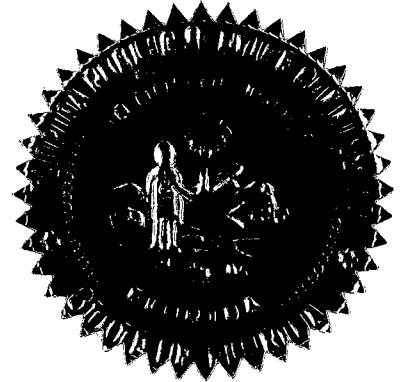


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060635-EU

In the Matter of

PETITION FOR DETERMINATION OF NEED FOR
ELECTRICAL POWER PLANT IN TAYLOR COUNTY
BY FLORIDA MUNICIPAL POWER AGENCY, JEA,
REEDY CREEK IMPROVEMENT DISTRICT, AND
CITY OF TALLAHASSEE.



VOLUME 5

Pages 372 through 513

ELECTRONIC VERSIONS OF THIS TRANSCRIPT ARE
A CONVENIENCE COPY ONLY AND ARE NOT
THE OFFICIAL TRANSCRIPT OF THE HEARING,
THE .PDF VERSION INCLUDES PREFILED TESTIMONY.

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN LISA POLAK EDGAR
COMMISSIONER ISILIO ARRIAGA
COMMISSIONER MATTHEW M. CARTER, II
COMMISSIONER KATRINA J. TEW

DATE: Thursday, January 11, 2007

TIME: Commenced at 1:45 p.m.
Concluded at 4:00 p.m.

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

REPORTED BY: LORI DEZELL, RPR, CCR

DOCUMENT NUMBER-DATE

00362 JAN 12 5

FPSC-COMMISSION CLERK

APPEARANCES: (As heretofore noted.)

I N D E X

WITNESSES

NAME:	PAGE NO.
MIKE LAWSON	
Direct Examination by Ms. Raepple	377
Cross-Examination by Ms. Paben	406
Cross-Examination by Ms. Brownless	420
Cross-Examination by Ms. Brubaker	432
Redirect Examination by Ms. Raepple	435
Further Redirect Examination by Ms. Raepple	450
WILLIAM MAY	
Direct Examination by Ms. Raepple	453
Cross-Examination by Mr. Simms	476
Cross-Examination by Mr. Jacobs	502
6 MNL-1	452
7	452
8 MNL-1R	452
103 Document entitled "Initial Study Case Rates Results"	502
CERTIFICATE OF REPORTER	513

EXHIBITS

NUMBER:		ID. ADMTD.
6	MNL-1	452
7		452
8	MNL-1R	452
103	Document entitled "Initial Study Case Rates Results"	592 --

P R O C E E D I N G S

1
2 (Transcript follows in sequence from
3 Volume 4.)

4 **CHAIRMAN EDGAR:** Okay. We will go back on the
5 record. I hope everybody got some good nourishment
6 because we're going to need it.

7 Before we call the next witness, we are
8 looking perhaps at some availability for Commission
9 and hearing room time maybe tomorrow, maybe
10 Tuesday, maybe Thursday. And I don't mean all of
11 those. But those are the days that look like we
12 can get the room and all of those sorts of things.

13 So if you would all just kind of think on that
14 and think about your schedules and witness
15 schedules. I am open to reordering the order of
16 witnesses to accommodate schedules considering that
17 in a way that is orderly.

18 And if you would, again, think about your
19 schedules and perhaps after the next break we can
20 try and make some decisions and hopefully try to
21 accommodate everything that we need to do and to
22 the best of our ability as many scheduling
23 constraints and requirements as we are able to do.

24 Okay. We will move on to the next witness,
25 Mr. Perko.

1 **MS. RAEPPLE:** Madam Chair, we call
2 Michael Lawson.

3 **MS. BROWNLESS:** Next Tuesday is a date you
4 have in mind, Madam Chair?

5 **CHAIRMAN EDGAR:** Yes, it is one of the dates.
6 Monday of course is a holiday so Monday so Monday
7 is not a possibility. So perhaps tomorrow, Friday,
8 perhaps some time Tuesday and perhaps some time
9 Thursday.

10 **MS. BROWNLESS:** Okay. Thank you.

11 **MIKE LAWSON**

12 was called as a witness on behalf of the Applicant, and
13 having been duly sworn, testifies as follows:

14 **DIRECT EXAMINATION**

15 **BY MS. RAEPPLE:**

16 **Q** Please state your name and business address.

17 **A** I'm Mike Lawson, L-A-W-S-O-N. My business
18 address is 21 West Church Street, Jacksonville, Florida,
19 32302.

20 **Q** Have you been sworn?

21 **A** Yes, I have.

22 **Q** Mr. Lawson, did you submit prefiled testimony
23 on September 19, 2006 in this proceeding consisting of
24 four pages?

25 **A** Yes, I did.

1 **Q** Do you have any changes or additions to that
2 testimony?

3 **A** No, I do not.

4 **Q** And did you submit revised direct testimony on
5 December 26, 2006, consisting of six pages?

6 **A** Yes.

7 **Q** Do you have any changes or additions to that
8 testimony?

9 **A** No, I do not.

10 **Q** If I were to ask you those same questions set
11 forth in your revised direct testimony today, would your
12 answers be the same?

13 **A** Yes, they would.

14 **Q** Are you sponsoring any exhibits to your
15 testimony?

16 **A** Yes, I am.

17 **Q** And those have been designated as Exhibits 6
18 and 8; is that correct?

19 **A** No. Exhibits --

20 **Q** Exhibit 6 was identified in your testimony as
21 MNL-1 and Exhibit --

22 **A** I'm sorry, yes.

23 **Q** -- 8 was identified in your testimony as
24 MNL-1R?

25 **A** Those are correct.

1 **Q** Okay. Do you have any changes to those
2 exhibits?

3 **A** No, I do not.

4 **Q** Are you sponsoring the sections of the need
5 for power application designated in Exhibit 7 --

6 **A** Yes.

7 **Q** -- as amended by the errata sheet in
8 Exhibit 3?

9 **A** Yes, I am. I'm sponsoring Section A.3.1.

10 **Q** Okay. Are there any changes to that section
11 for the need for power application that you're
12 sponsoring?

13 **A** No, there's not.

14 **MS. RAEPPEL:** Madam Chairman, I request that
15 Mr. Lawson's testimony be admitted into the record
16 as though read.

17 **CHAIRMAN EDGAR:** The prefiled testimony will
18 be entered into the record as though read.

19

20

21

22

23

24

25

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
2 **REVISED DIRECT TESTIMONY OF MICHAEL NEILL LAWSON**
3 ON BEHALF OF
4 FLORIDA MUNICIPAL POWER AGENCY
5 JEA
6 REEDY CREEK IMPROVEMENT DISTRICT
7 AND
8 CITY OF TALLAHASSEE
9 DOCKET NO. 060635-EU
10 **DECEMBER 26, 2006**

11

12 **Q. Please state your name and address.**

13 A. My name is Michael Neill Lawson. My business address is 21 West Church
14 Street, Jacksonville, Florida 32202.

15

16 **Q. By whom are you employed and in what capacity?**

17 A. I am employed by JEA as a Project Manager.

18

19 **Q. Please describe your responsibilities in that position.**

20 A. I am responsible for all phases of project management from start of engineering
21 through startup and commissioning for new projects.

22

1 **Q. Please state your educational background and professional experience.**

2 A. I have a Bachelor's degree in Mechanical Engineering from the University of
3 Alabama in Huntsville. I am a registered Professional Engineer in the State of
4 Florida.

5

6 I have worked for JEA since 1983 and my responsibilities have included serving
7 as Lead Project Administrator and Contracts Administration Manager for the
8 St. Johns River Power Park, Construction Site Manager for the Northside
9 Repowering Project, Project Manager for the Brandy Branch Combined Cycle
10 Project, and my current position as Project Manager for the proposed Taylor
11 Energy Center (TEC). Prior to JEA, I worked in a variety of engineering
12 positions including Startup Engineer, Lead Project Engineer, and Plant
13 Engineer.

14

15 **Q. What is the purpose of your testimony in this proceeding?**

16 A. The purpose of my testimony is to discuss the proposed ownership structure of
17 the TEC, the decision not to pursue the bids received in response to the request
18 for proposals (RFP), and the Taylor Energy Center (TEC) Participants'
19 investigation of potential federal funding.

20

21 **Q. Have you prepared any exhibits to your testimony?**

22 A. Yes. Exhibit __[MNL-1] is a copy of my resume. And I am sponsoring Exhibit
23 ____ [MNL-2], which is a letter I sent to the Taylor County Board of County
24 Commissioners on March 10, 2006.

1 **Q. Are you sponsoring any sections of Exhibit __ [TEC-1], the TEC Need for**
2 **Power Application?**

3 A. Yes, I am sponsoring Section A.3.1, which was prepared under my direct
4 supervision.

5

6 **Q. Please briefly describe the proposed ownership structure for TEC.**

7 A. TEC is being proposed as a joint development project by four municipal
8 utilities, including Florida Municipal Power Agency (FMPA), JEA, Reedy
9 Creek Improvement District (RCID), and the City of Tallahassee (City)
10 (collectively referred to as the Participants). FMPA is a wholesale supplier to 15
11 city-owned electric utilities throughout Florida. JEA is a retail supplier in
12 Jacksonville, Florida, and in parts of three adjacent counties. RCID is a retail
13 supplier in parts of Orange and Osceola Counties. The City of Tallahassee is the
14 principal retail supplier in Tallahassee, Florida.

15

16 All of TEC's capacity will be fully subscribed to and owned by the four
17 Participants. FMPA will own 38.9 percent of TEC, JEA will own 31.5 percent
18 of TEC, RCID will own 9.3 percent of TEC, and the City of Tallahassee will
19 own the remaining 20.3 percent of TEC.

20

21 **Q. How will the costs for TEC be allocated among the Participants?**

22 A. Each Participant will be responsible for the costs associated with TEC in
23 proportion to its individual ownership percentage.

24

1 **Q. Why are the Participants interested in developing TEC?**

2 A. The Participants are developing the proposed TEC to realize the benefits
3 associated with the economies of scale inherent in constructing and operating a
4 large power plant and to meet the forecast capacity requirements of each
5 Participant. TEC will provide low cost, reliable baseload energy and fuel
6 diversity for the Participants.

7

8 **Q. Did the Participants conduct an RFP process to determine if other utilities
9 or entities could provide capacity more cost-effectively than TEC?**

10 A. Yes. JEA administered and issued the RFP on behalf of Participants on
11 November 28, 2005. A summary of the RFP process and a discussion of the
12 evaluation of the bids received in response to the RFP are discussed in the
13 testimony of Paul Arsuaga from R.W. Beck, Inc. (Beck), the independent
14 engineering firm retained by the Participants to evaluate the bids.

15

16 **Q. What was the outcome of the RFP process?**

17 A. The Participants received two bids (one for a coal fired power plant and one for
18 a combined cycle power plant) from one bidder (Southern Power Company, or
19 Southern). The Beck evaluation concluded that neither of Southern's bids
20 received in response to the RFP would provide the Participants with capacity
21 more cost-effectively than TEC.

22

23

1 **Q. Have the TEC Participants investigated federal financial assistance for**
2 **potential alternative technologies for the TEC?**

3 A. Yes.

4
5 **Q. Please describe the efforts made by the TEC Participants to secure federal**
6 **financial assistance for alternative technologies for the TEC.**

7 A. Exhibit No. ____ [MNL-2] is a copy of the letter sent on behalf of the TEC
8 Participants to the Taylor County Board of County Commissioners in March
9 2006. As outlined in more detail in Exhibit No. ____ [MNL-2], our
10 investigations included the following activities as of March 2006:

- 11 • Meetings with investment bankers, a consortium including a power plant
12 developer and IGCC technology supplier, staff members of both the U.S.
13 Senate and House, investor-owned utilities (IOUs), and public power
14 entities.
- 15 • Participation in the February 2006 Coal Utilization Research Council
16 conference on clean coal incentives in Washington, D.C. Senator Robert
17 Byrd, U.S. Representative Ralph Hall, and senior staff members from the
18 US Department of Energy (DOE), US Department of Treasury, Internal
19 Revenue Service, and the US Environmental Protection Agency (EPA)
20 attended this conference.
- 21 • Exploration of applicable incentives in the Energy Policy Act of 2005.
- 22 • Consideration of the Clean Air Coal Program.

- 1 • Plans to participate in the 2nd Annual IGCC Symposium in May 2006.
2 (After this letter was sent, three JEA representatives attended the
3 Symposium on behalf of the TEC Participants.)
4

5 **Q. Were any sources of federal financial assistance identified by the TEC**
6 **Participants?**

7 A. No. The TEC Participants concluded that there were no likely sources of
8 significant funding for IGCC or other emerging advanced coal technologies. As
9 a result, the supercritical pulverized coal technology selected by the Participants
10 represents the latest and cleanest commercially proven coal-fired technology,
11 which will allow the Participants to provide reliable power at an affordable price
12 in an environmentally responsible manner.
13

14 **Q. Does this conclude your testimony?**

15 A. Yes.

EMPLOYMENT

- 02/05 – Present** **JEA, Taylor Energy Center**
Project Manager for 800 MW solid fuel fire electric generating plant. Project cost \$1,200 million. Responsible for all phases of project management from start of engineering through start-up and commissioning for a multi-participant project.
- 02/02 – 02/05** **JEA, Brandy Branch Combined Cycle Project, Jacksonville, FL**
Project Manager for the addition of a combined cycle plant on two 7FA GE CT's. Project cost \$201 million. Responsible for all phases of project management from start of engineering through start-up and commissioning.
- 4/98 – 02/02** **JEA, Northside Repowering Project, Jacksonville Fl.**
Construction Site Manager for repowering two – 275 MW oil/gas fired units with two 300 MW solid fuel fired CFB boilers. Project cost \$650 million. Responsible for all site construction activities including work scope delineation, change management, laydown coordination, security, safety program, owners provided insurance program, and budget responsibility.
- 8/83 – 4/98** **Jacksonville Electric Authority, St Johns River Power Park, Jacksonville, Fl.**
Contracts Administration Manager: Responsible for all phases of major capital and maintenance projects ranging from power piping, boiler modifications, and major equipment installations to yard utilities. Heavy involvement with plant planned and forced outages. Duties include: development, bidding and management of all site Contracts; review of engineering packages; daily interface and direction of contractors; project scheduling, budgeting, estimating, equipment procurement and cost controls; construction and maintenance field inspections; and direct supervision of up to 40 Contract Management employees.

Docket No. 060635-EU
Taylor Energy Center
Michael N. Lawson
Exhibit ____ [MNL-1]
Page 2 of 3

Lead Project Administrator: Owner representative for boiler, coal handling, cooling tower and other various contracts on construction of two 624 megawatt coal fired electric generating units. Responsible for Owner inspections, budget control, preparation of change orders, payment approvals, contract interpretations, claims negotiations, and managing 38 million dollars of project force contract work.

