BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

UNDOCKETED

In the Matter of

REVIEW OF TEN-YEAR SITE
PLANS OF ELECTRIC UTILITIES.
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PROCEEDINGS:	WORKSHOP
BEFORE:	CHAIRMAN BRAULIO L. BAEZ COMMISSIONER J. TERRY DEASON COMMISSIONER RUDOLPH "RUDY" BRADLEY COMMISSIONER LISA POLAK EDGAR
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REPORTED BY:	JANE FAUROT, RPR Official FPSC Hearings Reporter (850) 413-6732

I N D E X

P R O C E E D I N G S

CHAIRMAN BAEZ: Good morning, everyone. I want to welcome you to the 2005 Ten-Year Site Plan Workshop.

Mr. Keating, would you read the notice, please.

MR. KEATING: Pursuant to notice, this time and place have been set for a Commission workshop concerning the undocketed matter, the Commission's review of ten-year site plans for electric utilities.

CHAIRMAN BAEZ: Did you read that or did you know that by heart?

MR. KEATING: I ad-libbed.

CHAIRMAN BAEZ: Once again, welcome to the Ten-Year Site Plan Workshop. I am going to hand it over to Mr. Haff in about a second. As you can tell by the agenda, we have actually changed it up a little bit this year to try and focus our attention on highlighted matters.

Anyway, Mr. Haff, can you go ahead and work us through it?

MR. HAFF: Thank you, Chairman. A brief agenda for today's workshop was with the notice, and there is also a few copies left over here on the rail. We are going to have the representatives of the FRCC present the load and resource plan, the reliability assessment, and then we're going to have a panel of persons to discuss issues related to coal-fired generating units.

And I would just ask if whoever speaks to make sure they give their name for the court reporter. We would appreciate that. With that, I'm going to turn it over to the FRCC. I think Mr. Wiley is here from the FRCC.

MR. WILEY: Thank you, Michael. I'm Ken Wiley with the Florida Reliability Coordinating Council, known as the FRCC, and I just want to introduce our panel here today or our speakers. The FRCC has conducted a ten-year load and resource review, and we do this through a group that we call our resource working group. Mr. Paul Elwing is the chairman of this group for us, and he comes from the City of Lakeland Electric Utility, and also Mr. Leo Green will be working with him today. And Leo is with Florida Power and Light, and his specialty is in the economic and forecasting area. And along with them is a member of our staff, Mr. Scott Beecher. So the three of them through our resource working group will make this presentation and answer your questions today.

Thank you, Mr. Chairman.

CHAIRMAN BAEZ: Thank you, Mr. Wiley.

MR. ELWING: Good morning, Commissioners, staff. I want to thank you for the opportunity to come and present the FRCC's resource adequacy review to you this morning. I'm going to focus on two portions, the load and resource plan and the reliability assessment.

The slide in front of you this morning shows our

forecasted firm peak demand for summer and winter for the coming ten years. We're projecting a summer annual average growth rate of 2.74 percent and a winter annual average growth rate of 2.69 percent.

Looking at the summer in a little more detail, comparing it to the 2004 presentation that we made to you last year, we see that growth is consistent with what we have seen. Growth for 2005 is slightly higher, the 2.74 percent for 2005, and 2004 we had projected 2.52 percent. Winter we are seeing similar. Growth is forecasted to be slightly higher again this year, 2.69 percent versus 2.59 percent from 2004's plan.

This slide shows you a breakdown of the capacity that is forecasted for the ten-year period. The blue on the bottom is the existing utility capacity. The red represents the cumulative additions by the utilities. The green is the nonutility generation capacity that is under contract to the utilities, and the remainder of the need is met with firm interchange.

Slide 7 shows our capacity mix by fuel type for the winter peaking season for 2005 and the '06 season, and again for the 2014 and 2015 season. You see the changes in gas is the largest change, representing the addition of gas-fired units. We also see a change in coal, as indicated by individual utility plans that are indicating future coal additions.

The next slide, please.

From an energy standpoint, we see the breakdown here that in 2005 energy is expected to be met 32 percent by gas-fired generation, 13 percent oil-fired generation, 25 percent coal, 13 percent nuclear, 14 percent other, and 3 percent nonutility generation. By 2014 that is expected to change to 45 percent of the state's energy to be met by gas-fired generation, coal increasing to 27 percent, oil down to 7 percent, nuclear at 11 percent, other in nonutility generation as represented there.

MR. HAFF: Paul, before you leave that slide, what makes up the other category?

MR. ELWING: That could be other -- either solid fuels that are described explicitly by the utilities, maybe some municipal solid waste, biomass type fuels, renewable fuels that are included in the utility counts.

MR. HAFF: Would pet coke be in there?

MR. ELWING: Imports are part of that.

MR. HAFF: No, pet coke?

MR. ELWING: If the utilities are reporting that separately from their coal, pet coke would be included in that also.

COMMISSIONER DEASON: I'm sorry. I have a question on Slide 7, which is the capacity mix. The nonutility generation, I see a significant decline. Is that actually

nonutility generation which is disappearing, or is it just the fact that their contracts are expiring, and that they would have to be renewed at some point in the future?

MR. ELWING: I was looking at that this morning, Commissioner, and I did not see a, quote, unquote, disappearing of nonutility generation. Most of the decline is just the fact that it's a constant number over an ever-increasing amount of energy, so it becomes a smaller amount as a percentage basis.

COMMISSIONER DEASON: Well, I understand that, but if you look at nuclear, which is pretty much fixed, and because of the higher base in the future, it does decline, but it only declined from 7 percent to 6 percent. And for the nonutility generation we are talking about a decline from 10 percent to 3 percent. So it has to be more than just the fact that the base is getting larger.

MR. ELWING: Yes, sir. If you turn back to Slide 6, the previous slide, you will note that the NUG generation there, represented in green, it is declining somewhat, and that is the amount that is under contract. So the other portion of that would be contracts that are expiring and not being renewed.

COMMISSIONER DEASON: Okay. Do we know at this point they will not be renewed, or is it possible that they could be renewed?

MR. ELWING: I would say that it is a possibility

that they could be renewed, they just haven't been reported as such by the utilities.

COMMISSIONER DEASON: Thank you.

MR. ELWING: Slide 9 shows our interruptible and load management capabilities at time of winter peak. The interruptible load being on the bottom there in blue, with the load management stacked on top of that remaining fairly consistent throughout the time period.

Slide 10 is the FRCC planned reserve margin for summer and winter. You see that in every year we exceed the FRCC's aggregate target of 15 percent. There are only three years where we actually drop below 20 percent, and that is just in the summertime, the summer of '08, '09 and 2010. Otherwise, all other years and seasons we are above 20 percent on an aggregate basis for the state -- I'm sorry, for Peninsular Florida, which is the FRCC region.

One of the functions of the reliability working group at FRCC is to do what we call a reliability assessment, and that assessment focuses on a reserve margin review, an analysis of forced outage rates and availability rates for the utilities units, load forecast evaluation and review of natural gas pipeline adequacy.

Addressing the reserve margin review, we are to ensure that the regional planning reserve margin meets the 15 percent FRCC standard. As you saw a couple of slides back, we

do, indeed, meet that over the planning period.

For analysis of forced outage rate and availability, the working group compares the trends in forced outage rates between utilities, and this year we looked at 2001, 2002, 2003 and the 2004 planning studies. And we also compare the trends in availability between utilities for those same time periods. Those results are shown on the next two charts.

This chart represents that comparison of the megawatt-weighted forced outage rates of the utilities. The 2004 planning study results are the blue dotted line with the diamonds on it, showing consistent results with previous year's analysis.

COMMISSIONER DEASON: I have a question on that one. I see the trend seems to be fairly stable. But for the 2004 planning studies there seems to be an increase in the starting point to do the trend. Is that a significant increase in forced outage rates from the -- it looks to be about three and a half up to 3, well, 3.9?

MR. ELWING: The working group does not feel that that is considered a significant increase. We did poll the utilities, and there were a couple of utilities that did make adjustments to their forced outage rates just due to the age of their fleets.

COMMISSIONER DEASON: So this is not hurricane-related?

MR. ELWING: No, sir. We did poll the utilities regarding that question that you asked us last year, and all utilities came back and responded back that there were no long-term effects, negative effects from the hurricanes.

COMMISSIONER DEASON: Thank you.

MR. ELWING: Page 15 represents the megawatt-weighted availability factor for the units. And, again, we see similar trending over the time period. Again, the 2004 is the blue dotted line with the diamond symbol on it.

COMMISSIONER DEASON: I guess I have the same question for this one. The trend certainly is positive for the 2004 planning studies, but the beginning point seems to be much lower than previous studies. Is there some -- is that significant? Should that be something of a concern or is that just the way the data works out?

MR. ELWING: I think it is mostly the way the data is working out. There may have been some minor adjustments by the utilities. I know in my particular utility's case we are finding that gas turbine availability is less than what has been told to us by the manufacturers just due to the length of time it takes to do maintenance. Not that the machines are any less reliable, it just takes longer to do maintenance on these larger machines than what we initially thought. And so I know in my own utility's case our availability is down slightly over what we forecasted just due to increased length of maintenance.

CHAIRMAN BAEZ: Is that something that we can expect to be present across the board for other utilities?

MR. ELWING: I would be hesitant to speak in regards to the other utilities in specific. I would not expect this to be a continuing downward adjustment. As we gain experience in these new technologies, we should find a stabilizing point and be moving forward from that.

CHAIRMAN BAEZ: Right.

MR. ELWING: I think this is just due to the newness of the technologies.

Another part of the reliability working group's task is to review the natural gas pipeline adequacy. This year an interim high-level methodology indicated that there was no significant concerns for the region over the short-term planning horizon, and that activities in progress for development of gas flow models to finitely simulate steady state and transient gas flow conditions. That simulation will provide a detailed assessment of the impact of gas pipeline conditions that could adversely affect electric system reliability. And the results of those studies, we are anticipating to have those completed for next year's review.

CHAIRMAN BAEZ: Mr. Elwing, the results of the study, will they produce recommendations, or will they produce -- you know, with an assessment comes some comparison to an optimal situation. I mean, is that anticipated to be part of the

study?

