BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Determination of Need for Citrus County Combined Cycle Power Plant	DOCKET NO. 140110-EI
	FILED: September 10, 2014

THE SOUTHERN ALLIANCE FOR CLEAN ENERGY'S POST HEARING STATEMENT

The Southern Alliance for Clean Energy (SACE), by and through its undersigned counsel, pursuant to Order No. PSC-14-0341-PCO-EI, filed July 3, 2014, hereby submits its Post-Hearing Statement.

STATEMENT OF BASIC POSITION

SACE supports the use of low cost, low risk energy resources in meeting electricity demand, and SACE has demonstrated that Florida is underinvesting in energy efficiency implementation and meaningful renewable energy development. SACE also supports the timely retirement in 2018 of the Crystal River 1 & 2 coal units.

Energy efficiency underinvested

One of the legal thresholds that Duke Energy Florida (DEF) must meet in this proceeding is to prove that it has utilized all reasonably available conservation measures to mitigate the need for a 1640 MW of new generation in 2018.[1] This legal requirement also protects customers since it ensures that future demand will be met with investments in low cost, low risk, conservation measures before the Company is permitted to commit to a long-term higher cost, higher risk power plant project.

DEF has not met its burden of proof that it has utilized all reasonably available conservation measures to mitigate the size of the proposed plant. That means customers could be

[1] §403.519 (3) Fla. Stat.

paying for generation they don't need and that can be more cost-effectively met through energy efficiency.

In fact, DEF acknowledges that its proposed conservation goals cause an "increase in DEF's firm winter and summer peak demand ... further establish[ing] the need for the Citrus CC."[2] Yet in its need determination, DEF acknowledges that it did not consider evaluating higher levels of conservation goals.[3] Instead, DEF found that "DSM programs of such a scale necessary to DEF this large block of capacity could not be developed, approved and implemented in the necessary timeframe."[4]

Prior to filing its conservation goals in 2014, the company never came to the Commission, on its own accord, for approval of new, and innovative programs to help meet the projected demand for 2018. Its proposed FEECA conservation goals filed in 2014, for 2015 – 2024 time frame, have significantly lower demand and energy savings than what the Company is currently achieving.[5] Additionally, DSM projection through 2018 utilized in this docket, nor its proposed conservation goals in Docket 130200-EI are based on avoiding the proposed 1640 MW of new generation in 2018.[6] Yet, the Company alleges that 1640 MW of new generation in 2018 cannot be mitigated through demand side management (DSM) measures in spite of never having evaluated the avoided capacity of benefit[7] of conservation measure of mitigating 1640 MW of proposed generation in 2018. This represents a perverse resource planning process where demand-side measures never have an opportunity to compete with the very supply side options

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[2] Exhibit BMHB-1 at 8.
[3] Transcript V.6,p. 842.
[4] Id. at 55.
[5] DEF's proposed conservation goals have been filed in Docket No. 130200-EI. The Order Establishing Procedure was issued on August 19, 2013, and proposed conservation goals filed on April 2,2014
[6] Transcript V6, p. 771
[7] All else being equal, the more capacity an EE measure can mitigate, the more cost-effective the conservation measure will be and the savings potential can be counted towards the Company's EE potential and rolled into its conservation goals.

the company alleges cannot be met through reasonably available conservation measures. Moreover, it does not satisfy the burden the Company must meet in this docket, that it utilized all reasonably available conservation measures to mitigate the need for the proposed power plant.

Solar power

DEF makes a similar argument with respect to solar power. First, DEF "recognized a system need for dispatchable, high capacity factor generation."[8] DEF then proceeds to exclude solar projects because they "do not provide dependable dispatchable capacity and have not yet demonstrated economic competitiveness as an energy only resource."

With respect to DEF's first claim, DEF's need determination study provides no evidence that it considered the option of a combination of dispatchable generation in combination with a predictable, on-peak energy resource. While DEF may reasonably argue that it needs dispatchable generation at some level, it does not logically or empirically follow that 100% of any demonstrated need must be dispatchable.