11/82 - 8/83
Hollywood, Al.

Tennessee Valley Authority, Bellefonte Nuclear Plant,

Start-up Engineer: Group leader of four engineers. Prepared flush procedures; prepared construction operating instructions; coordinated start-up of various plant systems; maintained construction schedules; and prepared turnover packages for plant systems .

4/79 - 7/82

Gardinier, Inc., Ft. Meade Mine, Ft. Meade, Florida

Lead Project Engineer: Concept, design and control of \$40 million slimes thickening project. Supervised six person engineering staff.

Plant Engineer: Phosphate mining and beneficiation; full control of various plant modifications and additions such as slurry pumps, conveyor stackers, classifiers, log washers, hydraulic stations, and thickeners from concept through design and construction. Lead Project Engineer for new \$3.5 million matrix pumping system. Was on design team for \$25 million major plant expansion. All projects involved concept, design, equipment selection, procurement, and construction.

3/78 - 4/79
Texas

Gulf States Utilities Company, Sabine Station, Bridge City,

Engineer: Power Plant maintenance planning; boiler, pump, and turbine maintenance supervision; specification preparation, bidding, and procurement. Major projects: Outage Coordinator for a 380 megawatt steam turbine generator; boiler inspections and maintenance on four boilers including leak records and supervision of repair crews.

12/76 - 3/78

United Parcel Service, Huntsville, Alabama

Pre-load Splitter: Sorted packages into driver routes, loaded package trucks.

9/75 - 12/76

Montgomery Ward and Company, Huntsville, Alabama

Salesman: Sales in hardware department. 30 - 40 hours per week.

71 - 75 **Ala-Tenn Natural Gas Company**, Muscle Shoals, Alabama
Summer Crew Foreman: Supervised six to eight men on general pipeline maintenance. Summers 40 hours per week.

EDUCATION

1974 - 1978 University of Alabama in Huntsville
 Mechanical Engineering Degree obtained in 1978.

1973 - 1974 University of North Alabama, Florence, Alabama

1969 - 1973 Bradshaw High School, Florence, Alabama

PERSONAL

Born: December 7, 1954, Jackson, Tennessee.

Married: Two sons.

Appearance: Height: 6'0"; Weight: 205 lbs.

Hobbies: Golf, SCUBA diving, photography, hunting, fishing.

Licensing: **Professional Engineer**, State of Florida, certificate #32619.

Docket No. 060635-EU
Taylor Energy Center
Michael N. Lawson
Exhibit _____ [MNL-2]
Page 1 of 2



Powering the Economy. Protecting the Environment.

March 10, 2006

Chairman Daryl Gunter
Taylor County Board of County Commissioners
201 East Green Street.
Perry, FL 32347

Dear Commissioner Gunter:

This letter is in response to the Taylor County Board of County Commissioners' resolution of October 3, 2005, asking the Taylor Energy Center participants to investigate the availability of federal financial assistance from the U.S. Department of Energy. Our investigations to date have found no likely sources of significant funding for integrated gasification combined cycle (IGCC) or other advanced technologies applicable to the Taylor Energy Center.

In the past three months, members of our team have met personally with investment bankers, with a consortium of a power plant developer and a major IGCC technology supplier, with staff members of both the Senate and House committees of jurisdiction, and with both investor-owned utilities and public power entities to investigate funding opportunities. A member of our team also participated in the February Coal Utilization Research Council conference on clean coal incentives in Washington, D.C. At this conference were Senator Robert Byrd, Representative Ralph Hall, and senior staff members from the Department of Energy (DOE), Department of Treasury, Internal Revenue Service, and the U.S. Environmental Protection Agency.

Although the Energy Policy Act of 2005 does include many incentives for clean coal projects, including IGCC, almost all of the programs are either not applicable to a municipal utility, like those proposing the Taylor Energy Center, or are either too small to be of significance, not funded, or ear-marked for specific projects. For example:

- Investment tax credits, production tax credits, accelerated depreciation and loan guarantees are not available for tax-exempt entities like the municipal utility participants in the Taylor Energy Center.
- The Clean Renewable Energy Bond program, included especially for tax-exempt entities, is limited to a total of \$500 million for all municipal projects in the country and is to be allocated beginning with the smallest dollar request and working up. The Taylor Energy Center is projected to cost \$1.5 billion.
- The Clean Coal Power Initiative authorizes \$1.8 billion over six years, but does not appropriate any money. The DOE has not yet said how it will solicit proposals.

Docket No. 060635-EU
Taylor Energy Center
Michael N. Lawson
Exhibit ____ [MNL-2]
Page 2 of 2

Taylor County Board of County Commissioners
March 10, 2006
Page 2

- Title IV Subtitle B identifies four specific IGCC projects that must be included: one in the Upper Great Plains, one near Healy, Alaska, one located at an elevation above 4,000 feet, and one in a deregulated energy market. This Subtitle also requires loan guarantees for five petroleum coke gasification projects and includes grant support to three universities.

The new Clean Air Coal Program authorizes, but does not appropriate, \$2.5 billion to assist commercial development of advanced coal technologies. The DOE has yet to develop the details of how this program will be administered.

The Taylor Energy Center team will continue to monitor federal programs as they are developed. We will participate in the 2nd Annual IGCC Symposium in Pittsburgh on May 9-10 where there will be further information about federal incentives and the financing of advanced coal technologies.

Despite the significant incentives included in the Energy Policy Act of 2005, our investigations have found no likely sources of significant funding for IGCC or other advanced coal technologies that might change our selection of supercritical pulverized coal technology for the Taylor Energy Center. We are comfortable that we have selected the latest and cleanest commercially proven technology, which enables us to provide reliable power at an affordable price while protecting the environment of Taylor County.

We appreciate the opportunity to share our findings with you. If you need further information, please feel free to contact me. Thank you for your continued interest, support and involvement with the Taylor Energy Center.

Sincerely,



Mike Lawson
Project Manager

Cc: Buddy Humphries
Malcolm Page
Patricia Patterson
Clay Bethea
Jack Brown

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF MICHAEL NEILL LAWSON

ON BEHALF OF

FLORIDA MUNICIPAL POWER AGENCY

JEA

REEDY CREEK IMPROVEMENT DISTRICT

AND

CITY OF TALLAHASSEE

DOCKET NO. _____

SEPTEMBER 19, 2006

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

Q. Please state your name and address.

A. My name is Michael Neill Lawson. My business address is 21 West Church Street, Jacksonville, Florida 32202.

Q. By whom are you employed and in what capacity?

A. I am employed by JEA as a Project Manager.

Q. Please describe your responsibilities in that position.

A. I am responsible for all phases of project management from start of engineering through startup and commissioning for new projects.

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 REBUTTAL TESTIMONY OF MICHAEL NEILL LAWSON

3 ON BEHALF OF

4 FLORIDA MUNICIPAL POWER AGENCY

5 JEA

6 REEDY CREEK IMPROVEMENT DISTRICT

7 AND

8 CITY OF TALLAHASSEE

9 DOCKET NO. 060635-EU

10 NOVEMBER 21, 2006

11

12 **Q. Please state your name and address.**

13 A. My name is Michael Neill Lawson. My business address is 21 West Church Street,
14 Jacksonville, Florida 32202.

15

16 **Q. By whom are you employed and in what capacity?**

17 A. I am employed by JEA as a Project Manager.

18

19 **Q. Have you previously filed testimony in this proceeding?**

20 A. Yes.

21

22 **Q. Have you reviewed the testimony of Stephen A. Smith that was filed in this**
23 **docket on November 2, 2006?**

24 A. Yes, I have.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to rebut certain statements made in Dr. Smith's
3 testimony regarding the Taylor Energy Center (TEC) Participants' investigation of
4 potential federal funding.

5

6 **Q. Are you sponsoring any exhibits to your testimony?**

7 A. Yes. I am sponsoring Exhibit No. ___ (MNL-1R), which is a letter I sent to Taylor
8 County Board of County Commissioners on March 10, 2006.

9

10 **Q. On page 6 of his testimony, Dr. Smith asserts that the TEC Participants**
11 **“apparently lacked the diligence to pursue federal funding of an admittedly**
12 **cleaner” alternative to TEC. Is Dr. Smith correct?**

13 A. Absolutely not. Dr. Smith either does not have, or willingly overlooked, the facts
14 related to this matter. The TEC Participants undertook significant efforts to
15 investigate the availability of funding for integrated gasification combined cycle
16 (IGCC) or other emerging advanced technologies.

17

18 **Q. Please describe the efforts made by the TEC Participants to secure federal**
19 **financial assistance for alternative technologies for the TEC.**

20 A. Exhibit No. ___ (MNL-1R) is a copy of the letter sent on behalf of the TEC Participants
21 to the Taylor County Board of County Commissioners in March 2006. As outlined in
22 more detail in Exhibit No. ___ (MNL-1R), our investigations included the following
23 activities as of March 2006:

- 1 • Meetings with investment bankers, a consortium including a power plant
2 developer and IGCC technology supplier, staff members of both the U.S. Senate
3 and House, investor-owned utilities (IOUs), and public power entities.
- 4 • Participation in the February 2006 Coal Utilization Research Council conference
5 on clean coal incentives in Washington, D.C. Senator Robert Byrd, U.S.
6 Representative Ralph Hall, and senior staff members from the US Department of
7 Energy (DOE), US Department of Treasury, Internal Revenue Service, and the US
8 Environmental Protection Agency (EPA) attended this conference.
- 9 • Exploration of applicable incentives in the Energy Policy Act of 2005.
- 10 • Consideration of the Clean Air Coal Program.
- 11 • Plans to participate in the 2nd Annual IGCC Symposium in May 2006. (After this
12 letter was sent, three JEA representatives attended the Symposium on behalf of the
13 TEC Participants).

14

15 **Q. Were any efforts made by the TEC Participants to secure federal financial**
16 **assistance for alternative emerging technologies for the TEC following the March**
17 **10, 2006 letter to the Taylor County Board of County Commissioners?**

18 A. Yes. The TEC Participants continued to investigate opportunities for federal financial
19 assistance for alternative emerging technologies for the TEC. This included
20 continuing contact with the US DOE, the US EPA, and Congress.

21

22 **Q. Were any sources of federal financial assistance identified by the TEC**
23 **Participants?**

1 A. No. The TEC Participants concluded that there were no likely sources of significant
2 funding for IGCC or other emerging advanced coal technologies. As a result, the
3 supercritical pulverized coal technology selected by the Participants represents the
4 latest and cleanest commercially proven coal-fired technology, which will allow the
5 Participants to provide reliable power at an affordable price in an environmentally
6 responsible manner.

7

8 **Q. Does this conclude your testimony?**

9 A. Yes.



Powering the Economy. Protecting the Environment.

March 10, 2006

Chairman Daryl Gunter
Taylor County Board of County Commissioners
201 East Green Street.
Perry, FL 32347

Dear Commissioner Gunter:

This letter is in response to the Taylor County Board of County Commissioners' resolution of October 3, 2005, asking the Taylor Energy Center participants to investigate the availability of federal financial assistance from the U.S. Department of Energy. Our investigations to date have found no likely sources of significant funding for integrated gasification combined cycle (IGCC) or other advanced technologies applicable to the Taylor Energy Center.

In the past three months, members of our team have met personally with investment bankers, with a consortium of a power plant developer and a major IGCC technology supplier, with staff members of both the Senate and House committees of jurisdiction, and with both investor-owned utilities and public power entities to investigate funding opportunities. A member of our team also participated in the February Coal Utilization Research Council conference on clean coal incentives in Washington, D.C. At this conference were Senator Robert Byrd, Representative Ralph Hall, and senior staff members from the Department of Energy (DOE), Department of Treasury, Internal Revenue Service, and the U.S. Environmental Protection Agency.

Although the Energy Policy Act of 2005 does include many incentives for clean coal projects, including IGCC, almost all of the programs are either not applicable to a municipal utility, like those proposing the Taylor Energy Center, or are either too small to be of significance, not funded, or ear-marked for specific projects. For example:

- Investment tax credits, production tax credits, accelerated depreciation and loan guarantees are not available for tax-exempt entities like the municipal utility participants in the Taylor Energy Center.
- The Clean Renewable Energy Bond program, included especially for tax-exempt entities, is limited to a total of \$500 million for all municipal projects in the country and is to be allocated beginning with the smallest dollar request and working up. The Taylor Energy Center is projected to cost \$1.5 billion.
- The Clean Coal Power Initiative authorizes \$1.8 billion over six years, but does not appropriate any money. The DOE has not yet said how it will solicit proposals.

Taylor County Board of County Commissioners

March 10, 2006

Page 2

- Title IV Subtitle B identifies four specific IGCC projects that must be included: one in the Upper Great Plains, one near Healy, Alaska, one located at an elevation above 4,000 feet, and one in a deregulated energy market. This Subtitle also requires loan guarantees for five petroleum coke gasification projects and includes grant support to three universities.

The new Clean Air Coal Program authorizes, but does not appropriate, \$2.5 billion to assist commercial development of advanced coal technologies. The DOE has yet to develop the details of how this program will be administered.

The Taylor Energy Center team will continue to monitor federal programs as they are developed. We will participate in the 2nd Annual IGCC Symposium in Pittsburgh on May 9-10 where there will be further information about federal incentives and the financing of advanced coal technologies.

Despite the significant incentives included in the Energy Policy Act of 2005, our investigations have found no likely sources of significant funding for IGCC or other advanced coal technologies that might change our selection of supercritical pulverized coal technology for the Taylor Energy Center. We are comfortable that we have selected the latest and cleanest commercially proven technology, which enables us to provide reliable power at an affordable price while protecting the environment of Taylor County.

We appreciate the opportunity to share our findings with you. If you need further information, please feel free to contact me. Thank you for your continued interest, support and involvement with the Taylor Energy Center.

Sincerely,



Mike Lawson
Project Manager

Cc: Buddy Humphries
Malcolm Page
Patricia Patterson
Clay Bethea
Jack Brown

1 **Q. Please state your educational background and professional experience.**

2 A. I have a Bachelor's degree in Mechanical Engineering from the University of
3 Alabama in Huntsville. I am a registered Professional Engineer in the State of
4 Florida.

5
6 I have worked for JEA since 1983 and my responsibilities have included serving
7 as Lead Project Administrator and Contracts Administration Manager for the
8 St. Johns River Power Park, Construction Site Manager for the Northside
9 Repowering Project, Project Manager for the Brandy Branch Combined Cycle
10 Project, and my current position as Project Manager for the proposed Taylor
11 Energy Center (TEC). Prior to JEA, I worked in a variety of engineering
12 positions including Startup Engineer, Lead Project Engineer, and Plant
13 Engineer.