MR. ELWING: I would think that if the study indicated there were deficiencies that, certainly, recommendations would come with that. Mr. Wiley may be able to better speak to that issue as he is actually heading up that gas and electric interdependency effort within the FRCC.

CHAIRMAN BAEZ: There's a question that we are going to -- oh.

MR. WILEY: Mr. Chairman, in prior years we would look out at our future natural gas needs, and we would go to the -- the pipeline at that time, which was Florida Gas Transmission, and ask them, what do you think about this? Are you going to have the ability to serve this? And they would give us their letter that said, yes, they could. And then we got a new pipeline, as you know, Gulfstream, coming across the Gulf of Mexico, and now we have two companies to go to. And at the same time, over about a nine or ten-year period, our amount of energy that is being produced in natural gas went from around 17 or 18 percent, as you saw in this report, to about 48 percent I think it was. And that is when we decided that we needed to get involved in analyzing how reliable are we in Florida on getting that fuel delivered to our natural gas plants.

So we are beginning next week, as a matter of fact, with a rather detailed gas flow study for the entire Peninsular

Florida, looking at all of our generation points of delivery. And I think it would be speculation as to what we are going to find on that, but we are going to be going out looking out to the end of this time period and assessing it. And if, in fact, the results of this study shows that we need to change things such as inventory policies or perhaps even regulatory policies regarding firm gas transmission, I think that those results will be highlighted, and our board of directors would make the appropriate decision on that and make it known to this Commission.

CHAIRMAN BAEZ: Commissioner Bradley, did you have a question?

COMMISSIONER BRADLEY: Yes.

CHAIRMAN BAEZ: Thank you, Mr. Wiley.

COMMISSIONER BRADLEY: In your prognosis or prediction as it relates to the availability of natural gas, what do you -- where did he go?

CHAIRMAN BAEZ: Mr. Wiley, I think you were still on the deck, sir.

COMMISSIONER BRADLEY: I didn't mean to run you off. Maybe this is the wrong question.

MR. WILEY: I'm sorry.

COMMISSIONER BRADLEY: In your prediction as it relates to the supply of natural gas, how much of your focus was based upon -- well, let's see how can I break out supply,

cost and its impact upon availability. I'm assuming that when you say that supply is going to be adequate that you are speaking of that from a quantitative perspective or the supply itself. But what about the supply and the cost of natural gas? Are those two factors that are intertwined, or are they separate issues?

MR. WILEY: As far as our analysis are concerned, they are separate issues. We go on the premise that individual utilities make their own economic assessments of different forms of generation and the supply picture of natural gas. So once they have made those decisions, which is taking us to about 45 percent of our kilowatt hours being generated by natural gas in the outer years, then our concern becomes deliverability of natural gas. And that is the only thing that we are focusing on, and we are very distinct about that.

COMMISSIONER BRADLEY: Okay. Thank you.

CHAIRMAN BAEZ: Thank you.

MR. ELWING: Okay, going on to Slide 18. In summary, the planning reserve margins remain at or above 20 percent for all but three years, and that was those three summer years we pointed out earlier for the ten-year forecast period. The general trend in forecasted forced outage rates is downward over time, which is good. Projections of generating unit availability remains high and continues to generally trend upward. The accuracy of the FRCC's load forecast has remained

high, and natural gas supply is expected to be adequate.

So, in conclusion, the results of this year's review indicate that Peninsular Florida's electric system is reliable for the next ten years from a planning perspective.

CHAIRMAN BAEZ: Commissioners, questions?

COMMISSIONER DEASON: Are we going to be reviewing the particulars of the load forecast? Is that going to be a separate presentation?

MR. ELWING: Yes, sir. Dr. Leo Green will be coming up in just a moment.

COMMISSIONER DEASON: Very well.

CHAIRMAN BAEZ: I have a question, and maybe Mr. Haff can answer it. There is a Slide 10 where it shows the planned reserve margin. Now, I understand that in the aggregate FRCC holds to -- or maintains a 15 percent reserve margin as a goal. And, clearly, based on their assessments they are forecasting that margin, that reserve being met. But, in particular, Mr. Elwing did point out year eight, nine and ten, or 2008 through 2010, there is a summer reserve that is less than 20 percent. And I guess I'm curious as to how -- what the relationship between these forecasts and the agreement that is in place with the investor-owned utilities and the Commission to maintain reserve margins at or above 20, how that plays into it.

And my question specifically is this: I realize that

there have been -- you know, this being a ten-year forecast, in essence, we do carry years. It is not uncommon to carry years where the forecasted reserve falls below 20 percent because there is a lag in terms of when generation comes on line, and so forth. My question would be is there anything new about these particular three years that weren't there before, or has this been expected, and we have been carrying it for some time?

MR. HAFF: No. Let me see where to start. In those three years the FRCC forecasts the Peninsular at 19 percent, so it could be 19.2 or 19.3.

CHAIRMAN BAEZ: Right. Okay.

MR. HAFF: The three investor-owned utilities that are subject to the stipulation have the 20 percent minimum requirement, and each of their plans forecast at least 20 percent in those years, and that could be 19.8 or 20.1. But on the other hand, there are municipals and Seminole that are part of Peninsular and aren't subject to that stipulation. Most of them carry anywhere -- a criteria of anywhere from 15 to, I think, 19 percent.

CHAIRMAN BAEZ: Right.

MR. HAFF: And so you would expect it to be weighted heavily toward the IOUs because of their size. But I wouldn't -- I'm not concerned about 19 percent for the Peninsular, because the IOUs are still at 20 percent.

CHAIRMAN BAEZ: And they are maintaining their 20 and

whatever. I'm sorry, Mike. I guess to answer your question -- to answer my own question, whatever shortfall may appear to be in the forecast is not attributable to any of the utilities that are subject to the stipulation.

MR. HAFF: No, sir.

CHAIRMAN BAEZ: Okay.

COMMISSIONER BRADLEY: Are you finished?

MR. ELWING: I was just going to add, Commissioner, while you were asking that question, I was looking at our detailed data that the utility submitted, and some of it is a timing issue in those years. There is capacity being added, and I'm noticing here that some of the capacity is being added in the fall of that year. So, therefore, it doesn't get counted for the summer peak.

CHAIRMAN BAEZ: Thank you.

Commissioner Bradley, you had a question of Mr. Elwing?

COMMISSIONER BRADLEY: Yes. And my question is related to fuel supply. You only mentioned the fact that the natural gas supply is expected to be adequate. What about the adequacy of the other fuel types? Was that part of your study or is that something that needs to be discussed?

MR. ELWING: We have not specifically addressed other fuels at this time. The focus has been on the relationship between natural gas and electric generation. That is something

that we can look at in future years.

MR. WILEY: I think I'm going to stay up here. (Laughter.)

CHAIRMAN BAEZ: You are getting a good work out at least.

MR. WILEY: I wanted to respond to Commissioner Bradley's question. As a routine we don't get into an analysis of coal or oil fuel supply unless, of course, we have an emergency where something is being shorted for whatever reason. As you are aware, we have a long-term fuel emergency plan which this Commission has ordered on us. But most recently you probably read in the news about a disruption in rail supply out in the Powder River Basin, and they are getting less coal out of there due to the railroad system, to the tracks, actually.

And so we have performed an assessment, and completed it last week, about the impacts of that Powder River Basin coal and would that have any impact on Florida. And we have determined that its impact is very minimal. The only coal capacity that Florida is dependent upon out of the Powder River Basin is some generation capacity outside of the state of Florida, which is firm capacity to us on imports. And that represents 4 percent of our generation capacity in the state. So that is about all that would be affected.

And an assessment of that particular capacity was such that we anticipate that the coal inventories at those

particular sites are going to be adequate through the summer and on into the end of the year, which is when they predict that the train tracks will be most likely repaired. So we have looked at that assessment.

CHAIRMAN BAEZ: Commissioners, any other questions?

Thank you, Mr. Elwing.

MR. ELWING: That concludes my portion of the presentation. Dr. Green will come and talk to you about the load forecast.

COMMISSIONER BRADLEY: I have one other question. I'm sorry. On the last page in your conclusion it says the results of the review indicate that Peninsular Florida electric system is reliable for the next ten years from a planning perspective. And I realize this is purely a planning document, but is there anything that comes to mind as it relates to your professional expertise that might have an -- well, that might have an adverse impact upon our planning process that would prevent us from achieving our goals from a planning perspective, to planning the actual generation to meet our needs?

MR. ELWING: No, sir, I'm not aware of any issues or problems that would affect the utilities in that time frame. Utilities are very cooperative in providing their data to the FRCC and helping us make these assessments, so there is nothing that leads me to believe anything differently.

COMMISSIONER BRADLEY: Okay. Thank you.

DR. GREEN: Good morning, Commissioners. My name is Leo Green. I work for Florida Power and Light. Today I'm appearing on behalf of FRCC. I'm going to address the portion regarding the load forecast that is the other piece of the equation.

We just saw the resource plan, and that resource plan is as good as the load that it is planned to serve. We wanted to ensure that we had a very representative picture of what the future is going to be like. So the load forecast, as expected, is just a projection of what we expect the total demand of electricity is going to be in the state of Florida.

The way we put together this forecast is we take all the utilities load forecast and we aggregate it. And then we spend some time examining each utility's assumptions, their methodologies, their inputs. And this year, more than ever, we believe there are quite a few uncertainties out there that needed to be addressed.

We seem to be having some technical problems here.

Last year, the state of Florida grew by 455,000 new people. That is the highest growth rate in the last 35 years, maybe more years, but I didn't have the data available to confirm that information. Last year we also experienced four hurricanes that impacted the state of Florida.

Florida remains the job leader in the nation. Eleven

percent of the jobs that are created in the nation are created in Florida. There is an amazing statistic that came out of the Federal Reserve Bank of Atlanta that says between the last recession, which ended around 2002, and October of last year, 40 percent of payroll gains in the United States were in Florida. Forty percent of payroll gains in the United States were in Florida.

We have the best economy in the nation by far. We are creating more jobs than any other state. For example, there are smaller states like Arizona, Nevada and New Mexico that might have a higher growth rate in job creation, but if you add the absolute number of jobs that those states are creating, it falls short of the amount of jobs that are being created in Florida.

