

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 001574-EQ,**

**IN RE: PROPOSED AMENDMENTS TO RULE 25-17.0832, F. A. C.,**

**FIRM CAPACITY AND ENERGY CONTRACTS**

**SUPPLEMENTAL COMMENTS OF DANIEL STROBRIDGE**

**ON BEHALF OF**

**PASCO COUNTY, FLORIDA,**

**AND**

**HILLSBOROUGH COUNTY, FLORIDA**

**MARCH 7, 2003**

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FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
**PSC DOCKET NO. 001574-EQ, FIRM CAPACITY AND ENERGY**  
**CONTRACTS**

**COMMENTS OF DANIEL STROBRIDGE**

1           My name is Daniel Strobridge, and my business address is Camp Dresser McKee,  
2           1715 North Westshore Boulevard, Tampa, Florida 33602. I am employed by Camp  
3           Dresser McKee in the development and operation of municipal solid waste facilities, also  
4           known as waste-to-energy facilities, in Florida. I am submitting these comments on  
5           behalf of Pasco County, Florida, and Hillsborough County, Florida, in support of the  
6           proposed rules offered by Lee County, Miami-Dade County, and Montenay-Dade, Ltd. in  
7           these rulemaking proceedings. My comments address why long-term power sales  
8           contracts are required to support the financing of waste-to-energy facilities.

9           **Why Long-Term Contracts Are Required to Finance Waste-to-Energy Facilities**

10          **Introduction**

11           Camp Dresser & McKee Inc. (CDM) is a nationally recognized engineering firm that  
12           has been responsible for the development and implementation of a number of waste-to-  
13           energy (WTE) facilities including those in Hillsborough, Pasco and Lee Counties Florida.  
14           We have been requested by our Pasco and Hillsborough County clients to submit these  
15           comments on their behalf.

1 The Necessity of Long-Term Contracts

2           It is important to note that WTE projects are not developed as electrical generating  
3 facilities similar to investor owned utility or independent power production generating  
4 facilities. WTE projects are developed as long-term solid waste disposal facilities, which  
5 minimize communities' reliance on landfills for solid waste disposal. Electricity generation  
6 is a latent or ancillary benefit of solid waste combustion and assists in improving the overall  
7 economics of this environmentally sound, and legislatively preferred, method of waste  
8 disposal. WTE facilities do not make money for the local governments that they serve. They  
9 cost money and the energy and capacity sales revenues merely assist in offsetting some of  
10 these costs as described below.

11           Publicly owned WTE facilities are financed with municipal revenue bonds. The  
12 interest and principal of revenue bonds are paid for with the revenue that is generated by the  
13 enterprise that the bonds are used to finance. Consequently, to obtain revenue bond  
14 financing, the financial feasibility of the enterprise, in this case a WTE facility, must be  
15 demonstrated to the investment banking community and to the underwriters of the bonds  
16 in order to finance the project. This is accomplished by demonstrating that the owner/local  
17 government has several key features in place and will keep those features in place during the  
18 term of the bonds, which for WTE facilities is typically from 20 to 23 years. The key features  
19 previously alluded to include long-term contracts for the sale of energy and capacity, long-  
20 term contracts with a qualified operating entity, assurances for long-term supply of solid  
21 waste, assurances that user fees (which may include direct user fees charged to the entities  
22 that create waste and also "tipping fees" charged to entities that dispose of waste at solid

1 waste facilities) or some other funding mechanism will be in place, and that the local  
2 government will have sufficient revenues available from user fees and power sales revenues  
3 to meet the debt service on the bonds and to maintain specified minimum cash reserves.

4 WTE facilities and the associated solid waste disposal systems rely upon two revenue  
5 streams to meet debt service, O&M, and reserve fund cost obligations. These are revenues  
6 from (1) the sale of electric energy and capacity and (2) user fees. User fees are reviewed  
7 annually and adjusted if necessary to pay the balance of budget cost requirements that are not  
8 met by energy and capacity sales revenues. For the three WTE facilities CDM was  
9 instrumental in implementing in Florida, energy and capacity revenues were projected in year  
10 2003 to comprise between about 20 and 47 percent of the total system revenue depending  
11 upon the specific project. As can be seen from these examples, energy and capacity sales  
12 revenues are a significant component of the overall project revenue stream. Without them,  
13 the solid waste user charges would be significantly higher. So high, in fact, that certain  
14 projects may never have been implemented. (When waste-to-energy projects are not  
15 developed, the alternative is disposal of solid waste in landfills.)

16 The demonstrations of financial feasibility and other legal issues are presented in the  
17 Official Statement or prospectus for the Revenue Bond Issue. The Official Statement  
18 contains an Engineer's Feasibility Statement, which among other things describes the  
19 technical aspects of the WTE facility, the contractual arrangements for its construction and  
20 operation and energy sales, waste supply availability, financial feasibility analysis, and the  
21 sensitivity of financial feasibility to changes in underlying assumptions relative to waste  
22 availability, energy revenues, and other economic factors over the term of the bonds. A key

1 conclusion that the investment banking community expects to see with respect to financial  
2 feasibility is that the user fees/charges required to support the enterprise are reasonable  
3 charges for solid waste disposal in the general geographic area of the facility. Without a  
4 long-term energy and capacity contract to provide for a portion of the revenue necessary to  
5 finance the system, the user fees would NOT be reasonable and revenue bond financing  
6 could not be secured.