14
15 **Q. What is the purpose of your testimony in this proceeding?**

16 A. The purpose of my testimony is to discuss the proposed ownership structure of
17 the TEC and discuss the decision not to pursue the bids received in response to
18 the request for proposals (RFP).

19
20 **Q. Gave you prepared any exhibits to your testimony?**

21 A. Yes. Exhibit __[MNL-1] is a copy of my resume.
22

1 **Q. Are you sponsoring any sections of Exhibit __ [TEC-1], the TEC Need for**
2 **Power Application?**

3 A. Yes, I am sponsoring Section A.3.1, which was prepared under my direct
4 supervision.

5
6 **Q. Please briefly describe the proposed ownership structure for TEC.**

7 A. TEC is being proposed as a joint development project by four municipal
8 utilities, including Florida Municipal Power Agency (FMPA), JEA, Reedy
9 Creek Improvement District (RCID), and the City of Tallahassee (City)
10 (collectively referred to as the Participants). FMPA is a wholesale supplier to 15
11 city-owned electric utilities throughout Florida. JEA is a retail supplier in
12 Jacksonville, Florida, and in parts of three adjacent counties. RCID is a retail
13 supplier in parts of Orange and Osceola Counties. The City of Tallahassee is the
14 principal retail supplier in Tallahassee, Florida.

15
16 All of TEC's capacity will be fully subscribed to and owned by the four
17 Participants. FMPA will own 38.9 percent of TEC, JEA will own 31.5 percent
18 of TEC, RCID will own 9.3 percent of TEC, and the City of Tallahassee will
19 own the remaining 20.3 percent of TEC.

20
21 **Q. How will the costs for TEC be allocated among the Participants?**

22 A. Each Participant will be responsible for the costs associated with TEC in
23 proportion to its individual ownership percentage.

24

1 **Q. Why are the Participants interested in developing TEC?**

2 A. The Participants are developing the proposed TEC to realize the benefits
3 associated with the economies of scale inherent in constructing and operating a
4 large power plant and to meet the forecast capacity requirements of each
5 Participant. TEC will provide low cost, reliable baseload energy and fuel
6 diversity for the Participants.

7

8 **Q. Did the Participants conduct an RFP process to determine if other utilities
9 or entities could provide capacity more cost-effectively than TEC?**

10 A. Yes. JEA administered and issued the RFP on behalf of Participants on
11 November 28, 2005. A summary of the RFP process and a discussion of the
12 evaluation of the bids received in response to the RFP are discussed in the
13 testimony of Paul Arsuaga from R.W. Beck, Inc. (Beck), the independent
14 engineering firm retained by the Participants to evaluate the bids.

15

16 **Q. What was the outcome of the RFP process?**

17 A. The Participants received two bids (one for a coal fired power plant and one for
18 a combined cycle power plant) from one bidder (Southern Power Company, or
19 Southern). The Beck evaluation concluded that neither of Southern's bids
20 received in response to the RFP would provide the Participants with capacity
21 more cost-effectively than TEC.

22

23 **Q. Does this conclude your testimony?**

24 A. Yes.

EMPLOYMENT

- 02/05 – Present** **JEA, Taylor Energy Center**
Project Manager for 800 MW solid fuel fire electric generating plant. Project cost \$1,200 million. Responsible for all phases of project management from start of engineering through start-up and commissioning for a multi-participant project.
- 02/02 – 02/05**
FL **JEA, Brandy Branch Combined Cycle Project, Jacksonville,**
FL
Project Manager for the addition of a combined cycle plant on two 7FA GE CT's. Project cost \$201 million. Responsible for all phases of project management from start of engineering through start-up and commissioning.
- 4/98 – 02/02** **JEA, Northside Repowering Project, Jacksonville Fl.**
Construction Site Manager for repowering two – 275 MW oil/gas fired units with two 300 MW solid fuel fired CFB boilers. Project cost \$650 million. Responsible for all site construction activities including work scope delineation, change management, laydown coordination, security, safety program, owners provided insurance program, and budget responsibility.
- 8/83 – 4/98**
Jacksonville, Fl. **Jacksonville Electric Authority, St Johns River Power Park,**
Contracts Administration Manager: Responsible for all phases of major capital and maintenance projects ranging from power piping, boiler modifications, and major equipment installations to yard utilities. Heavy involvement with plant planned and forced outages. Duties include: development, bidding and management of all site Contracts; review of engineering packages; daily interface and direction of contractors; project scheduling, budgeting, estimating, equipment procurement and cost controls; construction and maintenance field inspections; and direct supervision of up to 40 Contract Management employees.

Docket No. _____
 Taylor Energy Center
 Michael N. Lawson
 Exhibit _____ [MNL-1]
 Page 2 of 3

Lead Project Administrator: Owner representative for boiler, coal handling, cooling tower and other various contracts on construction of two 624 megawatt coal fired electric generating units. Responsible for Owner inspections, budget control, preparation of change orders, payment approvals, contract interpretations, claims negotiations, and managing 38 million dollars of project force contract work.

11/82 - 8/83
 Hollywood, Al.

Tennessee Valley Authority, Bellefonte Nuclear Plant,

Start-up Engineer: Group leader of four engineers. Prepared flush procedures; prepared construction operating instructions; coordinated start-up of various plant systems; maintained construction schedules; and prepared turnover packages for plant systems .

4/79 - 7/82

Gardinier, Inc., Ft. Meade Mine, Ft. Meade, Florida

Lead Project Engineer: Concept, design and control of \$40 million slimes thickening project. Supervised six person engineering staff.

Plant Engineer: Phosphate mining and beneficiation; full control of various plant modifications and additions such as slurry pumps, conveyor stackers, classifiers, log washers, hydraulic stations, and thickeners from concept through design and construction. Lead Project Engineer for new \$3.5 million matrix pumping system. Was on design team for \$25 million major plant expansion. All projects involved concept, design, equipment selection, procurement, and construction.

3/78 - 4/79
 Texas

Gulf States Utilities Company, Sabine Station, Bridge City,

Engineer: Power Plant maintenance planning; boiler, pump, and turbine maintenance supervision; specification preparation, bidding, and procurement. Major projects: Outage Coordinator for a 380 megawatt steam turbine generator; boiler inspections and maintenance on four boilers including leak records and supervision of repair crews.

12/76 - 3/78

United Parcel Service, Huntsville, Alabama

Pre-load Splitter: Sorted packages into driver routes, loaded package trucks.

9/75 - 12/76

Montgomery Ward and Company, Huntsville, Alabama

Salesman: Sales in hardware department. 30 - 40 hours per week.

71 - 75

Ala-Tenn Natural Gas Company, Muscle Shoals, Alabama

Summer Crew Foreman: Supervised six to eight men on general pipeline maintenance. Summers 40 hours per week.

EDUCATION

1974 - 1978

University of Alabama in Huntsville

Mechanical Engineering Degree obtained in 1978.

1973 - 1974

University of North Alabama, Florence, Alabama

1969 - 1973

Bradshaw High School, Florence, Alabama

PERSONAL

Born:

December 7, 1954, Jackson, Tennessee.

Married:

Two sons.

Appearance:

Height: 6'0"; Weight: 205 lbs.

Hobbies:

Golf, SCUBA diving, photography, hunting, fishing.

Licensing:

Professional Engineer, State of Florida, certificate #32619.

1 **BY MS. RAEPPLE:**

2 **Q** Mr. Lawson, have you prepared a summary of
3 your testimony?

4 **A** Yes, I have.

5 **Q** Will you please present that summary.

6 **A** I'm the project manager of the Taylor Energy
7 Center. I'm responsible for all phases of the project
8 from engineering through construction and startup.

9 I have a mechanical engineering degree from
10 the University of Alabama in Huntsville and I'm a
11 registered professional engineer in the state of
12 Florida.

13 I've worked for JEA since 1983. My work
14 experience includes project management activities at the
15 St. Johns River Power Park, site construction manager
16 for the Northside Repowering Project, project manager
17 for the Brandy Branch Combined Cycle Project, and I'm
18 currently the Taylor Energy Center project manager.

19 Prior to JEA, I had several positions in
20 project management such as startup engineer, project
21 engineer and plant engineer.

22 The TEC is a joint development project for
23 municipal utilities, Florida municipal power agency,
24 JEA, the City of Tallahassee and the Reedy Creek
25 Improvement district will have varying degrees of

1 ownership in the facility.

2 FMPA's ownership share is 38.9 percent; JEA,
3 31.5 percent; the City of Tallahassee, 20.3 percent; the
4 Reedy Creek Improvement District has 9.3 percent. All
5 cost of the project will be shared in direct relation to
6 the percent shares I just mentioned.

7 By jointly developing a power plant, the
8 participants reap the benefits of economics of scale
9 associated with constructing a large single facility
10 versus multiple smaller facilities. JEA issued their
11 request for proposals on behalf of all the participants
12 on November 28th, 2005 soliciting power supply pricing
13 from other sources. Through this process, two bids were
14 received from one company, Southern Power Company.
15 Southern Power proposed one alternative power supply
16 from a solid fuel source -- solid fuel fired source and
17 one from a combined cycle power plant.

18 The evaluation performed by R.W. Beck
19 concluded that neither of the Southern Power bids were
20 more cost-effective than the self-built option.

21 And that concludes my testimony -- or summary.

22 **MS. RAEPPLE:** Tender the witness for
23 cross-examination.

24 **CHAIRMAN EDGAR:** Thank you. Ms. Brownless?

25 **MS. PABEN:** Thank you, Madam Chairman.

CROSS-EXAMINATION

1
2 **BY MS. PABEN:**

3 **Q** Good afternoon, Mr. Lawson. I have just a few
4 questions for you.

5 Are you aware that the Commission has
6 identified as issue No. 7 in this proceeding whether or
7 not the applicants requested available funding from DOE,
8 the Department of Energy, to construct an IGCC unit or
9 other cleaner coal technology?

10 **A** Yes.

11 **Q** Mr. Lawson, are you aware that in your revised
12 direct testimony you stated in response to a question
13 asking you to describe the efforts made by TEC to secure
14 federal financial assistance for alternative
15 technologies that the applicants investigated funding;
16 is that correct?

17 **A** That's correct.

18 **Q** Mr. Lawson, are you familiar with the
19 resolution passed by the Taylor County Board of County
20 Commissioner on October 5th, 2003, that stated as
21 follows: "If a coal generated power plant is to be
22 located in Taylor County, that JEA requests funding from
23 the U.S. Department of Energy for this plant so that it
24 will be built using only the very latest and cleanest
25 technology available such as the coal gasification

1 process"?

2 **A** Yes, I am aware of that.

3 **Q** Mr. Lawson, also in your revised direct
4 testimony you offered Exhibit 8. I think it was
5 formerly MNL-1R, a letter dated March 10th, 2006, that
6 you sent to Chairman Darryl Gunter of the Taylor County
7 Board of County Commissioners also indicating that you
8 responded to their request in that resolution and, in
9 fact, investigated funding; is that correct?

10 **A** That's correct.

11 **Q** Mr. Lawson, did you or any of the applicants
12 actually request funding from the United States
13 Department of Energy for this plant?

14 **A** No, we didn't, because there was none
15 available.

16 **Q** So to make sure that I understand it
17 correctly, you're stating that you did not request
18 funding as required by the resolution or the issue in
19 this case?

20 **A** We would request funding if it was available.

21 **Q** And your response was that you did not,
22 correct?

23 **A** There were verbal inquiries made to the
24 Department of Energy as well as members of the Congress
25 by a representative of JEA, an indication that there's

1 not funding available except for in special cases, for
2 example, constructing an IGCC at an elevation of
3 4,000 feet or greater.

4 **Q** Mr. Lawson, as indicated earlier in the public
5 testimony portion of this proceeding, a Taylor County
6 resident sent a Freedom of Information Act request to
7 the United States Department of Energy asking for any
8 communications or documents related to the proposed
9 coal-fired power plant in Taylor County. She indicated
10 that she specifically asked for any correspondence to
11 and from and between a number of entities including all
12 TEC partners and that the responses from the Department
13 of Energy indicate no documents in their records showing
14 any communications with any of the applicants in DOE.

15 Isn't it true, Mr. Lawson, that, in fact, the
16 applicants did not request the funding from the
17 Department of Energy?

18 **A** We did not formally in writing request funding
19 from the Department of Energy, correct.

20 **Q** Mr. Lawson, have the applicants identified the
21 coal railroad routes expected to be used for the supply
22 of coal or other materials to and from the Taylor Energy
23 Center?

24 **A** We've identified the route from a certain
25 point. But since the fuel sources are not necessarily

1 defined as yet, the entire route would not be defined.

2 **Q** Have the applicants evaluated the
3 appropriateness of the infrastructure of that portion of
4 the route and any necessary mitigation costs related to
5 negative effects of using that route to meet the
6 specific needs of TEC?

7 **A** The evaluation of the conditions of
8 infrastructure in place is the responsibility of the
9 railroad, and they've done that.

10 **Q** So it's your position that TEC did nothing to
11 evaluate the full extent of the route for those
12 purposes?

13 **A** We evaluated if feasibility of the routes, the
14 condition of the routes was the responsibility of the
15 railroad.

16 **Q** Just to make sure I can clarify, only for a
17 portion of the route; is that correct?

18 **A** The feasibility was considered all the way to
19 the point sources. I mean, that was one of the criteria
20 for selecting the site. We had rail capability.

21 **Q** I'm a little confused because you just
22 indicated that the actual sources weren't determined so
23 you couldn't entertain the entire route. Can you
24 clarify that?

25 **A** Well, the sources range from Wyoming to

1 Jacksonville to Tampa. So we verified the routes are
2 available but we didn't individually analyze every
3 possibly conceivable rail route through those sources.

4 **Q** Would you concede that the -- those costs
5 associated would differ depending on which route you
6 selected?

7 **A** Yes, they do.

8 **Q** Can you explain the context that you or any of
9 the applicants have had with local government entities
10 through which that transportation route will run
11 regarding this specific issue?

12 **A** We've had contact with the City of Perry
13 discussing the possible route. In fact, we approached
14 them proactively to make sure they were fully aware of
15 the impact of the rail traffic.

16 **Q** Did the applicants expect to incur costs
17 associated with any infrastructure improvements or
18 necessary mitigation costs to address concerns with
19 respect to local government entities?

20 **A** Yes, we do.

21 **Q** Could you elaborate further on what expected
22 costs you intend to incur?

23 **A** When we first started looking at the rail
24 traffic through Perry, we felt like Perry was a
25 significant impact because they're at the end of the

1 line for the short-line rail carrier. So our plant
2 would impact the number of rail cars going through Perry
3 about double.

4 We presented this to the, to the city -- I
5 actually met with emergency response personnel with the
6 City of Perry, police, fire, city managers, county
7 managers discussing costs around some mitigation -- or
8 mitigation possibilities or their concerns.