And I'm glad to report today that the jobs that are being created in Florida are not the typical busboy jobs. They are high-tech jobs, they are pharmaceutical jobs, financial services, film industry, high-paying jobs. This has a repercussion on what happens to the load in Florida. That would cause load to grow substantially.

On the other side, the other uncertainty that we wanted to address is the price of fuel. Between July 2005 or July 2004, the price of oil has increased by 43 percent. The price of gas has increased by approximately 13 percent. A substantial amount of increase there which would translate into

the higher price of electricity, which has the opposite effect to dampen load.

Also, in this year's demographic estimating conference, the University of Florida and the Governor's Office, and to a certain extent the Legislature, are all agreeing that the 455,000 that we saw last year will probably drop to about 355,000 this year or almost 100,000 less people because of the impact of the hurricanes. So we are having a balancing act that we have to do at the level of the forecasting group.

In my presentation I'm going to address these issues. What was the reason for us to do this? As I said, some things why we needed to do this, but basically we reviewed all the companies' methods, we look at history and compare it with forecast. And I would like to speak some about what the forecast findings were, and then I would like to address how we handled, how we tackled those uncertainties that I mentioned before.

Why we did it? Because the reliability assessment plan is as good as the load forecast is. It doesn't matter what Mr. Paul Elwing said here. If he is planning a system to meet the incorrect load, it doesn't matter what his reliability measures are. He needs to have the correct load forecast in there so we can say this is a reliable system.

And, finally, in NERC's planning standards it says

the load forecast of each of the regions that make up NERC need to be evaluated to ensure no biases.

When we reviewed each individual company, we looked at their historical forecast accuracy, what kind of consistency across utilities were there in the assumptions and inputs. Are we using state of the art in the forecasting models? How do the forecasts compare to history? And, once again, how were the uncertainties treated?

I'm glad to report to the Commission today that we did not -- at FRCC's level, we did not detect any biases in any of the utilities to take a consistent underforecasting or a consistent overforecasting. In fact, it was a random event, meaning to say there were going to be some years that were higher than normal, some years that are lower than forecast. I'm sorry. And these deviations were attributable to short-term deviations in the economic growth or short-term deviations in weather patterns from long-term normals.

Anyway, the process that the utilities use is self-correcting to the point that the very last observation is the starting point. So if one year was underforecasted, it does not carry into the following year because they will start out at the last actual value.

The next one.

I mentioned something about the strong economic performance and about the volatility of the fuel price. But in

addition to that, Florida is experiencing a boom in construction. Prices of homes have skyrocketed. There is an issue of affordability. There is a study from the University of Colorado that says that of the top five cities, Florida, Miami specifically, is one of the cities with jobs that are paying over $100,000 per year that cannot attract people to come to Florida because of the affordability of housing in the state of Florida. That has the impact of reducing the amount of people that we see coming to Florida. There is the issue of the real estate market. Is there going to be a burst in that bubble or is it going to continue? Just uncertainties and certainties that we have to address.

The 2000 hurricane season. As I said, last year was a record growth in population, considering the last 35 years. However, once we had the hurricanes last year, after September the population or customer growth began to drop real fast. However, starting this year, for some reason, it seems as if our population forgot about the hurricanes and once again we are experiencing good growth. The point, however, that I would like to make is following the hurricanes there was a considerable drop in the amount of people coming to Florida, and even so we had a record growth last year in population. A lot of uncertainties that we need to address. These are findings.

As I mentioned before, the forecast is suitable if we

do not have a pattern of over or underforecasting. Second, we do not want that divergence, the difference between actual and forecast to get larger over time. Just the opposite is what we will expect. We want that forecast error to be reducing over time, and that was our major finding. We did not find any trend of over or underforecasting, and that divergence, the forecast variance is getting smaller over time.

I have a very busy table here, but I would like to call your attention to the bottom part of that table. And what it shows is the forecast errors. If we look at that line going diagonal, okay, from 1997 the forecast error was approximately 4.8 percent. And if we move along that diagonal line, that number is getting smaller and smaller and smaller.

I should explain that each one of these columns represents forecasts corresponding to ten-year site plans starting in 1995. So the first column is actuals, then the forecast that was done in 1995, and so forth. This table refers to the summer peak. A positive number will mean that we underforecasted, a negative means we overforecasted.

This is the summer, right? Could you leave it there just for a second?

If you look at the last, very last line to the bottom, starting in approximately 2001. In 2001, the forecast error that was done in 2001 for 2004 was off by approximately 1 percent. The forecast that was done in 2002 for 2004 was off

by .4 percent, and so forth. So a forecast that was done four years ago is off by 1 percent. Considering that the reliability standard for the state of Florida is 15 percent, if we can expect that the forecast is going to be off by one percent four years out, I think that the contribution toward that reserve margin, the part that is made up by the forecast variance is well within the limits if we consider that we are just off by .1 percent.

These numbers are amazingly close? And I say amazingly, because if you compare with other regions that make up NERC, they are much larger. Furthermore, these numbers are actual values. If we were to normalize these values for normal weather, the forecast variance would even be smaller.

I'm not going to spend too much time here because this is the winter peaks. In Florida we experience a winter peak like once every five years or something like that. However, the forecast assumes every year that we are going to have a winter peak, and that is for reliability purposes. We do not want to give the planners a forecast that assumes only one winter peak in five years, because we do not know when that is going to happen. So we assume that every year there is going to be a forecast -- there is going to be a winter peak and that is provided to the planners. Because of that, you are going to see some sizeable overforecasting in the winter peaks, but that is an error that we want to live with, considering

that we will experience that winter peak only once every four or five years.

I'm going to speak about some of the results now. I'm going to compare history with forecasts, and I want to compare last year plan with this year plan.

This is the summer peak. It cannot be seen very clearly in that graph, but the first two years of this plan is slightly lower than the forecast that was provided last year in the ten-year site plan. And the reason for that, there are two reasons. The first one is relying on the University of Florida assumptions, the University of Florida Bureau of Economic and Business Research that publishes the population figures, because they are saying that this year we will have 100,000 less people than last year. That has the effect of dampening in the short-term that forecast.

The other reason is that the fuel price in the near outlook is substantially higher than what we were saying last year. Therefore, in the first one and two years, the forecast this year is slightly lower than what we were saying last year. Out there in the future, in year ten, however, the forecast is like 600 megawatts higher than what we were saying last year, and that is because of the economic boom that we are experiencing in Florida.

Could you put it back just one second?

To the bottom in that table to the left, it shows

that historically we have grown at the rate of 1,241 megawatts per year. The current plan assumes that we are going to grow by 1,222, I think. Very similar growth rates in absolute number. And considering that the first number, the history is not weather normalized and the forecast is weather normalized, the forecast is slightly higher than what history is.

COMMISSIONER BRADLEY: One question.

DR. GREEN: Yes.

COMMISSIONER BRADLEY: So this number reflects the loss of population growth in terms of megawatts?

DR. GREEN: That's correct.

COMMISSIONER BRADLEY: Okay. Thank you.

DR. GREEN: With regard to the winter peak, the winter peak is higher than last year's forecast throughout the ten-year horizon. And the reason why it is higher and not lower in the first two years, as it was in the summer peak, is that the price of electricity does not affect winter peak. On that winter morning when it is cold, you don't care what the price of electricity is. You are going to heat your home. So the price of electricity is not a factor when you speak of winter peak. It is a short two peaks per year or two days per year, and you are going to warm your home. Therefore, the higher peak that this plan contemplates is based primarily on the assumptions of a better economy and a higher population growth rate in the long-term.

I spoke some about the forecast uncertainty. What the forecasting task group of FRCC wanted to ensure was that all of these uncertainties were contemplated in each utility's forecast. We were pleased to report that, yes, all of them were contemplated. In some cases we said we will rely on the University of Florida population projections. They are looking at the same factors that we are. We will rely on what they are saying.

With regard to the economy and the price of fuel, we relied on reputable firms like Global Insight, which is DRI -- which was formerly DRI, Economy.com. Some are also using the University of Florida. There are a variety of sources. However, there is a consensus on all consulting firms that Florida will remain the leader in the U.S. in job creation and economic output.

The impact of the 2004 hurricanes. All the utilities work with realtime data. The University of Florida lags by one year. We will provide the University of Florida our customer hookup data. And this is very valuable for them in between census years. They rely on that data plus other surveys to do their projections of demographic growth. However, we do have that realtime data. We know what is happening today on customer growth. So the adjustments that we made for the year 2005 and 2006 preceded the population numbers released by the University of Florida. We were pleased to see that the

University of Florida agreed with our assessment of the impact of population growth caused by the hurricanes of 2004.

I mentioned this already, so we will go over this slide. We'll skip that one.

I would like to mention just shortly something about weather. Weather is a short-term impact. We have not detected so-called global warming in our system. If this year is hot, there is no certainty that next year is also going to be hot. It seems to be a random event. So we have weather fluctuating above and below. Each utility did a tremendous amount of research regarding how weather affects their load. And as such, different utilities will use 20 years of historical data to define what is their normal. Some will use 30, and some will use even longer periods.

A phenomena that we are experiencing, however, is a migration inland and a migration north. And both areas, inland and north, seems to have more adverse climate. The net effect is that they increase the use per customer, and that is a driver in the higher use per customer that we are projecting; not necessarily that there is global warming in Florida or something like that, but just where the population growth is occurring. It is growing away from the beach. There is no more beach land, and it is growing farther north.

Last one.

Based on this exhaustive review that we did at FRCC,

we concluded that the forecast is reasonable and realistic. It is unbiased. It is objective. As good a picture that we could produce for the future in Florida. There are going to be short-term deviations, and these are driven primarily by economic deviations and by short-term weather deviations. And most importantly, the forecasts are self-correcting as I explained before. They take off from the very last value. There is no consistent underforecasting or overforecasting. And based on this analysis, we deemed that the forecasts were suitable for our reliability assessment.

If there are any questions, I will gladly attempt to answer those.

CHAIRMAN BAEZ: Questions of Dr. Green, Commissioners?

COMMISSIONER DEASON: I have a question.

