressive, I'm
25 talking about aggressive rules to go along with the policy.

1 **CHAIRMAN CARTER:** Right, and I agree with you. I'm
2 just saying to try to keep the train on course, so staff can
3 kind of work their work plan to understand that we are going to
4 keep those dates as we go through that. That will keep us kind
5 of focused. Because whatever we send to the Legislature, it
6 will be given to them at the date, because the statute is
7 specific on that, I think it's February 2nd.

8 Yes, ma'am. Commissioner, you're recognized.

9 **COMMISSIONER ARGENZIANO:** In regards to what the
10 Legislature has asked us, what I read before in part of our
11 rulemaking -- excuse me one second, let me find that spot
12 again. "In developing the rule, the Commission shall evaluate
13 the current and forecasted levelized cost in cents per kilowatt
14 hour through 2020 and current and forecasted installed capacity
15 in kilowatts for each renewable energy generation method
16 through 2020. I think that we have to provide that to the
17 Legislature. And I think that -- I'm hoping that we stay on
18 point with what they are actually asking us to provide, also.

19 **CHAIRMAN CARTER:** At a minimum we should at least
20 provide what they ask for.

21 **COMMISSIONER ARGENZIANO:** We can throw in some other
22 stuff.

23 **CHAIRMAN CARTER:** Yes, throw in some other stuff.
24 But, as a minimum, we have got to give them what they asked for
25 as a foundation. And then I think that gives us an opportunity

1 to those areas that we may need some further direction on,
2 looking at nuclear, or looking at it in how do you look at it
3 if you do look at it. Looking at the fact that based upon the
4 Ten-Year Site Plans, I think Mr. Ballinger said there is
5 1700 megawatts left out there. How do we look at that in the
6 context of trying to create a marketplace for renewable energy
7 in Florida.

8 And, I think, Commissioner Skop, I like the schedule
9 that you have developed here because it goes down to 2020, but
10 also looking at it in the context of what's available in
11 Florida, and what will come to Florida given the process. And
12 looking at the cost, the RECs, the rate caps, and things of
13 that nature, and then biomass. God love Commissioner Bronson,
14 but when he starts talking about dry tons -- you know, I know
15 about cotton, I know about peanuts, I know about corn, and I
16 know a little bit about pigs and cows, but I don't know about
17 dry tons.

18 **COMMISSIONER ARGENZIANO:** He does.

19 **CHAIRMAN CARTER:** He does. That's a good thing, he
20 does. But in the context of putting it all in place, as I
21 said, it's a very exciting time. And for us to be able to --
22 and I appreciate your perspective on that, Commissioners, is
23 that how we look at first and fundamentally what the
24 Legislature has told us to do that we know that's unequivocal.
25 Then as we go through the process of coming to grips with

1 giving them the information they are requiring, there are some
2 collateral issues that kind of spin-off from that.

3 And I think that as we identify -- because it is
4 important that we identify those issues because, as I said,
5 well, if you can't do that then why, why didn't you guys look
6 at that. So we do need to look at that. I don't want to be --
7 I don't think any of the five of us want to be standing before
8 a committee when they say why didn't you guys look at that.
9 And we say, well, we didn't really think about it.

10 **COMMISSIONER ARGENZIANO:** Turn around and say, well,
11 we sent you a message and said we needed to know how you wanted
12 us to look at that. Then we can answer them and say, well, we
13 did.

14 **CHAIRMAN CARTER:** That's where we are getting to, and
15 that's why I'm so excited about the issues. But,
16 fundamentally, I'm excited about the fact that the five of us
17 are looking at this in the context of protecting Florida,
18 protecting the ratepayers, following our legislative mandate,
19 but also creating an exciting economic development opportunity
20 for the state. And, as you said, Commissioner, coalescing the
21 Governor's vision and the Legislature's policy for us. That's
22 a great thing. That's a great thing.

23 Commissioners, I think I'm coming back to
24 Commissioner Edgar.

25 **COMMISSIONER EDGAR:** Mr. Chairman, once again, it has

1 been long day, but a good day. And I guess if we are at that
2 place, I'd take a stab at a motion and see where it takes us.