9 We developed plans that would include possibly
10 a bypass. That was pretty much objectionable to the
11 town of Perry. They did not want a bypass. The
12 estimate -- and then testimony yesterday you heard some
13 of -- I'll go ahead and say it -- \$5 million commitment
14 for the project to the City of Perry. That was derived
15 as an estimate equal to an overpass. We felt like to
16 address the emergency response issues, \$5 million to
17 build an overpass would address the emergency response
18 issue which was a priority.

19 Someone sitting a couple of more minutes at a
20 crossing was not necessarily a priority but as long as
21 emergency response could handle that, that was our
22 priority. Not top priority.

23 The City of Perry -- so we discussed this with
24 the City of Perry, said that could be used for rail
25 improvement, signaling, safety awareness programs,

1 possibly fire and rescue satellite stations up on each
2 side of the track. These type of measures that were a
3 concern for public safety.

4 They also were pursuing, the City of Perry was
5 pursuing a grant or some type of funding to put a bypass
6 around the City of Perry. We offered that to the extent
7 the 5 million would be avoided if a bypass was put
8 around the City of Perry, then they could use that 5
9 million that we would be using for the safety mitigation
10 for that bypass. And we have an agreement or a letter
11 that I sent the City of Perry stipulating that and we
12 are in the process of formulizing that agreement.

13 **Q** The letter that you're referring to,
14 Mr. Lawson, is the letter dated October 5, 2006, to
15 Mayor Emily Ketring, mayor of the City of Perry, that's
16 entered into these proceedings as Exhibit No. 87; is
17 that correct?

18 **A** That's correct.

19 **Q** This letter states in its opening paragraph
20 that you're writing a letter in response to concerns
21 raised by the City of Perry; is that correct?

22 **A** Correct.

23 **Q** The letter further goes on to say that you
24 pledge 5 million to the construction of an easterly
25 bypass railroad track to address those concerns

1 articulated by the City of Perry and its residents; is
2 that correct?

3 **A** Yes.

4 **Q** Those concerns articulated in the letter
5 include some of the emergency responses that you're
6 talking about but also deal with other economic effects,
7 safety effects, traffic congestion? Other issues are
8 detailed in there, not just the emergency response; is
9 that correct?

10 **A** That's correct.

11 **Q** Is it your testimony here today that that
12 letter actually contends that you would only pledge the
13 5 million if they are not able to receive a grant?

14 **A** That's correct.

15 **Q** I'm a little confused by that articulation.
16 The letter which I have here in front of me doesn't seem
17 to qualify the \$5 million contribution to the City of
18 Perry contingent on the grant. It does -- it does
19 identify the proposed grant and that you would support
20 their efforts to achieve that. But then the second and
21 the third paragraphs go on to indicate that you commit
22 the 5 million to do the bypass or up to 5 million for
23 other necessary improvements.

24 After looking at the letter, can you tell if
25 that's a more accurate characterization of that letter?

1 **A** I'm confused by that question. Or was it a
2 question?

3 **Q** Yes. The question was, you stated that the
4 5 million was only if the grant was contained, but the
5 letter actually has three separate sections, the first
6 where you agree to support their application for the
7 grant --

8 **A** Right.

9 **Q** -- and then the second and the third where you
10 commit the 5 million without making it contingent on the
11 grant acceptance.

12 **A** To rephrase, if you're asking we would not
13 contribute 5 million if they did not get the grant,
14 that's incorrect. We'll contribute 5 million for the
15 other mitigation issues even if they do not get the
16 grant.

17 **MS. RAEPPLE:** Madam Chairman, could I please
18 ask that if counsel is going to continue to
19 question Mr. Lawson about the content of documents,
20 that she could show him the document? Thank you.

21 **CHAIRMAN EDGAR:** Let me say for the record,
22 yes, absolutely. And if the witness needs a
23 document, ask as well. Okay? Do you --

24 **MS. PABEN:** Thank you. I don't have actually
25 further questions about that letter, and I would

1 have provided them. I'm sorry. He said he was
2 very familiar with it having written it himself.
3 Sorry about that.

4 **BY MS. PABEN:**

5 **Q** Just a couple of remaining questions. Do you
6 know if the \$5 million that you've -- that we've been
7 discussing was articulated in the application to the
8 Public Service Commission as a cost expected to be
9 incurred in the development of the Taylor Energy Center?

10 **A** It is in the cost of the project, yes.

11 **Q** Can you point specifically in the record to
12 where that cost is indicated?

13 **A** It's not a line item.

14 **Q** Can you point to the general area where it's
15 included?

16 **A** It's under the infrastructure item. We
17 have -- it's -- it would be in the normal line of things
18 that were considered contingent items. So you're not
19 going to see an item called rail bypass or city
20 contribution. It's just going to be part of the
21 uncertainty, part of the component of the infrastructure
22 improvements.

23 **Q** Is it the intent of the applicants after the
24 testimony you heard here yesterday to have conversations
25 with any other local governments regarding similar

1 concerns and costs associated with this project?

2 **A** I'm sorry, I missed the first couple of words.

3 **Q** Is it the intention of the applicant to have
4 any further conversations related to the same concerns
5 with other local government entities that you've heard
6 expressed to you yesterday as well as previous to these
7 proceedings?

8 **A** The -- the people that spoke yesterday
9 concerned with the rail traffic along other parts of the
10 rail line, we would be very willing to sit down with
11 them and talk with them. However, the situation in
12 Perry is significantly different than those cities that
13 were represented yesterday.

14 **Q** Mr. Lawson, you indicated by affidavit that
15 you did respond to Staff Interrogatory No. 68; is that
16 correct?

17 **A** That's correct.

18 **Q** In the response to the question whether or not
19 you have contingency plans in the event that the City of
20 Tallahassee does not obtain final approval to
21 participate in TEC, you indicate three alternatives as
22 to how that would be addressed.

23 Can you walk us through each of those
24 alternatives and the steps that you imagine being taken
25 if the City of Tallahassee or any other partner were to

1 withdraw?

2 **A** I do not have the phase 2B agreement which
3 outlines those conditions in front of me. And generally
4 speaking, the first step, if an owner, any owner decides
5 to withdraw, then the other owners have the ability to
6 absorb or redistribute the percentages that that leaving
7 participant is accounting for.

8 The second step would be the leaving
9 participant finds a suitable or acceptable replacement
10 participant for their share or maybe some portion. The
11 other participants could take a portion of that share.
12 If that second step -- if they could not find anybody
13 and we could not absorb the share, then the third
14 alternative would be to resize the plant for -- to
15 proceed proportionately to reduce the size of the plant
16 to accommodate a fully-prescribed power plant.

17 **Q** In any of those three options, what would be
18 the role of the Public Service Commission in addressing
19 those issues?

20 **A** You're asking me what the Public Service
21 Commission would rule?

22 **Q** I'm asking how the applicant would address the
23 PSC with any of those different alternatives?

24 **A** I'm not able to answer that question.

25 **Q** Is there someone more suitable to answer that

1 question on the TEC staff?

2 **MS. RAEPPLE:** Madam Chairman, I believe she's
3 requesting a legal conclusion.

4 **CHAIRMAN EDGAR:** I believe the witness said
5 that he was not able to answer the question.

6 **MS. PABEN:** Is the follow-up appropriate to
7 ask if there is -- the earlier witness indicated
8 other people that would be more appropriate to
9 answer certain questions.

10 **CHAIRMAN EDGAR:** On the witness list?

11 **MS. PABEN:** Right.

12 **CHAIRMAN EDGAR:** If you know the answer, you
13 may answer. If you don't --

14 **THE WITNESS:** I don't know. I would have to
15 refer to our counsel for that answer.

16 **MS. PABEN:** Thank you very much.

17 **CHAIRMAN EDGAR:** Mr. Jacobs?

18 **MR. JACOBS:** I'm sorry, no questions,
19 Madam Chairman. I think Ms. Brownless may have
20 some though.

21 **MS. BROWNLESS:** Yes, we do.

22 **CHAIRMAN EDGAR:** Okay. Just a moment.
23 Commissioner Arriaga.

24 **COMMISSIONER ARRIAGA:** Thank you. Would you
25 please clarify for me the extent of the analysis

1 you did regarding the availability of
2 transportation from the source of coal to the
3 proposed plant. The extent of that evaluation. I
4 was a little bit confused. I didn't know what you
5 were answering.

6 **THE WITNESS:** The initial extent of the
7 evaluation was to verify that there were routes
8 available to supply that were adequate to supply
9 the fuel for the plant, and that's initially -- as
10 far as infrastructure we did not do that. But yes,
11 we verified there were suitable carriers. In fact,
12 the short line railroad that supplies the site
13 location touches two suppliers so we have
14 competitive rail for the main carrier and a short
15 line for just the last part.

16 **MS. BROWNLESS:** Okay. What I was trying to
17 do, so --

18 **CHAIRMAN EDGAR:** Ms. Brownless, I'm sorry, to
19 the microphone, please.

20 **MS. BROWNLESS:** What I was trying to find was
21 a copy of the public power solid fuel power plant
22 phase 2B development agreement which was your
23 answer to staff's POD, production request No. 8.
24 Do you have a copy of that? I think it's in the
25 stack of materials that everybody has, I just

1 couldn't find it. Your green sheet listed as
2 No. 7. It's the staff POD No. 8 which is the phase
3 2B development agreement.

4 **CHAIRMAN EDGAR:** Are we close?

5 **MS. RAEPPEL:** I believe it begins at Bates
6 stamp 001742 and it runs through 001814 -- I'm
7 sorry, I believe it runs from Bates 001742 through
8 001814. Is that what you would like me to give the
9 witness?

10 **MS. BROWNLESS:** The copy that I have starts
11 at --

12 **CHAIRMAN EDGAR:** Okay, folks, let's --

13 **MS. BROWNLESS:** That's fine.

14 **CHAIRMAN EDGAR:** Are we there?

15 **MS. RAEPPEL:** Yes, ma'am.

16 **CHAIRMAN EDGAR:** Ms. Raepple, can you -- yes,
17 please. Thank you.

18 **MS. BROWNLESS:** And I'm sorry for the
19 confusion. The copy I had had a separate set of
20 numbers on them than what was provided to the
21 parties.

22 **CROSS-EXAMINATION**

23 **BY MS. BROWNLESS:**

24 **Q** This is the document that you were previously
25 referring to, Mr. Lawson, the request when you were

1 speaking with Ms. Paben, the phase 2B development
2 agreement?

3 **A** Yes, it is.

4 **Q** Okay. Are you the project director of the TEC
5 project, Mr. Lawson?

6 **A** No, I'm not.

7 **Q** Who is?

8 **A** I'm the project manager.

9 **Q** Okay. I'm sorry, project manager. And were
10 you appointed to that position full time in July of
11 2005?

12 **A** No, I was not.

13 **Q** Okay. When were you appointed?

14 **A** January 13th, 2005.

15 **Q** Okay. When did you begin receiving full time
16 compensation from the project, the TEC project, for your
17 services?

18 **A** It started approximately July 1st, 2005.

19 **Q** And is it fair to say that since that time
20 you've been working full time on this project?

21 **A** Correct.

22 **Q** Section 4 of this phase 2B agreement concerns
23 the participation and obligation rights of the parties
24 to the agreement; is that correct?

25 **A** That is correct.

1 **Q** And I just want to ask just a few questions so
2 I can clarify what the rights are for the participants,
3 the current participants of the project. And by current
4 participants of the project, I mean the applicants in
5 this proceeding. And is it true that the applicants in
6 this proceeding have actually executed and signed this
7 phase 2 agreement?

8 **A** That's correct, they have.

9 **Q** And I assume gotten the appropriate
10 authorization from their individual boards to do so?

11 **A** I'm sorry, what?

12 **Q** And I assume that they got the appropriate
13 authorizations from their own boards to do so?

14 **A** Yes, they did.

15 **Q** Okay. At any time during phase 2B -- and
16 you've set out a definition of what phase 2B is. So let
17 me start by asking you, what is the basic series of
18 events that phase 2B is intended to encompass?

19 **A** Basically it covers the participant's scope
20 through -- up until receiving permits.

21 **Q** Okay. And that would be up through receiving
22 all of your permits, your sight certification permit,
23 your air permit, water permit?

24 **A** That's correct.

25 **Q** Okay. And the end of phase 2B would be the

1 time at which you would have all of your permits in hand
2 so that you could develop a more accurate final cost for
3 this project?

4 **A** We would be developing a more accurate final
5 cost dynamically as we move forward. We wouldn't wait
6 till we got the permits in hand. We would be close
7 enough before that -- we are constantly tuning the cost.

8 **Q** Yes, sir, I appreciate that. And I guess what
9 I'm trying to say is -- well, I'll strike that.

10 At any time during this phase 2B process, can
11 any two participants reallocate their capacity among
12 themselves as long as it doesn't affect the
13 percentage -- ownership percentages of the other two?

14 **A** That would require approval by all of the
15 participants.

16 **Q** Okay. And I'm looking at paragraph 4.1.1.1 on
17 page 23 of the agreement. Is that the correct section?

18 **A** You have to give me a minute to read it.

19 **Q** Sure.

20 **A** (Examining document.) Now that I've read it,
21 I have to correct my statement a minute ago. You are
22 correct that two participants can reallocate between
23 themselves percent shares of the participation as long
24 as the total interest is maintained at 100 percent.

25 **Q** Okay. And can any participant reduce or --

1 reduce its interest or completely withdraw if any -- I'm
2 sorry, let me strike that.

3 If any participant wants to reduce its
4 interest or wants to completely withdraw from this
5 project, can he do so if one of the other three
6 participants is willing to completely take his share?

7 **A** Yes, he can.

8 **Q** Okay. And can he also invite someone else
9 into the group with the approval, the written consent of
10 the other parties?

11 **A** Yes.

12 **Q** When I was taking the deposition of, I
13 believe, Mr. Rollins, I asked him if the other
14 participants in this project had the equivalent of a
15 right of first refusal. And by that I mean do the other
16 participants get first dibs at capacity that one of the
17 original participants wished to abdicate; is that true?

18 **A** Is that a statement or a question?

19 **Q** Here's the question. Do the other three
20 people -- if person number one wants to get out, let's
21 say the City of Tallahassee wants to completely get out,
22 do the other remaining three people have the first right
23 to assume that capacity?

24 **A** I think I already answered that in the three
25 steps. The first step was the other participants taking

1 that share.

2 Q But do they have the right to take it before
3 anyone else is offered it?

4 A Yes.

5 Q Now, Attachment A to this agreement lists all
6 of the phase 2 activities; is that correct?

7 A That's correct.

8 Q And at the end of those phase 2 activities,
9 which I believe you've already testified include site
10 certification by the siting board, do all parties have
11 the ability to make a final go, no-go decision?