CHAIRMAN BAEZ: Commissioner Deason.

COMMISSIONER DEASON: Yes. Doctor, could you refer to -- well, it's Figure 6 in this booklet, but you had the same information in your slides. It would be Slide Number 10. This is the summer peak forecast, comparison of forecasts to actuals.

DR. GREEN: Right.

COMMISSIONER DEASON: Okay. And I agree with you, it appears that these forecasts, particularly over the last five years, that there is no -- I mean, they're accurate. There

doesn't seem to be any biases in this, particularly, since this is not weather normalized, these are just the actual results.

DR. GREEN: That's correct.

COMMISSIONER DEASON: But just so I can get a sense of the sensitivity of load forecasts as it affects the ultimate determination of reliability and determination of reserve margins, my specific question pertains to -- I have looked at the last five years, and it appears that the largest underforecast was 3-1/2 percent, and that is in the year 2001, the forecast for the year 2002, I believe.

DR. GREEN: That's correct.

COMMISSIONER DEASON: Okay. And in the previous presentation, we had information given to us as to what the anticipated reserve, summer reserve margins would be. And in the year 2000 -- I believe it was 2008, '09, and '10, or 2007, '08, and '09, the reserve margin still exceeded 15 percent, but it was under 20.

I'm getting to my question. If we were to -- for example, in the year 2008, if we were to see actual load 3-1/2 percent higher than we are forecasting right now, what would that do to that reserve margin? Would it cause it to go below 15 percent, or would it still be above 15 percent, even if we experienced a 3-1/2 percent actual growth higher than the forecast?

DR. GREEN: Yes. At 3-1/2 percent it would be still

about 15 percent. Because we are carrying around 20 -- just over 20 percent in those years, and 3-1/2 percent would not be sufficient to bring it down to 15 percent. In addition, there are several things that enter into the calculation. For example, I'm speaking of the utility where I work, FPL. Reserve margin is calculated on the basis of a firm load. That is after you have applied load control or you get credit for load control.

We choose not to use load control in 2002, okay. Had we used load control, the underforecast would have disappeared, and in the reserve margin calculation it would have been even less than 3-1/2 percent. So to answer your question, because we are over 20 percent, 3-1/2 percent load forecast would not bring it down to 15 percent.

COMMISSIONER DEASON: And you would still have the availability of demand control if you found yourself in that situation?

DR. GREEN: That's correct. Plus, there are other -- what we have talked about here are planning reserves. There is also another set of tools the operators have that we call operating reserves, and that is not contemplated here. And just to add onto this information, the way that we do this is we aggregate all the utilities, and we have what is called a non-coincident peak. We don't care when the utilities peak. We do know that they don't peak at the same time. Had we used

a coincidence factor, which is at 1-1/2 percent, because all the utilities don't peak at the same time, we have an additional 1-1/2 percent in the reserve margins that we don't claim in the reliability assessment because of the way we do it. We just aggregate the peaks whenever they occur. Had we taken into consideration when the Peninsular is peaking, we would have had an additional 1-1/2 percent reserve that should be added onto that 20 percent that Paul presented shortly.

COMMISSIONER DEASON: Thank you.

CHAIRMAN BAEZ: Commissioner Bradley, you had a question?

COMMISSIONER BRADLEY: Right. On Page 17, you dealt with the issue of migration to more adverse climates, and I'm assuming that that means that those climates are more adverse in the winter as well as in the summertime. But my question is this. How have you factored in -- and this ties into what Commissioner Deason just asked as it relates to our reserve margin. Just by the mere fact that we are having more migration into the interior of Florida, and you consider that to be more adverse in terms of climate, what impact is that going have upon the reserve margin? It would seem to me that because the climate within the interior is more adverse, that that is going to cause the usage to go up. Is that --

DR. GREEN: That's correct, Commissioner. And we contemplated that in the load forecast calculation. We have

projected an increasing use per customer. And one of the primary reasons for that increase in use per customer is because of exactly what you have mentioned. We contemplated that, we included that into the forecast, and the numbers that the planning group worked off of had those values included in there.

COMMISSIONER BRADLEY: Okay. Did you also -- how does that -- well, I'm not going to ask the second question because it deals with cost, and I think the other gentleman covered cost from the perspective of -- well, he stated that each individual company is going to have to make a business decision as it relates to the cost of fuel.

DR. GREEN: Right.

CHAIRMAN BAEZ: Commissioners, any other questions of Dr. Green?

Thank you, sir.

DR. GREEN: Thank you very much.

COMMISSIONER DEASON: Let me say one thing. I have listened to the doctor make presentations over the years, and he always does an excellent job. Your expertise and your presentations are very much appreciated. I want you to know that.

DR. GREEN: Thank you very much.

COMMISSIONER BRADLEY: Ditto.

CHAIRMAN BAEZ: Mr. Haff.

MR. HAFF: We are going to next have a presentation from some members of utilities that are proposing coal-fired generating units, but I was just going to ask if you wanted to take a couple of minutes and let them come up.

CHAIRMAN BAEZ: Actually, let's break for five minutes.

(Brief recess.)

MR. HAFF: We are going to go ahead and continue the workshop. We have some members of the electric utilities who have proposed coal projects in their plans, and it's sort of something new we are doing this year. And I guess we'll just kind of go in order across the table here, and, you know, briefly give your name and who you are with, and just, I guess, a brief summary of what you are proposing, issues you dealt with in coming to that decision, and we'll just kind of ask questions as they arise.

CHAIRMAN BAEZ: We can start to my left. If you will just introduce yourselves, and then maybe we can discuss who is going to go first.

MR. ROLLINS: My name is Myron Rollins. I'm with Black and Veatch. I'm representing the Orlando Utilities Commission.

CHAIRMAN BAEZ: Welcome.

MR. REGAN: My name is Ed Regan. I'm the assistant general manager for strategic planning for Gainesville Regional

Utilities.

MR. LAWSON: I'm Mike Lawson, and I work for JEA, but I'm representing the four utilities for our coal joint solid fuel plant.

MR. MAHAFFEY: I'm Lane Mahaffey in charge of corporate planning for Seminole Electric Cooperative.

MR. SCROGGS: I'm Steve Scroggs with Florida Power and Light.

CHAIRMAN BAEZ: Is there any particular order you gentlemen might have discussed to go in? Do all of you have comments or presentations to make? We can start with Mr. Rollins.

MR. ROLLINS: Okay. I'm not exactly sure what you are looking for in our presentation, but we will take a shot at that.

CHAIRMAN BAEZ: Well, this is -- and the truth is, we aren't, either. I think one of the things that we were trying to do, as you heard Mr. Haff mention, is to try and focus in on what is really current issues, you know. And, at least in my opinion, I'm pleased to see that there are efforts out there at diversifying our generation mix and, you know, particularly coal. So that is why you all have been chosen to stand before the firing squad, as it were.

But I think what I would be interested, I hope I can speak for the rest of the Commissioners, would be interested in

hearing a little bit about what your proposals are to the extent that we don't get into, you know, merits of future cases.

But what you are looking at, what kind of issues you are facing, the impetus behind your decisions to pursue certain projects generally speaking might have been, things like that. I don't want to put too much pressure on you gentlemen, but I certainly -- I know Commissioner Deason has been with the Commission long enough to have developed an interest or at least seen enough reason for interest before to, you know, really be concerned. And we have certainly spoken about it prior, and we would love to hear -- obviously, this is a reaction of some sort, and we would like to hear why and how.

MR. ROLLINS: Okay. Let me start. Orlando Utilities Commission and Southern Company were awarded a DOE clean coal grant in the latter part of 2004 for $235 million to do an integrated coal gasification demonstration project under the clean coal initiative. The site is Stanton Energy Center where there are two twisting coal units already and a combined cycle unit. Orlando Utilities Commission and Southern Company had jointly built and built a combined cycle unit along with the Kissimmee Utility Authority and FMPA as joint owners in it. The Southern Company is wanting to maintain a lot of stuff that is confidential, and I also don't have a lot of details on the project.

A one-on-one class combined cycle is the power block portion of it, about 300 megawatts, scheduled for -- the gasifier portion is scheduled for commercial operation in 2011. The combined cycle will probably go in in the summer of 2010 to meet OUC's load requirements. The site is good in that it was originally certified and permitted for 2000 megawatts of coal-fired capacity, so it has a lot of existing infrastructure in place.

I scrounged the press reports to try to get something that was public for the overall cost of the project. It's about $557 million in project cost in the DOE proposal of which 235 million is the clean coal grant. That also includes some cost sharing in the first four years of operation of the project.

CHAIRMAN BAEZ: You mentioned the site. Is it the Stanton -- the Stanton site was already sited for coal generation, so this is sort of -- at least this proposed project sort of falls somewhere under that?

MR. ROLLINS: Yes, sir. You know, under the Florida Power Plant Siting Act you can do an ultimate site certification which allows you an easier process to certify the next generating units. And so there is still capacity left in the original 2000 megawatts of coal-fired ultimate certification at the site.

CHAIRMAN BAEZ: And is it fair to say that whatever

difficulties -- whatever difficulties might exist or might have existed with siting coal generation, that battle was -- or those issues or concerns were addressed in an overall sense once the ultimate siting was done?

MR. ROLLINS: Well, I think it might be a stretch to say all the concerns have already been addressed.

CHAIRMAN BAEZ: Fair enough.

MR. ROLLINS: Certainly it minimizes concerns. It's certainly easier to site another unit at an existing coal-fired site. The emission profile of the integrated coal gasification project is certainly very favorable, even compared to the existing units.

CHAIRMAN BAEZ: Right.

MR. ROLLINS: There are certain things that you don't have to do in the Power Plant Siting Act -- under the Power Plant Siting Act under ultimate certification, such as you don't have to have another land use and zoning hearing. And it is a shorter schedule. With respect to the need for power portion of it, it's no different, though.

CHAIRMAN BAEZ: Right.

Commissioners, questions?

Commissioner Deason.

COMMISSIONER DEASON: I have a question. Is there a specific type of coal that has to be used at this plant because of the grant and the technology being used? Can you explain

that?

MR. ROLLINS: I don't know to the exact extent that they are being confidential with their coal selection and so forth, but --

COMMISSIONER DEASON: You can just speak in general terms as to the type of coal.