With respect to DEF's second claim, DEF provides no analysis that solar power has not yet demonstrated economic competitiveness as an energy only resource. In fact, ample market data are available to demonstrate that utilities across the country are making just such investments. DEF only needs to inquire of its unregulated affiliate, Duke Energy Renewables, for further information on this subject.

As described in DEF's need determination, its "optimum supply-side expansion plan" was determined after solar power was "eliminated from further consideration"[9] and that current DSM programs were unable to "defer the Citrus CC".[10] While it may have been reasonable for DEF to determine that conservation and solar power were not adequate to meet the entire need

[8] Exhibit BMHB-1 at 51.
[9] Id. at 52.
[10] Id. at 55.

identified in the expansion plan, by fixing the level of solar (at zero) and conservation (at the levels in the Company's DSM programs), DEF failed to actually optimize across all available resources.

What DEF appears to believe is that when the Commission inquires as to whether "there any renewable energy sources and technologies or conservation measures taken by or reasonably available to DEF that might mitigate the need for the proposed Citrus County combined cycle plant," what the Commission means is that renewable energy must replace the plant in its entirety and conservation measures must "defer the Citrus CC"[11] in its entirety for some period of time. DEF fails to consider whether the size of the Citrus CC could be reduced with an optimal mix of additional DSM program and solar power resources. It is important to note that the plant is comprised of two 820 power blocks[12]; therefore, for example, the Company should have analyzed if one power block could have been the optimum size of the proposed power plant coupled with the use of reasonably available conservation measures and solar power.

It is also worth noting that the Company provides circular logic in showing that its proposed, lower levels of DSM programs are most consistent with the Citrus CC proposal. The Company argues that by virtue of simply filing a request for proposals (RFP) in October of 2013, the unit can't be considered as avoidable through reasonably available conservation measures. The Company at or about that time, was developing it filings for its proposed conservation goals in Docket No. 130200-EI. Had the Company delayed the filing of its RFP by several months, the unit presumably could have been considered an avoidable unit and conservation measures could have been provided an opportunity to go head to head with the proposed plant. Regardless, there

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[11] Id.
[12] Transcript V.2, p. 121

is no Commission rule that require that a unit be considered as "committed" or unavoidable in the analysis and development of its energy efficiency achievable potential.

The disjointed nature of Florida's planning process often times allows a company to file a petition for a plant that has never gone head to head with reasonably available energy efficiency that can mitigate the need for a power plant in the Company's resource plan. Conservation goals are set every five years, and need determinations requests are filed in between goals setting dockets. That is one way in which conservation is never considered on a level playing field with supply-side options.[13]

For this reason, this docket once again demonstrates that Florida's resource planning process is easily manipulated by the state's big power companies to produce favorable results for resource, such as power plants, that maximize shareholder profit. The lack of an open, coordinated and participatory integrated resource planning (IRP) process may be placing unnecessary risk and cost on Florida's electricity customers. An IRP process, structured correctly, offers the regulators the opportunity to ensure that state's electric utilities are pursuing least cost, least risk alternatives while still maintaining system reliability.

The Company's current internal resource planning process is based on maintaining a twenty percent reserve margin. This margin is based on a long-ago executed stipulation between several investor-owned utilities and approved by Commission order in 1999.[14] Much has changed in fifteen years since the stipulation. For instance, the reliability of new generation units has improved dramatically.[15] The Company has never studied modifying the reserve margin

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[13] SACE has highlighted, in Docket Nos xx-xx, other methodologies utilized by the state FEECA-regulated utilities to suppress the achievable potential of conservation measures.
[14] PSC Order No. PSC-99-2597—S-EU
[15] Transcript V.6,p. 774-75.

since the stipulation 15 years ago.[16] The current reserve margin appears excessive given that the Florida Reliability Coordinating Council (FRCC) only requires a fifteen percent reserve margin for Florida. Yet, DEF continues to embrace a twenty percent reserve margin, even though its sister companies in North Carolina and South Carolina utilize a fifteen percent reserve margin.[17] If the reserve margin was, *arguendo*, reduced by five percent, it would free up approximately 560 MW[18] of additional capacity that may not have to be built, thereby saving customers both capacity and energy costs. When asked whether the Company had analyzed a fifteen percent reserve margin's effect on its resource plan, the Company's answer was a simple "no."[19] The Commission should include as part of its order in this docket, a reserve margin study in order to optimize the balance between the between reserves, efficiency, solar and gas generation for future needs.