12 A Yes, they do.

13 Q When you get to that date, what obligation
14 does each participant have?

15 A When we get to that phase?

16 Q Yes, sir.

17 A They have no obligation.

18 Q Okay. And I want to make sure I clearly
19 understand.

20 A Because the agreement is complete.

21 Q When you get to the no-go decision, you've
22 fulfilled all the terms of this contract and would you
23 enter into another contract?

24 A Yes.

25 Q And that subsequent contract would be with

1 whomever wanted to continue to participate?

2 **A** That's correct. Which hopefully that account
3 would be in place before we have the permits.

4 **Q** Okay. And that would be because you've --

5 **A** And I'll clarify. In place I mean in place
6 but not executed.

7 **Q** Okay. Now, once this plant is built, what do
8 you anticipate the rights and obligations of each
9 participant will be with regard to the plant?

10 **A** In direct accordance with the percentage
11 shares that they have.

12 **Q** Okay. And so would each participant have the
13 exclusive right to the capacity equal to his own
14 ownership share?

15 **A** Yes, they would.

16 **Q** Okay. And could he therefore either use that
17 capacity himself or sell it on the wholesale market?

18 **A** It's his capacity.

19 **Q** Okay.

20 **A** Or their capacity.

21 **Q** Yes, sir. And does he have to sell it through
22 TEC in conjunction with other capacity being sold from
23 TEC if there is any or can he separately negotiate to
24 sell his own capacity?

25 **A** I'm not sure I understand the question.

1 **Q** Okay. Sometimes when units are owned by more
2 than one company --

3 **A** Right.

4 **Q** -- and capacity from that unit is sold for
5 whatever reason on the wholesale market, the unit, as it
6 were, sells the capacity and then revenues are divided
7 up, however they're divided up to the individual owners
8 of the total unit and sometimes the individual
9 participants are able to separately negotiate wholesale
10 bulk market sales?

11 **A** Right.

12 **Q** So have you determined whether TEC will
13 operate as one unit or whether individual participants
14 will be able to make individual decisions as to the sale
15 of their individual capacity?

16 **A** That's -- all that type of structure and how
17 that will be worked out is that contract -- will be
18 worked out for the operating of the 30-year plant life.

19 **Q** Okay. Do you anticipate that the TEC unit
20 will be able to make sales into the Florida wholesale
21 market?

22 **A** There may be opportunities when we have --
23 happen to have excess capacity for weather conditions,
24 there may be when some other major units are down, sure.

25 **Q** Do you have a copy of revised table A.3-5,

1 which is the updated capital cost estimate summary?

2 **A** No, I do not.

3 **Q** That should be in the TEC exhibit, TEC 1. At
4 deposition, we asked, I believe it was, Mr. Rollins to
5 tell us what's included in the owner's cost listed on
6 this updated capital cost estimate summary and he
7 deferred that question to you, Mr. Lawson. So it shows
8 here that the owners' costs are 138, approximately
9 \$138 million; is that correct?

10 **A** That's correct.

11 **Q** What type of costs are included in this
12 category?

13 **A** They include all project management. We are
14 the project managers. All the project management, QA,
15 QC staff, accounting staff to build the project. And
16 I'm sitting here now. That's part of that cost.

17 It also includes insurance costs, it includes
18 land cost -- I'm sorry, the land is a separate item.
19 And other office administration costs, things required
20 for setup. It does include some one-time chemicals for
21 initial startup.

22 **Q** And the one-time chemical, would that be the
23 limestone base?

24 **A** No, that's the -- these -- that was a
25 relatively small item in the owners' cost. The

1 limestone, initially limestone and fuel was in another
2 cost estimate.

3 **Q** Okay. So that was separately included in --

4 **A** Correct.

5 **Q** -- another cost estimate? And I assume that
6 the -- there's a certain amount of coal, sacrificial
7 coal bed. That's also included in another cost
8 estimate; is that correct?

9 **A** Yes.

10 **Q** So these owner's cost, fair to say, are
11 generally administrative cost for the project?

12 **A** Yes, ma'am.

13 **Q** Do these also include the administrative cost
14 for preparing this application?

15 **A** Yes, it does.

16 **Q** And I assume your projected costs for securing
17 all the necessary site certification and air permits?

18 **A** Yes.

19 **Q** Okay.

20 **A** It also includes preliminary engineering costs
21 I omitted.

22 **Q** Okay. Everything necessary to get this plant
23 up through the --

24 **A** Everything from the phase 2B agreement.

25 **Q** And that's allocated among the participants on

1 their ownership basis?

2 **A** Yes, it is.

3 **Q** Have those costs -- obviously they've already
4 been incurred, or some of them.

5 **A** Yes.

6 **Q** Have they already been paid for?

7 **A** The ones that we're paying as we go. So if
8 there are costs incurred, they've been paid for.

9 **Q** Okay. So to the extent -- and I'm sure you do
10 have a budget for the phase 2 process -- that budget has
11 already been approved and you already are receiving
12 payments in accord with that budget?

13 **A** That's correct.

14 **Q** So essentially those monies are being fronted
15 by the individual participants?

16 **A** That's correct.

17 **Q** Now, are you the person that was in charge of
18 administering the requests for proposals in this
19 proceeding?

20 **A** Yes, I was.

21 **Q** And that was done in November of 2005?

22 **A** That's correct. It was issued to the public
23 on November.

24 **Q** I believe you indicated in your testimony that
25 there was only one bidder; is that correct?

1 **A** That's correct.

2 **Q** And that was Southern Power Company; is that
3 right?

4 **A** That's right.

5 **Q** Okay. And that is the wholly-owned subsidiary
6 of Southern Power; is that right?

7 **A** Yes, ma'am.

8 **Q** And that's the same entity that bid and
9 successfully won the bid for the OGC IGCC plant; is that
10 right?

11 **A** I'm not sure about the contractual arrangement
12 of the OGC plant.

13 **Q** Okay. Would your RFP as written, Mr. Lawson,
14 have allowed the Southern Power Company to bid an IGCC?

15 **A** Absolutely.

16 **Q** Okay. So it was not limited with regard to
17 technology in any way?

18 **A** No. We -- we -- we stated in the IGCC -- we
19 preferred prudent technology but we did not restrict the
20 capability of the bidder to propose any power plant they
21 wanted to.

22 **Q** So any type of technology they wanted to?

23 **A** Yes.

24 **Q** Had the bidders approached the applicants with
25 a request to go to DOE for funding for an IGCC plant,

1 would that have been within -- would you have considered
2 that to be a responsive bid?

3 **A** I misunderstood the very first part.

4 **Q** Okay. Let's assume that a bidder as part of
5 his bid proposed had said, we want to build an IGCC
6 plant and we request that the applicants come with us to
7 DOE in order to secure funding for that plant. Would
8 you have considered that to be a responsive bid?

9 **A** In the context of an RFP, no.

10 **Q** That would have been nonconforming?

11 **A** Correct.

12 **Q** Thank you, Mr. Lawson.

13 **MS. BRUBAKER:** Madam Chairman, if I may --

14 **CHAIRMAN EDGAR:** Ms. Brubaker.

15 **MS. BRUBAKER:** -- actually -- I have a few
16 questions.

17 **CHAIRMAN EDGAR:** Yes, ma'am.

18 **CROSS-EXAMINATION**

19 **BY MS. BRUBAKER:**

20 **Q** Mr. Lawson, were you president -- excuse me,
21 were you present during yesterday's public testimony
22 portion of the hearing?

23 **A** Yes, I was.

24 **Q** And do you happen to recall testimony by
25 Alex Robinson, a Baker County commissioner?

1 **A** Yes, I do.

2 **Q** And generally his testimony had some concern
3 about a traffic cross -- traffic delays at a railroad
4 crossing and the delays that might cause for emergency
5 vehicles. Do you recall that?

6 **A** Yes, ma'am.

7 **Q** Were the applicants aware of this particular
8 transportation problem, to your knowledge?

9 **A** We weren't aware of the particular instances
10 that Mr. Robinson mentioned concerning the
11 one-hour-and-45-minute delay I think Commissioner Carter
12 was concerned with also. But the -- we're aware that
13 that town, Sanderson, I believe he mentioned, is a
14 potential route of some of the rural deliveries that we
15 may be getting for this plant.

16 **Q** In what way -- if it does, in what way does
17 the need application address the concerns regarding that
18 area?

19 **A** Maybe the application addresses that.

20 **Q** It does not specifically account for possible
21 delays in that particular area?

22 **A** I do not believe it does.

23 **Q** Okay. You did state earlier in your testimony
24 today though that to the extent you were contacted by
25 the Baker County Commission or concerned persons, that

1 you would be willing to speak with them about possibly
2 reaching some resolution about those concerns?

3 **A** We would discuss potential. As I mentioned
4 earlier with the rail deliveries, the exact rural rail
5 routes haven't been established so they may or may not
6 be impacted.

7 **Q** Are you aware of any other potential problems
8 of that type along the planned rail route from
9 Jacksonville to TEC? Are there other areas of which
10 you're aware of similar issues?

11 **A** No. In fact, if we're talking about the
12 particular rail line from Jacksonville to -- into
13 Madison County, that's a straight rail line. Typically
14 the train runs from 35 to 50 miles an hour. The impact
15 of one of our trains would be less than 2 minutes at a
16 crossing. The county commissioner from Baker County,
17 that sounds like a procedural issue with the railroad,
18 and rightfully so.

19 I think Commissioner Carter was concerned and
20 wants someone to bring it to someone's attention. So no
21 rail crossing should be blocked a couple of hours unless
22 it's some type of mechanical breakdown or other type of
23 emergency.

24 **MS. BRUBAKER:** Thank you. That concludes my
25 questions.

REDIRECT EXAMINATION

1
2 **BY MS. RAEPPLE:**

3 **Q** Mr. Lawson, are railroads common carriers
4 under the Service Transportation Board's jurisdiction?

5 **A** I assume so, yes. Yes.

6 **Q** Would the participants have the ability to
7 dictate how that common carrier ran their railroad?

8 **A** No, we do not.

9 **Q** With regards to how the Taylor Energy Center
10 would be operated, after the phase 2B agreement and the
11 operating agreement is in -- after the phase 2B
12 agreement is complete and the operating agreement is in
13 place, would the rights and responsibilities of the
14 participants be dictated in that final operating
15 agreement?

16 **A** Yes.

17 **MS. RAEPPLE:** Thank you. I have nothing
18 further.

19 **CHAIRMAN EDGAR:** I think we have a few
20 questions. Commissioner Carter.

21 **COMMISSIONER CARTER:** Thank you, Madam Chair.

22 Am I missing something that in the need
23 determination you didn't factor the cost of getting
24 the fuel that the plant would be powered by to the
25 plant?

1 **THE WITNESS:** Yes, that was factored. I
2 understood the question to be did we account for
3 the improvements to rail situations in the towns
4 that the rail passed.

5 **COMMISSIONER CARTER:** That would not be a
6 consideration in the --

7 **THE WITNESS:** It's a consideration for the
8 town of Perry.

9 **COMMISSIONER CARTER:** If you're going to get
10 the fuel -- excuse me, Madam Chair -- if you're
11 going to get the coal from point A to point B,
12 point A being the plant and point B being the point
13 of beginning to the entry to the state or from the
14 west coast or east coast or the Bay area or
15 whatever, but from point A to point B, I mean, did
16 you not consider that?

17 Because let's say there's the -- the cost for
18 the plant determines -- is based upon getting --
19 and I think it was the other gentleman that was
20 talking about how you considered the cost of
21 operation. Do you remember that -- you were here
22 this morning, right, when I went through that
23 question about the cost of operation?

24 **THE WITNESS:** Yeah. We would account for
25 those and the tariff that we pay for the shipping

1 cost to the railroad. It's their railroad. They
2 would improve it to meet the needs of the --

3 **COMMISSIONER CARTER:** I understand. It's the
4 state's highways but still we go from point A to
5 point B.

6 The point is, in the process of determining
7 the type of plant that you have, you would
8 obviously have to figure the cost of getting the
9 raw materials necessary to generate the energy at
10 the plant, is that not part of the equation?

11 **THE WITNESS:** That is correct, yes.

12 **COMMISSIONER CARTER:** So I'm asking, did you
13 make that consideration in terms of what it would
14 cost in transportation to get the fuel back and
15 forth to the plant?

16 **THE WITNESS:** Yes, we did.

17 **COMMISSIONER CARTER:** And in that process did
18 you consider a route structure? For an example, if
19 you're going to build a road from Tallahassee to
20 Tupelo, Mississippi, you have a route.

21 **THE WITNESS:** Yes.

22 **COMMISSIONER CARTER:** And then that route is
23 going to determine if we want to run over streams
24 and cemeteries and things like that. The cost
25 would be one. If we have a straight shot, the cost

1 is going to be 2, right?

2 **THE WITNESS:** Correct.

3 **COMMISSIONER CARTER:** So in that process, did
4 you go through that process and determine what it
5 would cost? And in the process of determining what
6 that cost was, did you consider the impact of
7 things between point A and point B?

8 **THE WITNESS:** We took into the rail tariff
9 cost from point A to point B and those tariffs, the
10 rail industry should address any impacts between
11 those two points.

12 **COMMISSIONER CARTER:** Madam Chairman, the only
13 reason I'm asking the question -- excuse me. The
14 only reason I'm asking the question is we had a lot
15 of discourse yesterday when citizens were talking
16 about things that impact the process. We talked
17 this whole discourse about relevancy, things that
18 are collaterally related, things that are not
19 related.

20 But it would seem to me the cost -- you can't
21 operate the cost without having fuel for the plant.
22 Am I missing something?

23 So in the process of getting the fuel to the
24 plant to operate the plant, then there's a cost
25 involved in that. And if you're going to go from

1 point A to point B -- did you guys just say, okay,
2 I'm thinking of a route between -- and throw a dart
3 on the board? I mean, you had to factor in some
4 kind of cost in terms of transportation from here
5 to there, right?

6 **THE WITNESS:** Yes.

7 **COMMISSIONER CARTER:** And in that -- or did
8 you say, now, you took bids. Excuse me,
9 Madam Chairman.

10 **CHAIRMAN EDGAR:** Go right ahead.

11 **COMMISSIONER CARTER:** You took bids in an RFP
12 for what it would cost to build the plant, the type
13 of plant, et cetera, right?

14 **THE WITNESS:** Yes.

15 **COMMISSIONER CARTER:** You also -- you took
16 bids about what it would cost to take the fuel from
17 the source to the plant, right?

18 **THE WITNESS:** No, we did not take bids. We
19 did a --

20 **COMMISSIONER CARTER:** Just took whatever costs
21 they gave you.

22 **THE WITNESS:** -- a fuel forecast that Mack
23 Preston can testify to the components of the fuel
24 forecast which includes transportation cost.

25 **COMMISSIONER CARTER:** I hope that by the end of

1 the day that we can find the legitimate costs of
2 this process. I think it -- excuse me,
3 Madam Chairman, and I beg your indulgence. But I
4 can understand why the people are frustrated.
5 They're trying to get a straight answer. And it
6 seems like a moving target.