7 Other forms of indebtedness such as general obligation (GO) bonds are not a  
8 practical option for solid waste disposal facilities because municipal units of government are  
9 legally limited to the amount of GO bond indebtedness that they can incur and typically  
10 reserve this funding source for non-revenue generating public services such as schools,  
11 libraries, police and fire protection.

## 12 Conclusion

13 Without long-term contracts for energy and capacity sales, WTE projects in Florida  
14 would not be economically feasible and could not be financed. The revenue from energy and  
15 capacity sales assists in supporting this method of environmentally sound solid waste  
16 disposal. The continued availability of long-term contracts for WTE projects is necessary to  
17 maintain the viability of this solid waste disposal option to local units of government  
18 throughout Florida.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by hand delivery (\*), or by U.S. Mail, on this 7<sup>th</sup> day of March, 2003, to the following: ..

Richard Bellak, Esq.\*  
Senior Attorney  
Florida Public Service Comm.  
2540 Shumard Oak Boulevard  
Division of Appeals  
Gunter Building, Room 301F  
Tallahassee, FL 32399-0850

City of Tampa/FICA  
Richard Zambo, Esq.  
598 SW Hidden River Ave.  
Palm City, FL 34990

LEAF  
Debra Swim, Esq.\*  
Legal Environmental Assistance  
Foundation, Inc.  
1114-E Thomasville Road  
Tallahassee, FL 32303-6290

FPC  
Mr. Paul Lewis, Jr.\*  
Florida Power Corporation  
106 East College Avenue, Suite 800  
Tallahassee, FL 32301-7740

Mr. James McGee  
Florida Power Corporation  
Post Office Box 14042  
St. Petersburg, FL 33733-4042

FPL  
Mr. Bill Walker\*  
Florida Power & Light Company  
215 South Monroe Street, Suite 810  
Tallahassee, FL 32301-1859

Matthew M. Childs, Esq.\*  
Charles Guyton, Esq.  
Steel Hector & Davis, LLP  
215 South Monroe St., #601  
Tallahassee, FL 32301-1804

Mr. John T. English  
Florida Public Utilities Company  
P. O. Box 3395  
West Palm Beach, FL 33402-3395

GULF

Ms. Susan D. Ritenour  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520-0780

Jeffery Stone/Russell Badders  
Beggs & Lane Law Firm  
P.O. Box 12950  
700 Blount Building  
Pensacola, FL 32576-2950

TECO

Angela Llewellyn, Administrator  
Regulatory Coordination  
Tampa Electric Company  
P. O. Box 111  
Tampa, FL 33601-0111

TECO

Lee L. Willis, Esq.\*  
James D. Beasley, Esq.  
Ausley & McMullen  
227 South Calhoun Street  
Tallahassee, FL 32301

Miami-Dade County Attorneys

Robert Ginsburg, Esq.  
Eric A. Rodriguez, Esq.  
Miami-Dade County Attorney's Office  
111 N.W. 1<sup>st</sup> Street, Suite 2810  
Miami, FL 33128-1993

Montenay-Dade, Ltd.

Benjamin F. Gilbert, Jr., P.E.  
Vice President  
Montenay Power Corp.  
6990 N.W. 97<sup>th</sup> Avenue  
Miami, Florida 33178

Lee County

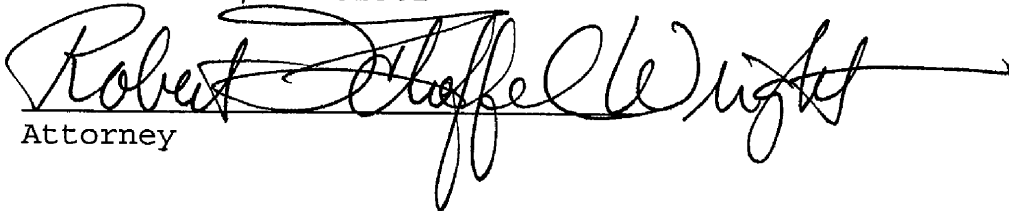
David M. Owen, Esq.  
Lee County Attorney's Office  
2115 Second Street, 6<sup>th</sup> Floor  
Ft. Myers, Florida 33902-0398

Lindsey J. Sampson, P.E.  
Lee County Department of Solid Waste  
1500 Monroe Street, 3<sup>rd</sup> Floor  
Ft. Myers, FL 33901

Montenay International Corp.

Frederick M. Skopp, Esq.  
Vice President and General Counsel  
Onyx North America  
1605 Main Street, Suite 711  
Sarasota, FL 34236

Jon Moyle, Jr., Esq.\*  
Moyle Flanigan Katz Raymond  
& Sheehan, PA  
118 N. Gadsden Street  
Tallahassee, FL 32301

  
Attorney