3 **CHAIRMAN CARTER:** Commissioners, I'm going to ask
4 Commissioner Edgar to give her stab at it, if that's okay with
5 everyone.

6 You're recognized.

7 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

8 I would ask that we direct our staff to do some
9 further analysis and data gathering per the conversation that
10 we have had. There have been a number of items that have been
11 listed and others that have been discussed, and that we come
12 back on December 3rd for a further workshop on these issues.
13 And that we work towards then from that date a January 9th
14 special agenda at which point in time we will work towards a
15 vote on some items and additional information to send to the
16 Legislature per the statute.

17 **CHAIRMAN CARTER:** Thank you, Commissioner, for the
18 motion. Let's discuss -- to make sure that we got everything
19 there, Commissioners, before I ask for a second, let me call on
20 Commissioner McMurrian first, and then we will come to --

21 Commissioner McMurrian.

22 **COMMISSIONER McMURRIAN:** Yes, Chairman.

23 **CHAIRMAN CARTER:** Were you able to understand the
24 motion that Commissioner Edgar had made, and just whatever
25 feedback. Before we ask for a second, I wanted to kind of make

1 sure that we were all on board with understanding exactly where
2 we are going from this point.

3 **COMMISSIONER McMURRIAN:** Yes, I understood the
4 motion. I agree with that way of looking at it. I think that
5 we have some things that if we try to hash through them today,
6 I just don't think we're going to have the information to
7 answer some of those questions that Commissioner Edgar laid
8 out, and there are some other more specific things, if we go
9 down the road of trying to put forth a proposal today, I do
10 think that, of course, staying on schedule is absolutely
11 important. And I think with this kind of an approach, we can
12 do that, and we can get to where we need to be.

13 And I think that we are -- I think that we are
14 gaining a lot of consensus here. I think that we want to move
15 forward and strike the right balance, and I think we can do
16 that. But, again, I think there are a few things that
17 Commissioner Edgar mentioned, the one I had mentioned, I've got
18 a couple of others, you know, particularly a little bit -- a
19 few more questions that I might ask if we are going to try to
20 put pen to paper today and actually submit a proposal.

21 But I think we do have a really good work product to
22 go from. I think we know where those spots of information --
23 we know where the places are where we need to gather some more
24 information, and we have got something to work from. I do
25 agree with Commissioner Edgar's approach, if that's what you

1 are asking of me, Chairman.

2 **CHAIRMAN CARTER:** Yes, ma'am, I was. And thank you
3 so kindly.

4 Commissioner Argenziano.

5 **COMMISSIONER ARGENZIANO:** If I could ask Commissioner
6 Edgar one more time, repeat it to me. We are talking about
7 getting additional information but staying on course as far as
8 the deadlines that we have that the Legislature gave us.

9 **COMMISSIONER EDGAR:** Yes, ma'am.

10 **COMMISSIONER ARGENZIANO:** And what would be the next
11 workshop or date that we would have this come before us? I
12 want to make sure that there is enough time in between for
13 public as well as the Commissioners to keep working on it.

14 **COMMISSIONER EDGAR:** Sure.

15 My understanding, and this is what I'm working from,
16 and I certainly would ask staff if I have a date wrong or if
17 anything needs to be added, but my understanding is that we are
18 currently scheduled on the Commission calendar on December 3rd,
19 and that we would use that pre-scheduled date as a workshop
20 looking at the information that staff would be following up on
21 in the meantime, and with their, of course, direction and
22 ability to work with all stakeholders and interested parties.
23 And then we have, it's my understanding, January 9th, a date
24 already scheduled on the Commission calendar, and that that
25 would be a date then for a further more refined work product to

1 come before us potentially, and hopefully then to be able to
2 come to consensus on a product to send to the Legislature.

3 And my thinking, as I said earlier, is that I don't
4 know yet what that will look like, but there is the ability to
5 still look at options, to look at ranges, to look at some
6 different approaches with language, and that gives us two more
7 times that we will be gathered together in open forum for
8 discussion.

9 **COMMISSIONER ARGENZIANO:** And that will include open
10 to public, also.