7 In a need determination, the cost -- there's
8 got to be a cost. I mean, I can buy gas in
9 Tallahassee or I can drive across the county -- the
10 state line and buy it in Thomasville. It's going
11 to be one price in Thomasville, one price in
12 Tallahassee.

13 But it just seems like this whole thing --
14 now, you're the guy that did the RFP to determine
15 what the cost of the plant would be. You said,
16 hey, you can pick whatever kind of plant you want,
17 IGCC, you can have a biomass plant, you can have a
18 little hamster running in the wheel plant, right,
19 whatever it is. But we put out the RFP based upon
20 specifications, right?

21 **THE WITNESS:** We put the RFP out asking for
22 megawatts. We didn't specify a route or rail
23 delivery or how they would get their fuel. We gave
24 them a fuel forecast.

25 **COMMISSION CARTER:** But would you not agree

1 that the cost of transporting the fuel to the plant
2 that will power the plant has a direct correlation
3 in how much it would cost to operate the plant?

4 **THE WITNESS:** Absolutely.

5 **COMMISSION CARTER:** So I'm back to my original
6 question. Did you factor what it would cost to get
7 the fuel from point A to point B?

8 **THE WITNESS:** Yes, we did.

9 **COMMISSIONER CARTER:** And in that
10 consideration, in factoring in that consideration,
11 did you just take whatever number the railroad gave
12 you or did you take -- did they say X number of
13 cars at X amount or did you just say it's a flat
14 fee? I'm trying to see what are the parameters or
15 what were the components of the pricing of the
16 transportation of the fuel to the plant.

17 **THE WITNESS:** It was based on the tariffs
18 charged by the railroad. And that's their --
19 that's what it costs for them to deliver fuel to
20 us. And in those costs, they're business. They
21 have all the other associated costs of going
22 through towns and rail maintenance and everything
23 it takes to get from point A to point B in those
24 tariffs. For us to add something else on top of
25 that would be accumulating extra cost that isn't

1 really there.

2 **COMMISSION CARTER:** Well, I don't want to
3 sound flippant, but maybe we should have added some
4 common sense to it. It just seems to me that in
5 most of the components -- most of the partners in
6 this project are governmental entities, and as
7 government it's our responsibility, whether state,
8 local or national government, to consider our
9 citizenry. And in the process of that, getting the
10 fuel from point A to point B, going across
11 geographical and different jurisdictional
12 boundaries and things of that nature, we would
13 think about that.

14 Are you trying to say that whatever the
15 railroad says is fine regardless? Regardless of
16 whatever activities that they engage in, whatever
17 they do between -- it's not your problem as long as
18 they get to the plant on time?

19 **THE WITNESS:** No, actually we have considered
20 our problem in Perry. We were proactive and came
21 forward and are working with them on a plan to
22 mitigate their impacts because they are, by far,
23 the most significantly impacted city.

24 The other cities, maybe the presumption that
25 we're the only business that's using that rail

1 line. That rail line that goes down by U.S. 90 and
2 actually through the City of Tallahassee is used by
3 many, many trains every day.

4 **COMMISSION CARTER:** I think that's verified by
5 what Commissioner Robinson said, is that it's used
6 by too many trains already and it seems that in his
7 opinion, it could exacerbate matters, particularly
8 tying up the opportunities for fire, rescue,
9 police, families and communities.

10 And then -- I know it may not be your problem,
11 but a lot of times -- excuse me for waxing
12 philosophically, Madam Chair -- but we on this
13 Commission take our citizenry serious, is that
14 sometimes a dose of common sense, or as they said
15 in the old days, an ounce of prevention is worth a
16 pound of cure; is that sometimes I remember the
17 Department of Transportation, particularly at the
18 turnpike when they were building the roadway going
19 through miles, they said, you know what? Between
20 here and there there's a cemetery or something like
21 that so we need to -- the engineers, you know, the
22 guys with the slide rules and the pocket protectors
23 say, just go straight. But the common sense says,
24 you know, it's just not good public policy to go
25 through a graveyard. Maybe we need to shift the

1 road over some. Yet it's going to cost us
2 another \$100,000 but we need to put that in our
3 price estimate. Do you see where I'm going with
4 this?

5 **THE WITNESS:** I know exactly where you're
6 coming from.

7 **COMMISSION CARTER:** Help me out.

8 **THE WITNESS:** I agree with you. And that's
9 why looking at the other areas, the railroad tariff
10 should account -- should address those things. The
11 procedural issue with the siting, extending the
12 siting. If they have more rail traffic, they can
13 hopefully by adding another customer like us,
14 they'll have the revenues to extend that siting to
15 avoid the Sanderson problem.

16 We recognize the railroad was not going to
17 step up and do some things in Perry, so we're
18 stepping up to do that.

19 **COMMISSION CARTER:** I swear to you,
20 Madam Chairman, this is my last question on this.
21 But if you ask them to step up to the plate in
22 Perry, then our neighbors in Baker County, are they
23 not due the same level of, you know, respect or
24 consideration?

25 **THE WITNESS:** It's not a matter of respect,

1 it's a matter of impact and they're not impacted --
2 no, no.

3 **COMMISSION CARTER:** It's a financial impact,
4 is that what you're saying?

5 **THE WITNESS:** No, I'm talking about
6 inconvenience or whatever when you're talking about
7 a train, our train, coming through those areas and
8 tying up the crossing for less than ten minutes
9 compared with all the other trains that are already
10 going through there. You compare that to Perry
11 where the train now comes through at 10 miles an
12 hour to a curve, if one of our trains now went
13 through the town of Perry, it would tie up a
14 crossing for eight minutes. And that's a concern.
15 It would split the town.

16 So we're doing things to mitigate the speed of
17 the train. If the rail bypass happens, we'll help
18 the speed of the train to actually reduce the time
19 of the existing trains delivering goods to Buckeye
20 and receiving goods from Buckeye. Their existing
21 trains plus our trains going net out in a whole
22 week will go from 70 to 78 minutes of train track
23 crossing. We recognize that.

24 We recognize the possibility of emergency
25 response needs, we recognize the possibility of

1 additional signaling and safety. So we're trying
2 to do the right thing to where only the towns that
3 we feel -- only the town that is impacted. And I
4 agree there -- it's not an undetectable impact to
5 the other cities but it's very minimal. And quite
6 frankly, it's through the rail provider that should
7 address those issues.

8 Because it may not just be those cities. What
9 about all the cities between our site and Wyoming?
10 Some of our rail deliveries may be coming from
11 Wyoming. How can we possibly address every city
12 that has a concern between Perry, Florida and
13 Wyoming?

14 **COMMISSION CARTER:** I know I said it was the
15 last question but he goes back to -- he went right
16 back to point A and point B. So here we are again.
17 It's circular -- in consideration, did you consider
18 from point A to point B, point B being the plant,
19 whether you get it from the east coast or west
20 coast or whatever. You remember we went through
21 this?

22 **THE WITNESS:** Yes.

23 **COMMISSION CARTER:** I don't want to be
24 antagonistic, I'm just trying to ask a question.
25 And in the process maybe as a good corporate

1 citizen, you as -- I mean, it's not even within our
2 jurisdiction, but maybe as a good corporate citizen
3 maybe you and the partners in this process can send
4 letters to the congressional delegation and
5 Legislature, whoever, and say, look, this is going
6 to impact our citizenry in Florida, we need your
7 help on this.

8 I don't know the answer. That's why -- but I
9 do know this. I'm deeply concerned about the
10 people of Florida. I know a lot of people in the
11 United States are geographically challenged,
12 present company included. But I do know that
13 between Perry and Jacksonville, Baker County lies.
14 That I do know.

15 So again, not to be antagonistic but certainly
16 as we look at a major project like this impacting
17 multi-jurisdictional boundaries, certainly some
18 consideration should be given to the big picture,
19 if you will. And I know that when you see people
20 coming in here, citizens say this is not -- this is
21 not -- I'm still on the same point, Madam Chair.

22 **CHAIRMAN EDGAR:** I know that.

23 **COMMISSION CARTER:** That this is not a
24 relational issue but it really is. It does impact
25 on the cost of getting the fuel to the plant and

1 all of that is -- and points in between, is that
2 he's talking about Wyoming. Suppose in this post
3 911, suppose there's some kind of, God forbid,
4 terrorist act or something like that. I mean, all
5 of that stuff goes in there. I would surely hope
6 that in this post 911 generation or time that we
7 would put in parameters and we factor costs that we
8 didn't put in before because it's a different
9 world. Thank you, Madam Chair.

10 **CHAIRMAN EDGAR:** Commissioner Tew.

11 **COMMISSIONER TEW:** I have one along that same
12 line too. And I just want to make sure that I'm
13 clear. Are you saying that the rail roads in
14 providing you an estimate for transporting coal
15 have factored in or has possibly factored in
16 contingencies for those types of local rail issues
17 that may occur in Sanderson, for example? And I
18 guess I'll go a step further. That if they didn't,
19 it would be their responsibility to take care of?

20 **THE WITNESS:** That's correct.

21 **COMMISSIONER TEW:** That's an or question.

22 **THE WITNESS:** What they charge for rail
23 delivery per ton is the cost of their doing
24 business and things that they need to improve their
25 system, maintenance and additions and whatever. If

1 their rail traffic increases in certain areas, they
2 have to do certain things. They have to do safety
3 audits for crossings that may not have been
4 protected before and the rail traffic increases,
5 they have to possibly add those crossings, the
6 signaling devices for those crossings. That's part
7 of their business.

8 **COMMISSIONER TEW:** In follow-up to that, so if
9 they haven't adequately factored in those types of
10 costs for issues that might occur in Sanderson and
11 other communities, your belief is that it would be
12 their liability to deal with that local government
13 and that those --

14 **THE WITNESS:** That's correct. But early on I
15 offered that we would sit down and talk to them and
16 be a conduit between the local cities and the rail
17 road and facilitate and use what leverage we could
18 as a potential client to help them make some
19 improvements. We're very willing to do that.

20 **COMMISSIONER TEW:** If the Taylor Energy Center
21 is approved based on that understanding and then
22 later you sit down with local governments like
23 Sanderson, for instance, if the rail route chosen
24 ultimately does go through there and you think it
25 shows that there is some impact, where do those

1 costs show up, I suppose? How do we take that into
2 account?

3 **THE WITNESS:** The railroad would have to come
4 up with those costs.

5 **CHAIRMAN EDGAR:** Okay. Ms. Raepple?

6 **FURTHER REDIRECT EXAMINATION**

7 **BY MS. RAEPPLE:**

8 **Q** Just very briefly. Mr. Lawson, when you said
9 that the rail traffic is governed by tariff, the
10 railroad tariff, is that tariff set by a governmental
11 body?

12 **A** That's out of my expertise.

13 **Q** Okay. Is the tariff that is set by a railroad
14 similar to when you get on, say, the turnpike and you
15 pay a toll from A to B, it's a set amount and it's not
16 subject to negotiation?

17 **A** That would be correct.

18 **MS. RAEPPLE:** Thank you. I have nothing
19 further.

20 **CHAIRMAN EDGAR:** Commissioner Carter?

21 **COMMISSION CARTER:** The turnpike goes up on
22 its tolls from time to time as costs go up. For an
23 example, back in the day, they just used to have a
24 plaza where you get a pack of crackers and a soft
25 drink. But now they've got Mrs. Fields' chocolate

1 chip cookies, not that that's the only reason I
2 stop. But they also have Popeye's fried chicken
3 there and they have Burger King there. Not that
4 I'm giving them a plug, but they are there.

5 And as the cost goes up, then the price for
6 the toll goes -- the only thing that I'm asking,
7 Madam Chairman, and that's what we're trying to get
8 to in a need determination, what does it cost to
9 operate this plant? And if these costs are hidden
10 costs and later on we're going to have to jerk the
11 rug out from under the consumers and say, oh, yeah,
12 by the way, we had this little problem, and then
13 the railroad gets into a nun-kissing contest with
14 the providers and then they -- and some court who
15 for whatever purposes apportioned the damages to
16 both parties, then we're right back where we
17 started and it's a judicially-mandated price
18 increase, rate increase for our consumers.

19 So I'm saying if we know this going in, we
20 need to look at this. When making a need
21 determination, I asked about the cost of operating
22 the plants and I asked about the cost of
23 maintenance and all of that. And it just seems to
24 me that these may be some hidden costs.

25 I'm still not satisfied with the response that

1 I'm getting. And again I don't want to be
2 confrontational or anything like that. We just
3 want to arrive at the best solution and it just
4 seems to me that -- I don't know. It just -- thank
5 you, Madam Chairman.

6 **MS. RAEPPLE:** Madam Chairman, there will be
7 another witness, Mr. Jim Myers, who may be able to
8 answer in more detail these questions about fuel
9 cost.

10 **CHAIRMAN EDGAR:** Okay. And we will look
11 forward to the opportunity to ask those questions.
12 We have exhibits.

13 **MS. RAEPPLE:** Move exhibits -- we move
14 Exhibits 6, 7 and 8 into the record.

15 **CHAIRMAN EDGAR:** Exhibits 6, 7 and 8 will be
16 entered into the record.

17 (Exhibits No. 6, 7 and 8 admitted into the
18 record.)

19 **CHAIRMAN EDGAR:** The witness is excused.
20 Thank you.

21 **THE WITNESS:** Thank you.

22 **CHAIRMAN EDGAR:** I'm ready to go forward. Why
23 don't you call your next witness.

24 **MS. RAEPPLE:** We call William May.

25 **CHAIRMAN EDGAR:** Thank you.

WILLIAM MAY

1
2 was called as a witness on behalf of the Applicant, and
3 having been duly sworn, testifies as follows:

DIRECT EXAMINATION

4
5 **BY MS. RAEPPLE:**

6 **Q** Please state your name and business address.

7 **A** My name is William May, and my address is
8 8553 Commodity Circle, Orlando, Florida.

9 **Q** Have you been sworn?

10 **A** Yes, I have.

11 **Q** Did you submit prefiled testimony on
12 September 9th, 2006 in this proceeding consisting of
13 12 pages?

14 **A** Yes.

15 **Q** Do you have any changes or additions to your
16 testimony?

17 **A** No.

18 **Q** If I were to ask you those same questions, set
19 forth in your testimony today, would your answers be the
20 same?

21 **A** Yes, they would.

22 **Q** Are you sponsoring any exhibits to your
23 testimony?

24 **A** Yes, I am.

25 **Q** Are those Exhibits 9, 10, 11 and 12?

1 **A** Yes, they are.

2 **Q** Do you have any changes to those exhibits?

3 **A** No, I do not.

4 **Q** Are you also sponsoring the sections of the
5 need for power application designated in Exhibit 13?

6 **A** Yes, I am.

7 **Q** Do you have any changes to those sections to
8 the need for power application?

9 **A** No, I do not.