MR. ROLLINS: Yeah. In general -- well, let see if I get my head chopped off here. In general, I think they are planning on using Powder River Basin coal, and this particular gasifier design is very good to use Powder River Basin coal. And if you think about Southern Company's objectives probably is to -- this is a scale up of their Wilsonville four-megawatt demonstration plant. It is a big scale up from four megawatts to 300 megawatts. But, certainly, earlier discussions about all the coal in Powder River Basin, there may be issues about rail transportation, but, certainly, it is our largest available resource of energy other than nuclear.

CHAIRMAN BAEZ: Other questions?

Commissioner Edgar.

COMMISSIONER EDGAR: Sir, what is the time frame or what are the milestones ahead, if you could lay those out briefly.

MR. ROLLINS: The only specific milestones that I can really talk about are the commercial operation date. They are following the DOE process and the NEFA process (phonetic). It

is a little more involved, but, you know, it is going to be in the neighborhood of a three-year construction schedule, I believe. And the combined cycle portion is in the neighborhood of a two-year construction schedule. So to get it on-line in 2010, they are going to need to start construction around 2008 for both pieces.

CHAIRMAN BAEZ: Any other questions?

Mr. Haff.

MR. HAFF: I had a question. With that time frame, when do you expect we will have a petition for need in front of the Commission?

CHAIRMAN BAEZ: That's a secret.

MR. ROLLINS: If it was up to me, it would be as soon as possible.

MR. HAFF: End of the year?

MR. ROLLINS: I would doubt quite by the end of the year. The current status is OUC and Southern have been negotiating the final elements of their business arrangement. And once that gets finalized, they will, I'm sure, start executing the project in earnest. And the DOE clean coal grant is a little bit, even though I'm sure it's a foregone conclusion, but it is really the opportunity to make a final business presentation to them and secure the grant, so that is probably not even 100 percent tied down even.

CHAIRMAN BAEZ: Any other questions?

Thank you.

COMMISSIONER DEASON: Wait. The grant, as you just indicated, is not a sure thing, I take it?

MR. ROLLINS: Well, I think it is a sure thing, but I think part of the process is that you have been awarded the opportunity to negotiate the grant, and I don't know -- I just plainly don't know the exact time frame of when it's final.

COMMISSIONER DEASON: Well, if for some reason the grant is not granted, the project then would not go forward?

MR. ROLLINS: I can't say that specifically, but I think the grant is important to make the project cost-effective.

CHAIRMAN BAEZ: Other questions?

Thank you, sir.

MR. REGAN: Gainesville's proposal is the outcome of an extensive integrated resource planning effort that really started in 2002 when we were with a group that started looking at the joint projects. As time went on, for a variety of reasons, our commission decided not to continue to participate in that project, and I will hit on some of those reasons.

Once we had some of our technical information in hand, we went to our community in an extensive public outreach. We started off with a series of six community forums where we actually bought dinner for anybody that would come out, and a lot of people did. And what we said is we have three problems.

The first problem is we are growing, some of our units are getting old. We are going to need additional capacity, and in particular, our generation mix is such that we need base load capacity.

Our second problem was that the price of fuels was causing us very strong concerns. I personally am on our fuel acquisition committee. We manage our hedging programs, and everybody here knows what has been going on with the price of gas and what the prospect is for coal.

And, finally, we communicated our very strong concerns about the reliability of the various fuel types. The information we assembled from public sources is such that there is maybe 20 years worth of -- at our current rate of consumption, proven reserves of fuel in our country are only about 20 years worth of oil, about 50 years worth of gas. And depending on the source, 250 or 400 years worth of coal. I have been at conferences where people from other parts of the planet have called us the Saudi Arabia of coal.

In talking to our community, we have a very strong community interest in energy conservation. Is there any way we could conserve our way out of this? And a very strong interest in renewable energy. And a very strong interest in preserving air quality. And what we have learned, and it is going to be a major problem for the state, is that there is a lot of public mistrust and public fear related to solid fuels of any type.

We have had commission meetings. We've probably had 20 commission meetings on this so far with people coming up to the mike and talking about, you know, dead babies, and, you know, mercury poisoning. I mean, there is just an amazing amount of fear and misunderstanding out there, especially given the new technologies.

Based on all of this input, we put together a plan that has really five parts to it. And you may not know this, but Gainesville has the lowest electrical use per residential customer of any utility in Florida by a substantial margin. We have a very aggressive energy conservation program, including we give natural gas rebates, which is a little unusual. We have solar rebates. So the DSM continues to be a strong part of our plan and -- although there are many who say it is not strong enough. One of the biggest arguments in our community is should we be using the REM test, which is the test you use, or should we be using the total resource test. So that is an ongoing debate.

In terms of renewable energy, what North Central Florida has is a lot of biomass in the form of waste wood products. We are staying away from any kind of energy crop. We are looking at using biomass as a resource, and our community wants to use renewable resources. It's good for the local economy, it creates jobs. There has been a downturn in the paper pulp industry, which has been very bad for Florida.

So we kept that in mind.

And, also, our community is very interested in pollution control. If you are familiar with Gainesville, you know that it's -- the University of Florida has a strong influence. There is a lot of idealistic environmental people there. And I am one of them, by the way.

So we came up with a proposal for a -- our plan has strong energy conservation. It is a very powerful commitment to renewable energy. We are talking about another 10 percent reduction in our electrical needs by 2012 with renewable energy, and a solid fuel plant, which is actually a major part of meeting our renewable energy goal. And that solid fuel plant is nominally a circulating fluidized bed plant that could accommodate biomass, coal, and petroleum coke.

There are trade-offs on a relatively small unit. We are talking about maybe 240 megawatts compared to some of the bigger units that you're going to hear about in a few minutes. Frankly, a large super critical steam pulverized coal plant is the most efficient way to go. But if you are going for optimal fuel diversity for the most number of choices of fuel types, including biomass, any unit that a city like Gainesville could afford, a CFB is a good fit. So that is one of the reasons why our proposal is a little bit out of sync with what you are hearing from around the state.

Another important part of our plan is to use

reclaimed water. We operate a water and wastewater system, so we have ample reclaimed water available for the project.

For better or for worse, we have always been very up front with our community. We've discussed quite candidly climate change and global warming. It is an argument that -- Gainesville is trying to struggle with an issue that our country has yet to come to grips with, which is, well, what about carbon, you know. And Gainesville firmly believes in environmental justice. If we don't want carbon, we don't want it here.

And so we have -- part of our plan is, first of all, the renewable energy portion, the biomass part of it is -- we consider it to be carbon neutral. Many people in our community agree. It's consistent with the Kyoto protocol. Not everybody does agree with that, but for the time being our position is that biomass is carbon neutral.

A part of our plan is a very healthy fund that we call the greenhouse gas fund. And what we did is we are setting aside a sum of money that would be sufficient to buy enough carbon credits to make our solid fuel proposal, given how much pet coke and coal we are projecting to use on the average, to make it carbon neutral compared to a new gas unit.

And the way we monetize that quantity is we went to the Chicago Climate Exchange and came up with a present value of if we were to buy those carbon credits on the market, what

would it take to make it gas neutral. And currently carbon credits are running about a buck seventy-five a ton for CO2 equivalents.

One of the conditions that our commission imposed on that is that the money would not be spent for allowances or carbon credits off of some hypothetical market, but that the funds would be used for local projects that would either sequester carbon or reduce carbon emissions. And, therefore, you know, we get our carbon gains locally.

So, those are the kind of the elements of our plan. That is how we got to a CFB, which is a little bit different that what you are hearing.

One of the killers or potential poison pills in the whole thinking is what we have learned about the infrastructure for rail in our country. It is kind of a tragedy, but the major railroads have been heavily incentivized to rationalize their system and reduce the number of lines. And as a consequence, for any major shipper to start changing their supplies from maybe Appalachian coal to Powder River Basin creates huge logistic problems for the railroads. And so, whereas, currently we have a 25-year coal contract with CSX that gives us points of origin almost anywhere on their system, in fact, anywhere on their system, those kinds of contracts are going to be scarce as hen's teeth in the future. And so I think that is a very strong concern on our part.

On the other hand, coal does have the advantage, in Florida at least, of -- there are lots of ways to get coal to Gainesville besides just on railroads. There's barges, there are multiple modes of getting it to us. One of our reliability concerns, and I am personally the guy in charge of our homeland security activities, and that is a real eye opening endeavor to engage in, is just how vulnerable the state of Florida is to any disruption of the gas pipelines. And, in fact, because of the lack of effective interconnection, most of Florida is really just on one pipeline. And it would be devastating if somebody figured that out and took some kind of action. I only mention it here because I think everybody in this room knows what I'm talking about. I don't like to talk about that in public generally.

So, currently, we have hit the policy wall in Gainesville where on the one hand we are looking at what looks like a very robust plan. We have had independent reviews by engineering firms. On the other hand, it is a $500 million investment for the City of Gainesville. And there are still those strong naysayers that say we should not be doing coal because of the carbon burden that comes with coal. We should be doing gas. Gas, no matter how you cut it, no matter how good your controls are, you are not going to have mercury in your gas, so it is going to be cleaner, slightly cleaner. In my opinion, the technologies today are just as clean or just

effectively as clean.

And so where we are is our city commission has, in fact, launched an RFP last week to have another independent review done. This time somebody not selected by Gainesville Regional Utilities. We selected the last independent review. And the independent reviewers have been given a list of all of our assumptions. And the assumptions include things like our renewable energy goal; our planning philosophy, which, is by and large a least-cost planning philosophy; our reliability criteria; the assumption that we need to have a stand-alone unit that would be in Gainesville, so that we would not be as reliant on a transmission grid. All of the assumptions. And the independent reviewers will be required to pick some of those assumptions, and modify those assumptions, and come back with an alternate plan and compare it to our base case plan.

The reason for that is our commissioners among themselves could not agree on which assumptions to change. And so the idea was, well, we will let some other experts with some other opinions change the assumptions, and let's see what the plan looks like, and see if we like it. And it is kind of like going shopping. You don't know really what you want until you see it kind of a thing, or they may -- more and more we are hearing a strong feeling that our plan is robust.