11 **CHAIRMAN CARTER:** Absolutely.

12 **COMMISSIONER ARGENZIANO:** Okay, great. And that
13 January 9th date would be -- we'll have that date set as the
14 date we will actually vote. That is our tentative plan on
15 that, and that way we can maintain our February 2nd. So staff
16 can go through and do all the scriveners and putting all the
17 things together and get it to the Legislature in a timely
18 manner.

19 Commissioner Skop.

20 **COMMISSIONER SKOP:** And I guess based on the
21 discussion, I would second Commissioner Edgar's motion. Again,
22 I think with respect to the time remaining until December 3rd,
23 it's a significant amount of time, but I also think that we
24 have quite a bit of analysis that we need to get done between
25 now and then. And basically we need a comprehensive analysis

1 so we can provide the Legislature with the appropriate options.

2 **CHAIRMAN CARTER:** Let me just -- Commissioner
3 Argenziano.

4 **COMMISSIONER ARGENZIANO:** Just out of curiosity. I
5 mean, I try to go to different places to get some information
6 and resources available. Are some of our universities or
7 universities around the country providing some research on some
8 of the renewables that we can tap into?

9 **MR. FUTRELL:** Commissioner, Lawrence Berkeley
10 National Laboratory for one, and there are several other major
11 research centers that provide information, particularly on
12 updates on what is going on in RPS in other states where we can
13 get a lot of these in-depth questions, particularly about
14 things like alternative compliance payments and understanding
15 the issues more in-depth, as well as how states are progressing
16 with their renewable standards, the cost implications, barriers
17 they are finding to success. How they are trying to overcome
18 those barriers, as well. There is a lot of research out there
19 that we are tapped into.

20 **COMMISSIONER ARGENZIANO:** And that's great, and I
21 think that's great. I think what I'm trying to say, and I'm
22 going to try and say it in the best way I can. You have so
23 many competing interests that I would hate to just rely solely
24 on their own data as far as cost and efficiency. I would like
25 to see if there is some other research in other places that

1 could give us, you know, an unbiased maybe -- and not to say
2 that they are not giving us straightforward information, but so
3 I feel comfortable that we are getting the best information as
4 we can from several sources.

5 **CHAIRMAN CARTER:** Staff, what Commissioner Argenziano
6 is saying is pretty much what we're all thinking, is that to
7 ensure as comprehensively as possible that you seek out that
8 information and get it to us so that we can make the best
9 possible decision. Because, as a said, we are not seeking to
10 be number two, we are seeking to be the leader in the country
11 as Florida is now and will continue to be. And in that process
12 as you go there, I mean, even -- I mean, there may be some
13 information we may be able to get from some industry
14 institutes. Wherever, no stone unturned. Let's look under
15 every rock, behind every tree and get that information.

16 And that way I think that particularly in light of
17 what we have been discussing here from the bench saying that we
18 want to make sure that we give the Legislature those collateral
19 issues that are relevant to the decisions that we are making.
20 And I think that if we can do that, the more information that
21 we can give based upon the decision that we make, I think the
22 better off we are going to be. Because in the final analysis
23 is that the Legislature will be the final sign-off on the rule.

24 Yes, ma'am.

25 **COMMISSIONER ARGENZIANO:** May I say something, Mr.

1 Chairman? The statute does say that we will make Florida a
2 leader in new and innovative technologies.

3 **CHAIRMAN CARTER:** There you go.

4 **COMMISSIONER ARGENZIANO:** We are mandated.

5 **CHAIRMAN CARTER:** We are mandated to do it.

6 And I did want to say that, because I think that as
7 we go forward we want to ensure that we have that, and I just
8 wanted to kind of keep us on track from our time perspective
9 and all.

10 But, again, let me just say, Commissioners, before we
11 vote on the motion, to not only to our staff, who has done a
12 yeoman's job in terms of putting together this process, and
13 also holding the workshops for the stakeholders, let me just
14 say to the stakeholders, those of you that have been with us
15 from day one, as well as those that are here with us today,
16 please continue to work with our staff. Please continue to
17 submit information. It has been my opinion, although I have
18 not lived as long as -- as some of the kids in Sunday school
19 said, I was around when Moses came. I don't have all of the
20 great ideas, but I do think that if we work cooperatively and
21 collaboratively we can have -- as the Legislature says, make
22 Florida a leader in this area.