10 **MS. RAEPPEL:** Madam Chairman, I request that
11 Mr. May's testimony be admitted into the record as
12 though read.

13 **CHAIRMAN EDGAR:** The prefiled testimony will
14 be entered into the record as though read.

15

16

17

18

19

20

21

22

23

24

25

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY OF WILLIAM S. MAY

3 ON BEHALF OF

4 FLORIDA MUNICIPAL POWER AGENCY

5 DOCKET NO. _____

6 SEPTEMBER 19, 2006

7

8 **Q. Please state your name and business address.**

9 A. My name is William S. May. My business address is 8553 Commodity Circle,
10 Orlando, Florida 32819.

11

12 **Q. By whom are you employed and in what capacity?**

13 A. I am employed by Florida Municipal Power Agency (FMPA) as the Manager of
14 the Planning and Contracts Department.

15

16 **Q. Please describe your responsibilities in that position.**

17 A. As the Manager of the Planning and Contracts Department for FMPA, I have
18 responsibility for managing the planning functions for its expanding All-
19 Requirements Power (ARP) Supply Project including production of annual load
20 forecasts, annual reporting to regulatory bodies, transmission planning and
21 load-flow studies, demand-side planning, and generation expansion planning. I
22 manage the development, issuance, and evaluation of requests for proposals
23 involving both short-term and long-term purchases and generation construction
24 options. I am also responsible for negotiation and implementation of purchase

1 power contracts. I direct the analysis and implementation of integrated resource
2 plans and review analysis results. I represent FMPA on the Florida Reliability
3 Coordinating Council (FRCC) Planning Committee and oversee FMPA
4 representation on the FRCC Load and Resource Working Group, Transmission
5 Working Group, and Stability Working Group. In addition, I am a member of
6 the FMPA Risk Management Group.

7
8 **Q. Please state your educational background and professional experience.**

9 A. I received Bachelor of Science degrees in Electrical Engineering and Applied
10 Mathematics from North Carolina State University, Raleigh, North Carolina,
11 and a Master of Science degree in Electrical Engineering with emphasis in
12 power systems modeling from Georgia Institute of Technology, Atlanta,
13 Georgia. I am a member of the Institute for Electronic & Electrical Engineers
14 (IEEE). My 31 years in the electric utility industry have encompassed many
15 facets of the business, including experience as a consultant to the power
16 industry, a power systems engineer, an energy market price forecaster, a
17 transmission planning engineer, a substation design engineer, and a designer of
18 simulation software. Before joining FMPA, I was a self-employed entrepreneur
19 in the field of electric power supply systems modeling, power plant value
20 analysis, and litigation consulting.

21
22 **Q. What is the purpose of your testimony in this proceeding?**

23 A. The purpose of my testimony is to provide a description of FMPA and its ARP.
24 I will summarize FMPA's existing generation system as well as available

1 purchase power resources. I will discuss FMPA's expected need for capacity
2 and provide an overview of the demand-side management (DSM) programs
3 currently offered by FMPA's members. I also will discuss strategic
4 considerations that support FMPA's decision to participate in the Taylor Energy
5 Center (TEC). Finally, I will discuss FMPA's ability to finance its ownership
6 share of TEC.

7
8 **Q. Are you sponsoring any exhibits as part of your testimony?**

9 A. Yes. I am sponsoring Exhibit __ [WSM-1], entitled "ARP Member Cities,"
10 Exhibit __ [WSM-2], entitled "Percentages of ARP, Member, Nuclear, and
11 Purchase Power Capacity," Exhibit __ [WSM-3], entitled "ARP's Existing
12 Resource Capacity," and Exhibit __ [WSM-4], which is a copy of my resume.
13 These exhibits are attached to and included in my pre-filed testimony.

14
15 **Q. Are you sponsoring any sections of Exhibit __ [TEC-1], the Taylor Energy
16 Center Need for Power Application?**

17 A. Yes. I am sponsoring Sections B.1.0, B.2.0, B.4.0, B.7.1, B.8.0, and B.10, all of
18 which were either prepared by me or under my direct supervision.

19
20 **Q. Please describe the purpose and structure of FMPA.**

21 A. FMPA is a wholesale power company composed of 30 municipal electric
22 utilities. FMPA provides economies of scale in power generation and related
23 services to support community-owned electric utilities. FMPA was created on
24 February 24, 1978, under the provisions of the Florida Constitution, the Joint

1 Power Act, and the Florida Interlocal Cooperation Act of 1969. FMPA was
2 formed to allow its members to cooperate with each other, on the basis of
3 mutual advantage, to provide services and facilities in a manner and in a form of
4 governmental organization that will accord best with geographic, economic,
5 population, and other factors influencing the needs and development of local
6 communities. Specifically, FMPA is involved in the joint financing,
7 constructing, acquiring, managing, operating, utilizing, and owning of electric
8 power plants for its municipal members. FMPA is governed by a Board of
9 Directors consisting of one representative from each of the 30 municipal
10 members.

11
12 As a joint operating agency engaged in the business of generating and
13 transmitting electric energy, the FMPA is an "Electric Utility" under
14 403.503(14), Florida Statutes, and, therefore, is an "applicant" as defined by
15 Section 403.503(4), Florida Statutes. The Public Service Commission
16 previously has held that FMPA is a proper applicant for a determination of need
17 pursuant to Section 403.519, Florida Statutes.

18
19 **Q. Please describe the ARP.**

20 **A.** The ARP was formed on May 1, 1986, initially with five municipal participants.
21 The purpose of ARP is to secure an adequate, economical, and reliable supply of
22 electric capacity and energy to meet the entire needs of the ARP Members.

1 Several other municipals have joined over time. The 15 current ARP.
2 participants include the following:

- 3 • City of Bushnell
- 4 • City of Clewiston
- 5 • City of Fort Meade
- 6 • Fort Pierce Utilities Authority
- 7 • City of Green Cove Springs
- 8 • Town of Havana
- 9 • City of Jacksonville Beach
- 10 • City of Key West
- 11 • City of Leesburg
- 12 • City of Newberry
- 13 • Ocala Electric Utility
- 14 • City of Starke
- 15 • City of Vero Beach
- 16 • City of Lake Worth
- 17 • City of Kissimmee

18 The Members of ARP are shown in Exhibit __ [WSM-1], which is attached to
19 and included in my pre-filed testimony. ARP Members are classified as either
20 generating or non-generating members. All ARP Members are required to
21 purchase all of their capacity and energy from the ARP with the exception of
22 excluded resources that are the Members' ownership share of Crystal River 3
23 and St. Lucie 2. Generating Members get reimbursements in the form of credits
24 for their capacity contributions to the ARP. Once a municipal utility has joined

1 the ARP, a contract is signed for a term of approximately 30 years, and this
2 contract is automatically renewed unless the member elects otherwise.

3 Exhibit __ [WSM-2] displays the percentage of existing ARP power supply
4 resources that are owned, purchased from ARP Members, and purchased under
5 other contracts.

6
7 **Q. Please summarize the capacity resources currently available to FMPA's**
8 **ARP.**

9 A. The ARP's existing capacity resources (summer rating) are presented in
10 Exhibit __ [WSM-3]. The exhibit illustrates that the ARP's capacity resources
11 decrease as many of the ARP's purchase power contracts will expire in the near-
12 term.

13
14 **Q. What reserve margin does FMPA use for planning purposes?**

15 A. FMPA has established a 15 percent minimum planned reserve margin criteria
16 for the winter period and an 18 percent reserve margin criteria for the summer
17 period for planning purposes.

18
19 **Q. Please describe FMPA's expected need for additional capacity to satisfy**
20 **reserve margin requirements under the base case load forecast.**

21 A. Considering the base case load forecast summarized in the testimony of
22 Jonathan Nunes of R.W. Beck, Inc., and the ARP capacity resources discussed
23 previously in my testimony, winter reserve margins are expected to fall below
24 the required 15 percent minimum in the winter of 2012/13. At this time,

1 FMPA's reserve margin is projected to fall to 11.4 percent, or 52 MW below the
2 capacity required to maintain a 15 percent reserve margin. In the following
3 winter season, 2013/14, FMPA's reserve margin is projected to fall to a negative
4 0.2 percent (net capacity less than projected load), or 227 MW below the
5 capacity required to maintain a 15 percent reserve margin. Projected winter
6 capacity deficits continue to increase beyond 2013/14.

7
8 Summer reserve margins are forecast to fall below the 18 percent level in the
9 summer of 2007. At this time, FMPA's reserve margin is projected to fall to
10 16.6 percent, or 20 MW below the capacity required to maintain an 18 percent
11 reserve margin. FMPA would likely enter into a short-term seasonal purchase to
12 maintain its reserve margin in 2007. The addition of the 296 MW Treasure
13 Coast Energy Center combined cycle unit in June 2008 raises FMPA's projected
14 reserve margin above 18 percent in 2008 and 2009. The addition of simple
15 cycle combustion turbines in the summer of 2010 will satisfy forecast capacity
16 requirements for FMPA until the summer of 2011. In the summer of 2011,
17 FMPA's reserve margin is projected to decrease to 13.9 percent, or 59 MW
18 below the capacity required to maintain an 18 percent reserve margin. Projected
19 summer capacity deficits continue to increase beyond 2011.

20
21 Tables B.4-1 and B.4-2 of Exhibit __ [TEC-1] present the projected reliability
22 levels for the winter and summer seasons, respectively, under the base case load
23 forecast.

24

1 **Q. Please explain how DSM is conducted by FMPA.**

2 A. FMPA is a wholesale supplier of electricity to the ARP Members. As such,
3 FMPA does not directly implement DSM to retail customers. The individual
4 ARP Members actually provide the DSM programs to their customers. FMPA
5 fully supports DSM and provides assistance to ARP Members implementing
6 DSM programs.

7
8 **Q. Are ARP Members offering any DSM programs currently?**

9 A. Yes. Several ARP members offer various DSM programs, including the
10 following:

- 11 • Energy Audits
- 12 • High Pressure Sodium Outdoor Lighting Conversions
- 13 • Energy Star[®] Programs
- 14 • Energy Services for Energy Upgrades
- 15 • Green Energy Programs
- 16 • Load Profiling for Commercial Customers
- 17 • Fix-Up Program for the Elderly and Handicapped

18
19 **Q. Did FMPA consider new DSM measures as alternatives to participation in
20 TEC in this Application?**

21 A. Yes. FMPA's analysis of potentially cost-effective new DSM measures is
22 discussed in the testimony of Bradley Kushner of Black & Veatch.

1

2 **Q. Are there any advantages that the installation of TEC will have on fuel**
3 **diversity?**

4 A. Yes. TEC will increase fuel diversity for FMPA and the State of Florida as a
5 whole. The project will have the ability to source solid fuels from both domestic
6 and international coal producing regions including the Powder River Basin
7 (PRB), Central Appalachia, Latin American, and other regions, as well as
8 petroleum coke from the Gulf Coast region and the Caribbean. Historically,
9 coals from these regions and petroleum coke have experienced significantly
10 lower prices on a \$/MBtu basis than oil and natural gas. As a result, TEC will
11 not only provide solid fuel capacity for FMPA and the State of Florida, but it
12 will also provide further fuel diversification through the capability to source coal
13 and petroleum coke from numerous different regions, which will help mitigate
14 exposure to high natural gas and fuel oil prices. The low cost baseload energy
15 from TEC will help FMPA and the State of Florida reduce dependence on
16 higher cost energy from natural gas and oil.

17

18 **Q. Are there any advantages that the installation of TEC will have on fuel**
19 **reliability?**

20 A. Yes. The addition of solid fueled generation increases the reliability of FMPA's
21 fuel supply. Coal and petroleum coke inventory for up to approximately 90 days
22 of operation can be stored onsite at TEC, reducing the potential supply
23 disruptions associated with natural gas like those resulting from hurricanes in

1 the Gulf Coast. Furthermore, the ability to store up to approximately 90 days of
2 fuel mitigates potential transportation disruption.

3
4 **Q. Are there any advantages that the installation of TEC will have on the**
5 **stability of FMPA's electric rates?**

6 A. Yes. TEC will help to satisfy the need for low cost, baseload energy within
7 FMPA's service territory and the State of Florida as a whole. Additional low
8 cost, baseload energy from TEC will help to limit electric rate increases for
9 consumers and businesses. Electric rate stability will be beneficial in long-term
10 planning, and should also help facilitate more stable growth within the economy.

11
12 **Q. Will the economic advantages of TEC end after 2035?**

13 A. No. Although economic evaluations have been conducted through 2035 for this
14 TEC Need for Power Application (Exhibit __ [TEC-1]), TEC will be designed
15 for, and is expected to have, a service life significantly greater than the 23 years
16 of operation captured by the analysis period. The benefits of TEC's expected
17 actual service life of 35 to 50 years or more have not been captured in the
18 economic analysis, but are expected to be realized by FMPA and the other
19 project participants. Therefore, the total cost savings and benefits of TEC are
20 understated in the economic analysis.

21

1 **Q. Are there any advantages that the installation of TEC will have on**
2 **geographic diversity?**

3 A. Yes. For FMPA, the other project participants, and the State of Florida as a
4 whole, TEC will provide geographic diversity because it will be constructed on
5 a greenfield site. The greenfield site provides FMPA with additional baseload
6 generation without increasing the concentration of its generation resources at
7 one location. This diversity should increase reliability and availability of
8 generating resources, particularly if a hurricane or other extreme condition
9 causes forced outages in a localized area.

10
11 **Q. Are there other important factors that FMPA considered in its decision to**
12 **participate in TEC?**

13 A. Yes. As discussed in the testimony of Paul Hoornaert, TEC will utilize proven
14 supercritical technology and include the Best Available Control Technology to
15 minimize plant emissions. It was important to FMPA that TEC utilize proven
16 and reliable technology, and also minimize impacts to the environment.

17
18 **Q. How does FMPA intend to finance the construction of TEC?**

19 A. FMPA has several funding sources available that may be used to finance the
20 development and construction of TEC. These sources include internal funds,
21 pooled loans, and new long-term debt issuances. During preliminary design,
22 engineering, and permitting, FMPA may draw on its working capital within the
23 ARP fund. As the initial development concludes and construction commences,
24 FMPA may rely on its pooled loan commercial paper to get the construction

1 process under way. The pooled loans could be expected to be used for financing
2 up to the first \$100 million of costs. Once the project is well defined and
3 construction under way, FMPA would need to initiate a revenue bond issuance
4 for long-term project funding. For large projects such as a coal fired power
5 plant, FMPA would expect to issue either fixed or floating rate revenue bonds
6 with a term of 30 years. FMPA has a credit rating of A+ from Fitch and an A1
7 from Moody's Investors Service. Typically, FMPA purchases bond insurance
8 on its long-term bonds to increase its rating to AAA and Aaa, respectively. In
9 addition, to protect against fluctuations in the interest rate, FMPA employs
10 interest rate swap contracts based on well established indices for its floating rate
11 debt.