Lastly, SACE has concerns over significant overestimation of the demand projections utilized in DEF's resource planning supporting construction of the 2018 plant. The Company is coming out of five years of flat or declining demand and now projecting annual demand growth of 1.4 percent. Florida's power companies have displayed a tendency to overestimate demand over the last 5 years.[20] In fact the Company's projections from 2012 to 2013 were overestimated by 781 MW.[21] For a company with about 11,000 MW of capacity, the Company concedes that this is a significant overestimation.[22]

Given the resource planning deficiencies identified above, SACE cannot support a determination of need for 1640 MW of new generation in 2018. The Company did not allow

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[16] Id.
[17] Id. at 792.
[18] Id. at 775.
[19] Id.
[20] Id. at 826.
[21] Id. at 780.
[22] Id. at 781.

reasonably available conservation measures, or solar power, to compete with the proposed power plant in its resource planning process. Therefore, customers could be paying for generation to meet demand that can more reliably and cost-effectively be met through conservation measures, and solar power. Furthermore, it relies on a 15-year old twenty percent margin stipulation that has not undergone a study to determine if it is still in the customers' best interest to keep the reserve margin at that level. Lastly, given the industry's, and more specifically the Company's challenges in reliably projecting future demand, customers could, again, be paying for generation they don't need.

ISSUE 1: Is the proposed Citrus County combined cycle plant needed, taking into account the need for electric system reliability and integrity?

POSITION: *DEF's resource planning process is flawed in regards to reserve margin and load forecast, but those flaws are likely not sufficient to eliminate the need for a power plant of some undetermined size in the 2018 timeframe, as such SACE takes no position on the need for the proposed Citrus County plant.*

ISSUE 2: Is the proposed Citrus County combined cycle plant needed, taking into account the need for adequate electricity at a reasonable cost?

POSITION: *No position, see SACE's position on Issue 1.*

ISSUE 3: Is the proposed Citrus County combined cycle plant needed, taking into account the need for fuel diversity and supply reliability?

POSITION: *No position, see SACE's position on Issue 1.*

ISSUE 4: Are there any renewable energy sources and technologies or conservation measures taken by or reasonably available to DEF that might mitigate the need for the proposed Citrus County combined cycle plant?

POSITION: ***Yes. The Company has not met its burden that it has utilized all reasonably available conservation measures, and solar power, to mitigate the need for the proposed power plant.****

ISSUE 5: Is the proposed Citrus County combined cycle plant the most cost-effective alternative available to meet the needs of DEF and its customers?

POSITION: ***No. The Company has not met its burden that it has utilized all reasonably available conservation measures, and solar power, to mitigate the need for the proposed power plant.****

ISSUE 6: Did DEF reasonably evaluate all alternative scenarios for cost effectively meeting the needs of its customers over the relevant planning horizon?

POSITION: ***No. The Company has not met its burden that it has utilized all reasonably available conservation measures, and solar power, to mitigate the need for the proposed power plant.****

ISSUE 7: Based on the resolution of the foregoing issues, should the Commission grant the requested determination of need for the proposed Citrus County combined cycle plant?

POSITION: ***No. In the alternative, should the Commission approve the need for the proposed power plant, it should provide appropriate direction to DEF to improve its resource planning process. ***

ISSUE 8: Should this docket be closed?

POSITION: ***No, prior to closing the docket, the Commission should order to the Company to conduct and present a reserve margin study to determine the optimum reserve margin from a customer cost-effectiveness perspective.****

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy and correct copy of the foregoing was served on this 10th day of September, 2014 via electronic mail on:

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