We have kind of been in a little bit of an uncomfortable position over the years, and I want to share that

with you. First of all, last year when we compared our gas forecast to everybody else's gas forecast, we had the highest gas forecast in the state, price-wise. And, boy, did we get beat up for that, because there are people in Gainesville who know how to come to the PSC and get everybody's gas forecasts, and we explained our methodology and how we got it. And as it turns out, we were the rightist in the state, the most correct.

So we feel like Gainesville is probably a microcosm of the policy issues that remain to be resolved. There is a lot of fear about climate change. I was very pleased to hear Dr. Green talk about their view on that. Whether or not you believe in climate change, it's very real. It's a very real public perception, and that is why you'll see Gainesville's utility managing carbon as an issue.

Speaking unanimously for myself, I would implore the Public Service Commission to realize the educational burdens that are imposed upon utilities, particularly local utilities, because I think diversifying the fuel supply, reducing our reliance on natural gas, which right now America is importing close to 20 percent of its natural gas, and it is getting worse every year. There is incredible pressure to mine for gas off the coast of Florida, as you all know. All the projections we see say that America has peaked in natural gas. No matter the reserve you get, we are not increasing production past the 2001 levels. Natural gas is just going to be a problem.

So it is hard to envision a future that does not include solid fuels. IGCC has a lot of cache with the environmental community because of the belief of carbon sequestration, that you can take the carbon out of the gas and put it in the ground. Well, we talked to the DOE people about locating such a facility in Florida. They are very concerned about what happens when you put carbon dioxide into the aqueous environment of Florida's aquifers with this limestone. We probably all remember in high school that you took chicken bones and put them in Coca-Cola or vinegar and see how they get rubbery and soft. Well, you put CO2 down in the water in Florida's aquifers, and you are going to create sink holes.

So we don't have a lot of alternatives, but there are ways to manage carbon. And coal has a lot of good things going for it. The economics are very compelling, as I'm sure you know. It has the burden, though, of having more carbon per megawatt hour than other fuel types. So that's why we came up with the plan we came up with, and how we are trying to balance those interests.

CHAIRMAN BAEZ: Questions, Commissioners?

COMMISSIONER DEASON: I have one.

CHAIRMAN BAEZ: Commissioner Deason.

And, I'm sorry, I didn't get your name.

MR. REGAN: My name is Ed Regan.

CHAIRMAN BAEZ: Regan.

MR. REGAN: R-E-G-A-N.

CHAIRMAN BAEZ: Okay. Thank you.

COMMISSIONER DEASON: Thank you for that presentation. It was very helpful. Just a few questions. You mentioned that it is the goal of the county to sequester carbon locally.

MR. REGAN: Yes.

COMMISSIONER DEASON: And you are going to be setting up a fund to do that?

MR. REGAN: Yes.

COMMISSIONER DEASON: How do you go about sequestering carbon locally?

MR. REGAN: There are actually two aspects. One is sequestering and reducing carbon. One way to sequester carbon is by purchasing development rights and managing forestry lands. And the carbon gets fixed in the biomass of the wood, and that is a recognized way of -- in fact, that is how a lot of the carbon credits on the Chicago Exchange are developed, is companies are buying forest lands and jungles down in South America and bringing the carbon credits to America.

Another way to do it is to --

COMMISSIONER DEASON: Let me see if I understand. There is a market developing where people actually buy forests?

MR. REGAN: Buy and sell carbon credits.

COMMISSIONER DEASON: And the obligation is to

maintain -- not cut those forests, maintain those forests so that there is a neutralizing effect upon the carbon that is emitted, or -- explain.

MR. REGAN: Okay.

COMMISSIONER DEASON: I haven't heard of this before, so it is interesting.

MR. REGAN: If we start off with a blank piece of land, as ecosystems develop on land, the rate of carbon fixation is very high initially and then tapers off. So you can manage lands in such a way that the rate of carbon fixation is higher than it would be maybe under a natural steady state. And that's the theory behind using forestry as a way of sequestering carbon.

Some of the other kinds of projects that you could fund would be avoiding carbon emissions. For example, investing in bio-fuels for diesel. Perhaps investing in energy conservation programs that don't meet the REM test, but meet other social objectives, and so this fund would be eligible for that.

In terms of actually directly removing the carbon from the gas flow, it can be done. They do it in spacecraft and submarines all the time, but you have to have a place to put the carbon. Oddly enough, we have -- I have spent a lot of time looking at this thing, you can imagine. The most effective way of sequestering carbon that I know of is making

swamps, letting biomass grow and fall under water and building peat. The Everglades was a huge bed of carbon.

And so those are the kind of projects the city commission is interested in developing. They feel that it will also spur research and development in our community that would be beneficial to the university. It could be a source of matching grant funds and all those sorts of things.

COMMISSIONER DEASON: You've put a lot of thought into that. You mentioned rail transportation, potential problems there. You also mentioned, though, that there are other ways to get coal. And you mentioned barges. And the last time I looked Gainesville didn't have a deep water port. So, obviously, you have got to -- once you use barges, you have to transload it either to rail or to trucks. What are your plans in that regard?

MR. REGAN: Well, our preferred alternative is we do have a long-term contract that has very favorable pricing in interchange terms, where we have access to Norfolk Southern as well CSX, but that is only through 2017. After that we are not really sure. There is a lot of initiatives at a federal and a state level to work with the railroads to provide more interexchange transfers and some backhauls. For instance, we would be very interested in the rail line that goes to Tampa that comes through Gainesville, and getting a backhaul through Tampa.

Again, that is an area where the Public Service -- we would think the Public Service Commission should have a strong interest in what is going on. And, you know, a little known, but let me say it here so everybody will help remember. The reason why Florida has a Rails to Trails Program, and Gainesville has participated in that, is to preserve rail corridor for the future, knowing that railroads are rolling up the tracks. And that was the original source of the intent of the Legislature for creating that program. And that was so long ago that many people don't remember that. And so now these trails that are being put into place may someday become necessary as a source of -- a way to create long corridors for rail transportation at some point. So that is an option.

We have corridors all the way up to Union County that we are banking and have, in fact, put into use as trails. So those are the kinds of things that are being kicked around. But at the end of the day, trucking is not -- is still a feasible option for a limited haul distance.

COMMISSIONER DEASON: And, you mentioned the fluidized bed technology?

MR. REGAN: Yes.

COMMISSIONER DEASON: Is that technology in and of itself conducive to using biomass, or does the basic technology have to be somehow altered to use -- because you are looking at using biomass as part of --

MR. REGAN: Our fuel.

COMMISSIONER DEASON: -- your fuel portfolio.

MR. REGAN: It is conducive to that, because it can handle irregular and large-sized particles, compared to pulverized coal where it has to be like a dust that you can blow in there. So it is suited to that. There are concerns related to the metallurgy, depending on what kind of biomass you are using. If it has got a lot of green stuff, it has more chlorides. And really the only, in my mind, and Myron knows more about it than I do, is the biomass has a lower fuel or heat density than petroleum coke or coal. So if you are going to be using it, and as we are planning, if you are going to be using biomass, you tend to have to oversize the boiler to get the same number of megawatts. So that is a consideration in its use.

And, finally, what we think is a constraint is we have done an inventory, because of the kind of conflicting environmental things that I mentioned, we've decided that we want to focus on using wood waste from silviculture activities, from land clearing activities. And within a 25-mile radius there is a limit as to how much we think the sustainable yield will be. And until we actually develop the market, and our idea is to have the material prepared and delivered to us ready to burn, develop the market and get some competition going out there, we really don't know what the pricing of that will be or

what the volumes will be. Plus, there is competition for those resources, as well. There is a number of smaller biomass using plants in North Central Florida that currently use that fuel. So that was a big consideration, as well.

COMMISSIONER DEASON: Thank you.

CHAIRMAN BAEZ: Commissioners, any other questions?

Thank you, Mr. Regan.

MR. LAWSON: Commissioners and staff, good morning. As I said earlier, I'm Mike Lawson, and I work for JEA, but I represent today the four participants in the North Florida power project. The North Florida power project is an 800 megawatt pulverized coal super critical unit. The project participants are FMPA, JEA, Reedy Creek Improvement District, and now the City of Tallahassee. The current commercial operation date is scheduled for spring of 2012.

Why a solid fuel plant? Reliability. Solid fuel units and combined cycle and combustion turbines are all reliable from an operation standpoint. But from a fueling standpoint, should one fuel supply be restricted, then the utility's ability to generate reliable, cost-effective electric power should not be adversely affected. Continued heavy reliance on natural gas will inhibit the ability to prevent that adverse effect. Natural gas cannot be economically stored on-site. A typical solid fuel plant will have 90 to 120 days of solid fuel on-site, so that stabilizes that effect.

The current forecast -- well, additionally, the solid fuel, as the gentleman said, is the most abundant fuel source the United States has. And our projections are that it will remain fairly stable as far as supply. Even earlier mentioned from the Powder River Basin, our forecast for the Powder River Basis will be readily available, also. The current forecast indicated a shortage, however, for competitive gas in the near future.

Economies. Our duty to the ratepayer is to deliver the lowest cost energy to their house and businesses. This compels exploring low-cost generation options. Solid fuel is the lowest-cost alternative. Not only is it the lowest-cost alternative, it is the least volatile of the current fuels used in Florida today.

I think we can have our cake and eat it too. A low-cost generation can be accomplished in an environmentally sound way. The North Florida power project will incorporate the latest, best available control technology for controlling emissions, and it will be a super critical design, which is the most efficient pulverized coal designed boiler today.

We have a community outreach plan to inform the community of the project's benefits, impacts, characteristics. We will have shareholder meetings, extensive project outreach initiatives. And the current status of the project, we are trying to acquire land and that should be accomplished within

the next few weeks.

The challenges, environmental, getting the permits. There is a strong stigma with coal generation. We have that to combat and to deal with, and we are prepared to do that. It is not going to be easy. Reliable, stable, environmentally sound electric power generation is a common goal of the participants of the project, and I believe of the Commission. Support from any source or any group would be much appreciated because we are going to need it.

CHAIRMAN BAEZ: Questions?