23 And with that, Commissioners, anything further? Any
24 debate? Hearing none, we have a motion and a second on the
25 floor. All in favor of the motion let it be known by the sign

1 of aye.

2 (Simultaneous affirmative aye.)

3 **CHAIRMAN CARTER:** All those opposed, like sign.
4 Shown it done. Thank you so much for your time.
5 Thank you, Commissioner McMurrin.

6 **COMMISSIONER McMURRIAN:** Thank you.

7 **CHAIRMAN CARTER:** We are adjourned.

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1 STATE OF FLORIDA)
: CERTIFICATE OF REPORTERS
2 COUNTY OF LEON)

3 WE, LINDA BOLES, RPR, CRR, and JANE FAUROT, RPR,
4 Official Commission Reporters, do hereby certify that the
5 foregoing proceeding was heard at the time and place herein
6 stated.

7 IT IS FURTHER CERTIFIED that we stenographically
8 reported the said proceedings; that the same has been
9 transcribed under our direct supervision; and that this
10 transcript constitutes a true transcription of our notes of
11 said proceedings.

12 WE FURTHER CERTIFY that we are not a relative,
13 employee, attorney or counsel of any of the parties, nor are we
14 a relative or employee of any of the parties' attorneys or
15 counsel connected with the action, nor are we financially
16 interested in the action.

17 DATED THIS 20th DAY OF OCTOBER, 2008.

18 Linda Boles
19 LINDA BOLES, RPR, CRR
20 FPSC Official Commission
21 Reporter
22 (850) 413-6734

23 Jane Faurot / LB
24 JANE FAUROT, RPR
25 FPSC Official Commission
Reporter
(850) 413-6732

RPS Summary for FPL (Renewable Percentage Achievable with 1% Cap)				
Year	Biomass	Wind	Solar (Thermal)	Solar (PV)
2007	0.74%	0.08%	0.03%	0.03%
2008	1.51%	0.17%	0.06%	0.05%
2009	2.25%	0.26%	0.09%	0.08%
2010	2.98%	0.34%	0.11%	0.11%
2011	3.70%	0.42%	0.14%	0.13%
2012	4.39%	0.50%	0.17%	0.16%
2013	5.09%	0.58%	0.19%	0.18%
2014	5.76%	0.65%	0.22%	0.21%
2015	6.48%	0.74%	0.25%	0.23%
2016	7.22%	0.82%	0.28%	0.26%
2017	7.94%	0.90%	0.30%	0.28%
2018	8.66%	0.98%	0.33%	0.31%
2019	9.42%	1.07%	0.36%	0.34%
2020	10.18%	1.16%	0.39%	0.36%

RPS Summary for FPL (Renewable Percentage Achievable with 2% Cap)				
Year	Biomass	Wind	Solar (Thermal)	Solar (PV)
2007	1.47%	0.17%	0.12%	0.05%
2008	3.03%	0.34%	0.18%	0.11%
2009	4.50%	0.51%	0.17%	0.16%
2010	5.95%	0.68%	0.23%	0.21%
2011	7.39%	0.84%	0.28%	0.26%
2012	8.78%	1.00%	0.34%	0.31%
2013	10.17%	1.16%	0.39%	0.36%
2014	11.53%	1.31%	0.44%	0.41%
2015	12.95%	1.47%	0.49%	0.46%
2016	14.43%	1.64%	0.55%	0.51%
2017	15.87%	1.80%	0.61%	0.57%
2018	17.32%	1.97%	0.66%	0.62%
2019	18.84%	2.14%	0.72%	0.67%
2020	20.37%	2.31%	0.78%	0.73%