COMMISSIONER DEASON: You mentioned that the land acquisition is well underway and that you anticipate closing within weeks, is that correct?

MR. LAWSON: We'll have that locked up within three to four weeks.

COMMISSIONER DEASON: Okay. How big of a -- in terms of land, how big of an area is needed for this type project?

MR. LAWSON: Minimum site requirements is 23 to 2,500 acres, and that would include all future solid waste disposal on-site.

CHAIRMAN BAEZ: One of the other presenters mentioned the use of reclaimed water, is that part of your -- is that available to your project?

MR. LAWSON: The reclaimed water, is that the gray water?

CHAIRMAN BAEZ: Yeah.

MR. LAWSON: That is not available at the site. If it becomes available, we would be able to use that.

CHAIRMAN BAEZ: Okay.

MR. LAWSON: There are some -- we will be zero discharge.

CHAIRMAN BAEZ: It is zero discharge?

MR. LAWSON: Yes.

CHAIRMAN BAEZ: Okay. Questions?

COMMISSIONER EDGAR: The same question I had on one of the earlier projects, which is after the site acquisition, what are the future milestones necessary to be met for the success and implementation of the project?

MR. LAWSON: After site acquisition, that will release us to go ahead and do a thorough site analysis, start preparing the SCA and the need petition, our need petition. We anticipate going in approximately April of '06. If everything goes well, we will hopefully have the permits to start construction in the fall of '07, and then it's about a 48 to 52-month construction cycle to be commercial in the spring of '12.

CHAIRMAN BAEZ: Other questions?

Thank you, sir.

Mr. Mahaffey.

MR. MAHAFFEY: My name is Lane Mahaffey with

Seminole Electric Cooperative.

First, I am going to talk a little bit about why Seminole is pursuing coal. We have, by the winter of 2013, a need, a total need for new capacity of approximately 1,800 megawatts. 1,800 megawatts is a lot of capacity for a company of our size, but the reason for that is because our portfolio is made up of about 50/50 with owned generation and purchased power contracts. And between now and then, the large portion of those purchased power contracts that exist right now as a result of competitive bids in the past are expiring. And so we have the compound effect of purchased power contracts playing out and then one of the fastest growth rates of consumers underneath that compounding that growth.

And of that 1,800 megawatts, approximately 700 to 800 megawatts are what we consider base load. Base load being the portion of generating capacity that needs to run essentially around the clock. We talk in terms of capacity factors exceeding 70 percent. Our coal units, for instance, run in the neighborhood of 80 to 90 percent capacity factor year round. So we need about 750 megawatts that would run in that pattern, and so there is a huge amount of energy that would be generated by these generators. And so the cost of energy is critical for that portion of your load curve. And Seminole believes that coal is the best choice for the base load portion of that larger 1,800-megawatt need.

The reasons, pure economics is primary. Recent years and essentially everyone's projections for the future show that there is enough of a gap between coal and gas prices that the economic choice is robust for coal for a base load requirement. And that is fairly -- as I said, that is fairly robust. Even though the coal plant costs a lot more in capital cost, capital dollars to build than a gas-fired plant, it is overcome by the difference in energy cost.

We also have -- other than economics, we have what we believe is one of the best sites for coal expansion in Florida, that is the Seminole generating station in Palatka. That gives you the advantages of sharing the -- the economic advantages of sharing existing infrastructure, coal facilities, coal handling, rail facilities, water, roads, all the common facilities on the site. You may have to improve those facilities, but you don't have to build them anew.

We believe we have strong local community support throughout the life of the project and looking forward. And those local community involvement activities are, of course, gearing up again, but they have been strong all along.

One thing unique about the site is that to build this, add 60 percent to the generation output of the site with the addition of a 750-megawatt unit, there is about 1,300 megawatts there now, doesn't require any substantial additions in bulk transmission; in other words, no new power lines.

Improvements to the substations, improvements to the relay protection systems, but no new corridors, no new wires.

And, also, this site gives us the opportunity to maximize the reuse of the plant by-products, the combustion ash; the gypsum that we make into wallboard, Lafarge Gypsum (phonetic) makes it into wallboard on the site as an earlier partnership; reuse of on-site water.

Seminole also has experience with coal having operated these existing units since 1984. And so we have the confidence of being able to embrace that technology, it being the economic choice technology. And this project will allow us to utilize that accumulated knowledge and experience in coal.

And, lastly, as far as the reason for coal, fuel diversity. People don't think of Seminole as a company that is starved for coal. We have a lot of coal. But with our robust growth rate, 4 to 5 percent a year historical and projected, does is that if we don't add to our coal resources by 2012, which is when this unit would come in, our reliance on natural gas would exceed 50 percent of our total energy requirements. And that is a level we haven't seen yet, and it is a level that is of a concern to Seminole and its member cooperatives from the standpoint of the uncertainty that places on our wholesale price of power and the retail price of power that our members sell to their consumers.

That is really the rationale for us going to coal and

pursuing coal. Please interrupt me if you have questions on the fly here. I was going to move into the status of the project and talk a little bit about that.

Technology, we have picked a 750-megawatt pulverized coal unit. As I said, that's approximately the amount, in our studies and in our forecasts, of that portion of that 1,800 megawatts of capacity we are going to have to put in place that will run around the clock. And so coal fits for that.

We have chosen a super critical boiler design. I think it has been said earlier, essentially the difference between that and the technology that is on the site now is it's higher pressures, higher temperatures, and with that, higher efficiencies. And with that higher efficiencies you burn less fuel and you have lower emissions for any standard emissions control systems. So it is an economic choice. It is the cleanest choice in a proven coal technology.

The other attributes of the plan, at least on the emission side, we are employing selective catalytic reduction, or SCRs for NOx or nitrogen oxide control, a dry electrostatic precipitator for particulate control, a wet precipitator for sulfur trioxide, SO3 control, and a wet flue gas desulfurization unit, FGD, for sulfur dioxide control.

And mercury emissions will be minimized and controlled through the combined effect of all of those systems. We are going to zero discharge on the site, this unit and the

site. And then to maximize the reuse of the by-products of combustion. As you know, we have the -- we are seeking to utilize the scrubber, what we call the scrubber by-product from the SO2 removal as we do now for Units 1 and 2, but also Unit 3 to make more gypsum in the operation that is on the site.

Schedule-wise, we are targeting March of next year for a need application and site certification. That would be associated with a construction start in 2008 and a target commercial operation date of the summer peak of 2012.

Lastly, the challenges that we see in front of us, this is a major construction program for Seminole. The plant itself will have us constructing that plant from 2008 to 2012, but now we are engaged in construction or at least beginning construction soon of a peaking -- 300 megawatts of peaking capacity on our existing Hardee site. Then following that we have committed to the installation of SCRs for NOx control at our existing Units 1 and 2. And those would go in in the 2008/2009 time frame. Major construction, you know, kind of progression from here until then. And it is something we have done before and something we are prepared to do, but it is a significant challenge.

Anybody that is building coal, as said before, you have to be worried about -- even though you put in state of the art emission controls on existing proven technologies to meet existing current standards, just like we've experienced in the

past, there may be, there will likely be changes in the rules that require you to invest more in the unit. We are interested in that. We are concerned about that. And in our studies, basically, we handle that by looking at our base assumptions, and then we do various sensitivities for different types of rules, and what we would do as a result, and what the associated cost would be to make sure that the plan we are going forward with is robust enough economically to still be the case in the long-term.

One other thing I would mention, there haven't been a lot of coal plants built in the last 20 years in the country, or nuclear plants for that matter. Basically, there is a challenge to develop the range of skill craftspeople to operate and maintain these plants from the work force, as all of us around the country are tapping the same market for people, skilled craftspeople to do this. Obviously, we think it will be done, but it will be a challenge that our whole industry has to deal with is bringing those people out and training them.

And, lastly, and not least, of course, competitive fuel supply and transportation. We are engaged, as you would expect, in an extensive study of the alternatives for supply and transportation, not for just Unit 3, but for our existing Units 1 and 2, who had long-term arrangements that have their expiring terms for supply and transportation. So we are out there looking at those alternatives. We have confidence that

we can bring those in with competitive terms. We have in the past, and we trust that we will in the future. But we are also engaged at the national level with other industry and our national association to try to make -- to lobby for legislation which basically ensures the captive shippers that would, their only distinction is they don't have two railroads on their site, they've only got one, don't end up paying a huge premium for delivered coal in the future. And so we are actively engaged in that.

Subject to your questions, that is really the extent of my overview here.

CHAIRMAN BAEZ: Question of Mr. Mahaffey?

COMMISSIONER DEASON: I have a question.

CHAIRMAN BAEZ: Commissioner Deason.

COMMISSIONER DEASON: You mentioned the gypsum recovery operations that you have, and that that would be expanded with the addition of the new coal generation.

MR. MAHAFFEY: We need to negotiate that expansion. You know, we have, I think -- and I'm not totally familiar with the existing contract, but the facilities on-site that were built have greater capability that can take more than the output of our existing facilities. We have always known that. And so negotiating those arrangements is underway, but we are confident that that -- that has always been an interest of the on-site wallboard provider, and it has always been an interest

of Seminole if we ultimately pursued coal.

COMMISSIONER DEASON: Obviously, Seminole gets revenue from that operation. Is that used to minimize the cost that is ultimately passed on to your member cooperatives, or how does that work?

MR. MAHAFFEY: Right. I mean, in our, you know, form of doing business that is the result of any savings that we get. And the savings of that take two forms. One is that we call it scrubber sludge, but -- bad terminology. But the waste product from the flue gas desulfurization units or scrubbers, as we call them. In the absence of that use of by-product, we go to landfill. And in the early years Seminole did. And so what the effect is of this being able to use that there and being able to sell the ash from combustion is you just minimize use of that landfill in the future you would have to have and also for Unit 3, as well. So, hopefully, if this is all successful, our need to expand that landfill would be minimal.

COMMISSIONER DEASON: Thank you.

CHAIRMAN BAEZ: Other questions, Commissioners?

Thank you.

Mr. Scroggs.

MR. SCROGGS: Good morning, Mr. Chairman, Commissioners, staff. I have some prepared remarks, but feel free to interject and ask questions as we move on through.