RPS Summary for FPL (Renewable Percentage Achievable with 3% Cap)				
Year	Biomass	Wind	Solar (Thermal)	Solar (PV)
2007	2.21%	0.25%	0.08%	0.08%
2008	4.54%	0.52%	0.17%	0.16%
2009	6.74%	0.77%	0.26%	0.24%
2010	8.93%	1.01%	0.34%	0.32%
2011	11.09%	1.26%	0.42%	0.40%
2012	13.18%	1.50%	0.50%	0.47%
2013	15.26%	1.73%	0.58%	0.54%
2014	17.29%	1.96%	0.66%	0.62%
2015	19.43%	2.21%	0.74%	0.69%
2016	21.65%	2.46%	0.83%	0.77%
2017	23.81%	2.70%	0.91%	0.85%
2018	25.98%	2.95%	0.99%	0.93%
2019	28.26%	3.21%	1.08%	1.01%
2020	30.55%	3.47%	1.17%	1.09%

RPS Summary for FPL (Renewable Percentage Achievable with 4% Cap)				
Year	Biomass	Wind	Solar (Thermal)	Solar (PV)
2007	2.95%	0.33%	0.11%	0.11%
2008	6.05%	0.69%	0.23%	0.22%
2009	8.99%	1.02%	0.34%	0.32%
2010	11.91%	1.35%	0.45%	0.42%
2011	14.79%	1.68%	0.56%	0.53%
2012	17.57%	2.00%	0.67%	0.63%
2013	20.35%	2.31%	0.78%	0.72%
2014	23.06%	2.62%	0.88%	0.82%
2015	25.91%	2.94%	0.99%	0.92%
2016	28.86%	3.28%	1.10%	1.03%
2017	31.75%	3.61%	1.21%	1.13%
2018	34.63%	3.93%	1.32%	1.23%
2019	37.68%	4.28%	1.44%	1.34%
2020	40.74%	4.63%	1.55%	1.45%

RPS Summary for FPL (Renewable Percentage Achievable with 5% Cap)				
Year	Biomass	Wind	Solar (Thermal)	Solar (PV)
2007	3.69%	0.42%	0.14%	0.13%
2008	7.56%	0.86%	0.29%	0.27%
2009	11.24%	1.28%	0.43%	0.40%
2010	14.89%	1.69%	0.57%	0.53%
2011	18.49%	2.10%	0.71%	0.66%
2012	21.96%	2.49%	0.84%	0.78%
2013	25.43%	2.89%	0.97%	0.91%
2014	28.82%	3.27%	1.10%	1.03%
2015	32.38%	3.68%	1.24%	1.15%
2016	36.08%	4.10%	1.38%	1.29%
2017	39.69%	4.51%	1.51%	1.41%
2018	43.29%	4.92%	1.65%	1.54%
2019	47.10%	5.35%	1.80%	1.68%
2020	50.92%	5.78%	1.94%	1.81%

Parties/Staff *Councilman*
 Internal Affairs/Agenda
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FPL Summary

Economic Investment and Achievable Capacity (Through 2020)

Total Economic Investment (1% Cap):		\$ 4,113,549,188
Installed Capacity (Achievable MW by Renewable Type):		
Biomass	2,165	
Wind	1,788	
Solar (Thermal)	367	
Solar (PV)	343	

Total Economic Investment (2% Cap):		\$ 8,227,098,375
Installed Capacity (Achievable MW by Renewable Type):		
Biomass	4,330	
Wind	3,577	
Solar (Thermal)	735	
Solar (PV)	686	

Total Economic Investment (3% Cap):		\$ 12,340,647,563
Installed Capacity (Achievable MW by Renewable Type):		
Biomass	6,495	
Wind	5,365	
Solar (Thermal)	1,102	
Solar (PV)	1,028	

Total Economic Investment (4% Cap):		\$ 16,454,196,751
Installed Capacity (Achievable MW by Renewable Type):		
Biomass	8,660	
Wind	7,154	
Solar (Thermal)	1,469	
Solar (PV)	1,371	

Total Economic Investment (5% Cap):		\$ 20,567,745,939
Installed Capacity (Achievable MW by Renewable Type):		
Biomass	10,825	
Wind	8,942	
Solar (Thermal)	1,836	
Solar (PV)	1,714	