I wanted to cover three areas: Why advanced coal generation makes sense for FPL customers, give you an update on the status of our proposed Southwest St. Lucie Power Project, and discuss some of the factors affecting the future of coal generation in our system.

Florida Power and Light believes that the incorporation of advanced coal generation technology in the FPL system would be beneficial to our customers. This conclusion was reached after a significant study of the technical, economic, and environmental implications such an addition would have to our system.

Based on this work, FPL proposed in its 2005 Ten-Year Site Plan to meet the growing energy and capacity needs of our customers with a balance of efficient natural gas generation and state of the art super critical coal-based generation. Many factors have combined to lead us to this conclusion, and these factors include natural gas has shown a significant and sustained rise in overall price and price volatility in the past several years, while coal prices have remained lower and more stable. So these trends are projected to continue.

Coal generation combustion technology and emission control technology have progressed rapidly, resulting in a combination of generation technology and emission control systems that are very efficient and emit significantly less pollutants than prior generations of coal-based technologies.

Between the years 1994 and 2007, FPL will have added 7,700 megawatts of clean, efficient, natural gas-based generation to meet our system growth requirements. These additions have provided significant economic and environmental benefits, but a continuation of a single fuel strategy would shift the energy mix in FPL's system to one that would depend on natural gas for almost two-thirds of our total energy requirements by the year 2013.

The addition of coal-based generation makes sense for our customers because it diversifies the fuel supply that we rely on to deliver cost-effective and reliable service. Diversification has several tangible benefits for the customers. First off, fuel cost predictability. Increasing the proportion of dependably priced coal in our fuel mix will decrease the variations seen in the customer's bill due to natural gas price swings.

Coal also provides a fuel cost hedge. Diversification provides the economic hedge against high natural gas prices and increasing the proportion of relatively low priced coal limits the increase in system generation costs that would be the result from rising natural gas prices. On the other hand, maintaining the generation capacity of natural gas within our system ensures that we can capture benefits of decreasing natural gas prices, should that occur.

In terms of fuel supply reliability, diversifying the

fuel supply increases system reliability by increasing the types of fuels and technologies used to generate power, and it enhances the system reliability through diverse fuel transportation and delivery systems. Coal inventories at the site provide us also a buffer against delays in the fuel deliveries.

We have explored other alternatives to enhance fuel diversity and determined that coal-based generation using advanced technology is the most credible alternative to add fuel diversity to our system in the next ten years. Our review of other alternatives had led us to the following conclusions: Liquified natural gas, FPL undertook an LNG RFP effort in the year 2004/2005, to identify means to deliver LNG to Florida. None of the proposals received presented a compelling reason for FPL's customers to sign onto a long-term take or pay agreement for LNG. While LNG is not currently an economically competitive option, it may become so in the future. FPL will continue to monitor developments in this area.

Integrated gasification combined cycle is a promising technology that remains in a developmental stage. The market has not yet attained the maturity to deliver the level of reliability and cost-effectiveness necessary for FPL to make a commitment on behalf of our customers, and nor is the market able to provide the necessary performance guarantees at this point.

The recent experience of Sierra Pacific Power at the Piñon Pine demonstration project is an example of the risks that FPL and its customers would face if FPL were to implement such a technology before it is economically and technically proven. However, because of its promise, FPL remains involved in evaluating developments in an effort to bring this technology into the FPL system once it is proven.

As others have mentioned, renewable resources, Florida has a relatively low level of renewable sources of energy. This limitation prevents a significant development of in-state renewable generation projects. However, renewable resources may provide complimentary energy resource capabilities in the future, but are not going to be available in significant quantity, and at current, are not at cost-effective levels.

Nuclear. Considering nuclear, significant progress has been made recently at the federal government level towards making new nuclear generation projects a realistic option in the long-term. However, much work, including satisfying the concerns of the financial community, must still be accomplished before this alternative can be actively pursued.

Now, an update on the St. Lucie project. In March of this year, as you will remember, I had the pleasure of discussing with you the results of our comprehensive study on clean coal generation. And in that study and later in FPL's

2005 Ten-Year Site Plan, FPL concluded that a coal-based project in FPL's service territory utilizing advanced super critical combustion technology and state of the art emission control equipment would not only provide FPL's customers with cost-effective, environmentally sound, and reliable generation, but would provide the necessary fuel diversification needed to maintain a healthy balance of fuel sources in the generation portfolio. That project is now known as the Southwest St. Lucie Power Project, and it is currently our plan for our next planned generating unit in the period 2012 through 2014.

FPL has been conducting community and local government outreach efforts necessary to inform stakeholders and obtain the required approvals to proceed with the project. Here are some significant milestones that we have accomplished to date. Preliminary engineering and performance estimates have been completed. FPL has conducted a request for proposal for detailed engineering services and is conducting negotiations with a short list of bidders. FPL intends to execute a contract with the winning bidder by the end of this summer. In the next 12 months FPL will work with this selected engineer to develop a cost estimate that would be suitable for use in a generation capacity request for proposal.

A rezoning and conditional use application was submitted to St. Lucie County on April 15th of this year, and a vote on that application by the board of county commissioners

is expected in the near future. FPL is presently preparing the site certification application required under the Power Plant Siting Act, and we anticipate filing that application with the siting office in the fall of this year.

These steps are consistent with the projected in-service date of the first of two 850-megawatt units of the project in June of 2012. To date over 80 outreach meetings have been held with a wide range of local residents, representatives of environmental groups, and local governments and agencies. Additional meetings are scheduled. These meetings have provided a productive format for exchange of information and an opportunity for all stakeholders to voice concerns that will be addressed as the development proceeds.

Field trips are being organized for local government officials to visit similar coal facilities and existing FPL generation facilities to gain an appreciation of how modern generation facilities can successfully co-exist in proximity to sensitive natural habitats.

With respect to the solid fuel procurement plan, we have also undertaken a process to help define and develop that plan. We have issued a request for information to over thirty domestic and South American coal suppliers. FPL has also issued a request for proposals to all railroads who can serve FPL's proposed sites. Response to these requests are due by mid-August, this month in this year.

Specifically, the objectives of the fuel transportation development plan are to, one, ensure that multiple rail providers have or can develop cost-effective delivery capability to our St. Lucie County site that we have selected. Establishing multiple port options for delivery of South American coal and petroleum coke, this would include options on the Atlantic and/or the Gulf Coast, preferably in Florida. And implement a fuel procurement strategy that would develop a portfolio spot, medium-term, and long-term fuel supply arrangements, allowing for flexibility and reacting to changing market conditions.

I should add at present our design is assuming about 40 percent Central Appalachian coal, 40 percent foreign coal, an anomaly from Columbia, and 20 percent petroleum coke. We are not targeting Powder River Basin as a source for the design.

Later this year, FPL will release a generation capacity request for proposal. The RFP will solicit proposals consistent with fulfilling the generation plan identified by our integrated resource planning process, and subsequently described in our 2005 ten-year site plan. The RFP document will describe how FPL will proceed to meet near term and longer term capacity needs.

In terms of the factors that affect the success and future of coal, there are several areas that contain levels of

uncertainty that can affect the cost-effectiveness. And these are the actual price differential that materializes between natural gas and coal over the life of the new coal plants. While this spread has grown in recent years and is forecasted to continue to grow, if that spread were to narrow, the cost benefit offered by coal would be reduced.

A robust and competitive transportation infrastructure for the delivery of coal to facilities must be established in FPL's territory. This will require significant investment as well as the involvement and support of government and regulatory agencies at many levels. Failure to achieve cost competitive delivery will significantly affect the economic viability of coal generation.

There are efforts underway to establish new government-imposed control levels on various emissions. The implementation of emission controls with tight or low limits could significantly erode the cost-effectiveness of coal generation, even at the very low emission levels that are projected for FPL's current design.

The process to obtain necessary permits and authorizations to construct and operate a coal-fired facility will result in requirements or conditions being imposed on the coal generation. The cost of meeting these requirements or conditions could affect the cost-effectiveness of the project as a whole.

Finally, because of the longer lead time necessary to plan and construct a coal-fired generation plant, there is necessarily a greater level of uncertainty in the capital cost estimates for building the facility. Consequently, the actually costs could be higher than estimated, and that would have an effect on the cost-effectiveness of the project.

In summary, FPL has concluded that adding advanced coal generation as one of the components of its generation plan has great opportunity for FPL's customers. We recognize the uncertainties associated with the costs and will continue to examine all key assumptions and areas of uncertainty.

CHAIRMAN BAEZ: Questions of Mr. Scroggs? No questions?

Thank you, sir.

MR. HAFF: I would just like to know when we are going to see your need filing?

MR. SCROGGS: I'm sorry, Mike?

MR. HAFF: When do you expect your need filing for the first unit will be filed with the Commission?

MR. SCROGGS: For the coal unit?

CHAIRMAN BAEZ: Mr. Haff is trying to plan his --

MR. HAFF: We've got two of them coming in within a month of each other next year. I want to see if we have a trifecta or not.

I hate to disappoint you, but I think we are going to

be into 2007, the summer of 2007 before you see a need filing from us on coal.

CHAIRMAN BAEZ: Any other questions?

Thank you, Mr. Scroggs.

Mr. Haff, are there any other issues?

MR. HAFF: None that I am aware of. I guess we may want to see if there is anyone that wants to give public input.

CHAIRMAN BAEZ: And I was leading up to that. This is obviously a public workshop, and if there is anyone else in the audience or in attendance today that wishes to address the Commission on any of the issues, anything that you have heard today or any of the materials that have been provided, now is your opportunity.

All right. We've got a quiet crowd today.

I want to thank you all. I personally, and I hope I can speak for the rest of my colleagues, we really do appreciate certainly you gentlemen being put on the spot today to kind of give us an update and a feeling for what all is out there, and we also appreciate FRCC for their presentation, as well, and to those in attendance.

Thank you, again. Have a good afternoon, everyone. We're adjourned.

(The hearing concluded at 12:30 p.m.)

STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter Services, FPSC Division of Commission Clerk and Administrative Services, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 18th day of August, 2005.

JANE FAUROT, RPR
Official FPSC Hearings Reporter
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732