12
13 **Q. Will FMPA be able to obtain the financing for the construction of TEC?**

14 **A.** Yes. Based on the project's favorable economics and its excellent credit rating,
15 FMPA believes there will be no problems issuing debt to cover its share of the
16 TEC project costs. FMPA has recently initiated bond offerings with tax-exempt
17 interest rates well below the rates assumed for the economic analysis.

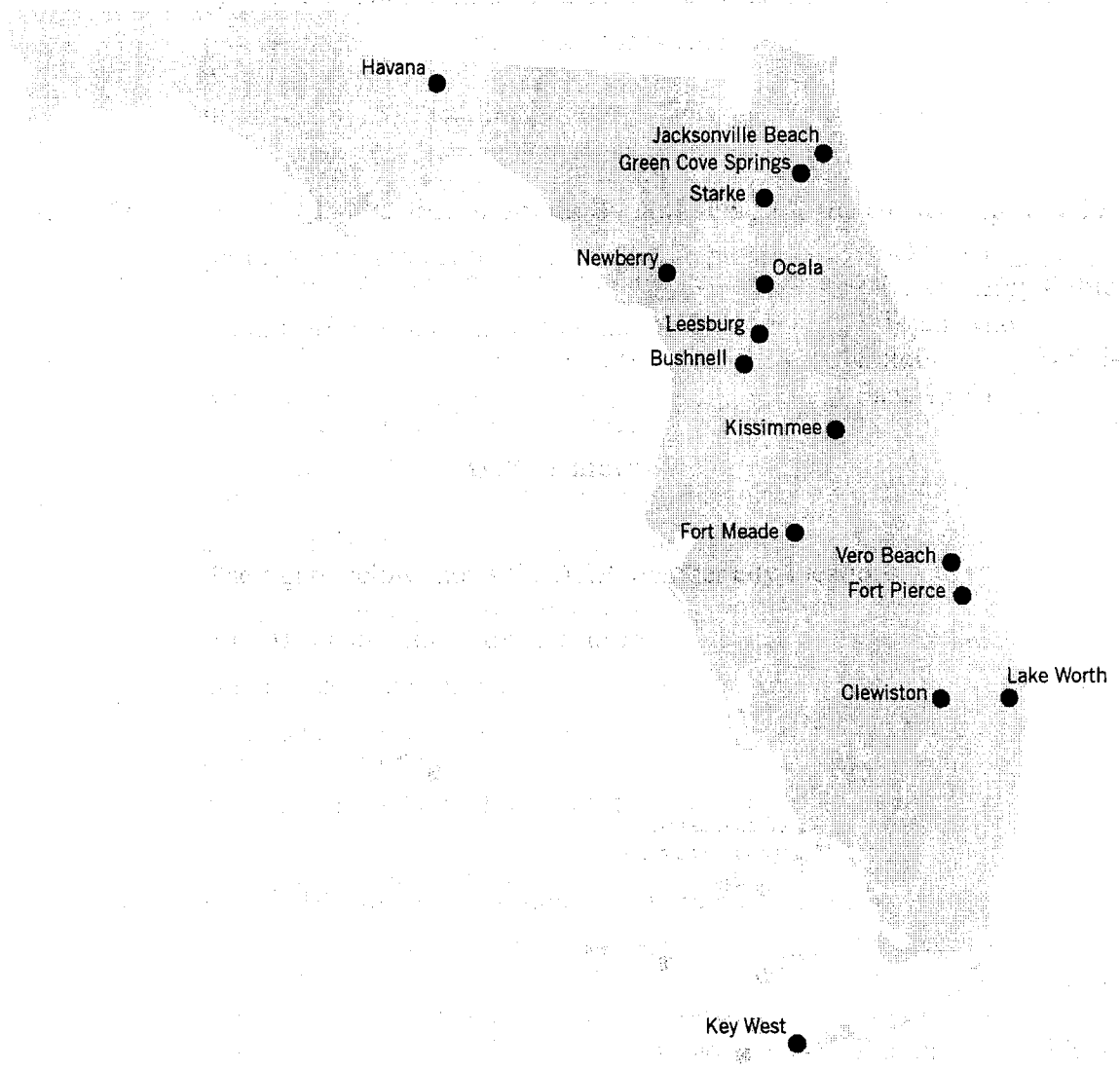
18
19 **Q. Does this conclude your testimony?**

20 **A.** Yes.

Docket No. _____
Taylor Energy Center
William May
Exhibit ____ [WSM-1]
Page 1 of 1

ARP Members

The figure below shows the ARP Member city locations.



Percentages of ARP, Member, Nuclear, and Purchase Power Capacity			
Type	Capacity Summary Unit	2007 MW Summer	2007 % Summer
Jointly Owned Nuclear Capacity	CR3	23	1.3
	St. Lucie Project	60	3.4
	Total Nuclear	83	4.8
Owned Capacity	Stanton Coal Plant	203	11.7
	Stanton CC Unit A	21	1.2
	Cane Island 1-3	194	11.1
	Indian River CTs	72	4.1
	Key West CTs 2 and 3	31	1.8
	Stock Island CT 4	42	2.4
	Total Owned	562	32.3
Member Generation	Ft. Pierce	110	6.3
	Key West	41	2.4
	KUA/Hansel	48	2.8
	Lake Worth	87	5.0
	Vero Beach	137	7.9
	Cane Island 1,2,3	194	11.1
	Stanton CC	21	1.2
	KUA Stanton 1	21	1.2
	KUA Indian River CTs	10	0.6
	Total Member	668	38.3
Purchased Power	PEF PR	30	1.7
	FPL LT	45	2.6
	FPL PR	75	4.3
	Lakeland Purchase	100	5.7
	Calpine Purchase	100	5.7
	Stanton A Purchase	80	4.6
	Total Purchase Power	430	24.7
Total Capacity	Total Capacity	1,742	100.0

Docket No. _____
Taylor Energy Center
William May
Exhibit ____ [WSM-3]
Page 1 of 1

ARP's Existing and Approved/Planned Resource Capacity⁽¹⁾

Generating Resources	Summer Rating								
	2006	2007	2008	2009	2010	2011	2012	2013	2014-2035
Excluded Resources (Nuclear) ⁽²⁾	84	83	83	83	72	72	72	72	72
Stanton Coal Plant ⁽²⁾	224	224	224	224	186	186	186	186	186
Stanton CC Unit A ⁽³⁾	42	42	42	42	42	42	42	42	42
Cane Island 1-3	388	388	388	388	388	388	388	388	388
Indian River CTs	82	82	82	82	82	82	82	82	82
Key West Units 2&3	31	31	31	31	31	31	31	31	31
Ft. Pierce Native Generation	110	110	0	0	0	0	0	0	0
Key West Native Generation	41	41	41	41	41	41	41	41	41
Kissimmee Native Generation	48	48	48	48	48	48	0	0	0
Lake Worth Native Generation	87	87	87	87	87	87	0	0	0
Vero Beach Native Generation	137	137	137	137	0	0	0	0	0
Stock Island Unit 4	42	42	42	42	42	42	42	42	42
Treasure Coast Energy Center	0	0	296	296	296	296	296	296	296
New Peaking Capacity	0	0	0	0	84	84	84	84	84
Total Generating Capacity⁽⁴⁾	1,313	1,313	1,499	1,499	1,397	1,397	1,264	1,264	1,264
Purchased Power									
PEF Partial Requirements	40	30	30	60	40	0	0	0	0
FPL Long-Term Partial Requirements	45	45	45	45	45	45	45	0	0
FPL Partial Requirements	75	75	0	0	0	0	0	0	0
OUC Indian River Purchase	22	0	0	0	0	0	0	0	0
Starke (GRU)	3	0	0	0	0	0	0	0	0
Lakeland Purchase	100	100	0	0	0	0	0	0	0
Calpine Purchase	75	100	100	100	0	0	0	0	0
Stanton A Purchase ⁽⁵⁾	80	80	80	80	80	80	80	80	0
SPC PPA	0	0	157	157	157	157	157	157	157
Total Purchased Power Resources⁽⁴⁾	439	430	412	442	322	282	282	237	157
Total Resources⁽⁴⁾	1,753	1,742	1,910	1,940	1,719	1,679	1,545	1,500	1,421

⁽¹⁾ Planned capacity prior to commercial operation of Taylor Energy Center.

⁽²⁾ Reduction in 2010 reflects the withdrawal of Vero Beach from the ARP.

⁽³⁾ Includes FMPA and KUA ownership capacity.

⁽⁴⁾ Sums may not match totals due to rounding.

⁽⁵⁾ Includes FMPA and KUA capacity purchased from Southern Company Florida, LLC.

Docket No. _____
Taylor Energy Center
William May
Exhibit _____ [WSM-4]
Page 1 of 5

RESUME OF
William S. May,
Manager of the Planning and Contracts Department

Florida Municipal Power Agency (FMPA)

Qualifications and Experience:

Since December of 2004, Mr. May has served as the Manager of the Planning and Contracts Department of FMPA. Mr. May has used his management, organizational, simulation software knowledge, and planning skills, and electric utility experience to direct the evaluation, negotiation, and execution of power supply contracts, load forecasting, and generation and transmission planning activities. Mr. May has negotiated contracts for software licenses and consulting engagements with electric utilities, independent power producers, and law firms representing electric providers. He has made presentations to a wide range of audiences including peers, company management, executive committees, the Board of directors, and the Florida PSC. From January 2003 to December 2004, Mr. May supervised and participated in the generation and transmission planning and load forecasting activities of FMPA. In the prior seven years Mr. May was a self-employed entrepreneur in the field of electric power supply systems modeling, power plant value analysis, and litigation consulting. Altogether, he has over 30 years experience as a consultant to the power industry, a power systems engineer, an energy market price forecaster, a transmission planning engineer, a substation design engineer, and a designer of simulation software.

Docket No. _____
Taylor Energy Center
William May
Exhibit _____ [WSM-4]
Page 2 of 5

Mr. May has negotiated contracts for software licenses and consulting engagements with electric utilities, independent power producers, and law firms representing electric providers. He has communicated with all levels of company employees through marketing activities, contract negotiations, and product support efforts. Mr. May has acted as an expert witness in confidential litigation activities. He has also performed transmission studies using power flow simulations and has designed transmission substations.

Mr. May has Bachelor of Science degrees in Electrical Engineering and Applied Mathematics from North Carolina State University, Raleigh, NC. and a Master of Science degree in Electrical Engineering with emphasis in Power Systems Simulation from Georgia Institute of Technology, Atlanta, GA.

Electric Utility Planning

Mr. May has been involved in many aspects of electric utility planning, including:

- directing the development, issuance, and analysis of requests for proposals and the negotiation and implementation of purchased power agreements.
- directing the analysis and implementation of integrated resource plans and review of analysis results.
- directing the development of the long term load forecast for member cities and FMPA.
- directing the development of software tools that are used in conjunction with other software models to facilitate load forecasts, generation planning analysis, and reporting.

Docket No. _____
Taylor Energy Center
William May
Exhibit ____ [WSM-4]
Page 3 of 5

- directing transmission network studies as they involve business activities of FMPA.
- representing FMPA on the FRCC Planning Committee.
- overseeing FMPA representation on the FRCC Load and Resource Working Group, Transmission Working Group, and Stability Working Group.
- participating as a member of the FMPA Risk Management Group.
- directing participants from member cities, consulting firms, and FMPA to produce an Integrated Resource Plan involving load, fuel price, market price, and capacity cost forecasts which were used to evaluate expansion scenarios based on risk factors, transmission impact, net present value of benefits, location marginal pricing, and rate impact.
- composing an RFP for short-term power purchases and evaluated the proposals.
- using and directing the use of the PROSYM production costing model to evaluate multiple purchased power and expansion alternatives.
- conducting consulting studies including studies using the PROMOD III multi-area transmission and production costing model
- serving as an expert witness providing written testimony; reviewing data, analytical processes, and generation and transmission contracts; participating in depositions; and testified under direct and cross-examination.
- preparing numerous market price forecasts.
- developing cost/benefit analysis studies for existing and new generation.
- preparing investment risk assessments of future generating capacity.
- providing training in market-based methodologies.

Docket No. _____
Taylor Energy Center
William May
Exhibit _____ [WSM-4]
Page 4 of 5

Electric Utility Planning Software Development

Mr. May directed the development of the PROMOD IV hourly transmission and generation dispatch model including organization, design, and implementation. He was also involved in sales presentations and product training. Mr. May also directed the development of the FUELPLAN optimal fuel contract and dispatch model including market research, preparation of requirements specification, implementation, client training, and support.

Transmission Planning Engineer

Mr. May prepared operational and long-term transmission load-flow studies including system voltage drop, system security, new-capacity connection, and loss of load probability analysis. He also has designed lightning and fire protection systems for substations and performed reliability studies of transmission interconnections. Mr. May has engineered design drawings for the construction of new substations and additions to existing substations.

Docket No. _____
Taylor Energy Center
William May
Exhibit _____ [WSM-4]
Page 5 of 5

Employment

History:	2003-Present	FMPA
	1996-2003	Utility Systems Associates
	1980-1996	EDS/Energy Management Associates
	1975-1980	Georgia Power Company

Education:	M.S.	Electrical Engineering, Georgia Institute of Technology, Atlanta, GA
	B.S.	Electrical Engineering, North Carolina State University, Raleigh, NC.
	B.S.	Applied Mathematics, North Carolina State University, Raleigh, NC.

1 **BY MS. RAEPPLE:**

2 **Q** Have you prepared a summary of your testimony?

3 **A** Yes, I have.

4 **Q** Would you please present that testimony?

5 **A** The purpose of my testimony is to discuss
6 FMPA's expected need for capacity and discuss strategic
7 considerations that support our decision to participate
8 in the Taylor Energy Center.

9 FMPA is a wholesale power agency providing
10 economies of scale in power generation and related
11 services to support community owned electric utilities.
12 Fifteen members participate in the all requirements
13 project to secure an adequate, economical and reliable
14 supply of electric capacity and energy to meet their
15 needs.

16 FMPA has established an 18 percent summer
17 reserve margin criteria. Considering this criteria, and
18 our load forecast, we require 230 megawatts in the
19 summer of 2012 and 442 megawatts in the summer of 2014.
20 Our significant increase in need is the result of the
21 retirement of less efficient units and the expiration of
22 substantial purchase power contracts.

23 Member cities encourage energy conservation by
24 customers through energy audits, lighting conversions,
25 Energy Star and other programs. As a wholesale power

1 supplier, we cannot directly implement demand side
2 management measures. But we support DSM efforts of
3 members by analyzing measures for opportunities to
4 reduce customers' costs and by providing assistance to
5 member cities that are implementing DSM programs.

6 Taylor Energy Center will fulfill our
7 projected capacity requirements, it will increase our
8 fuel diversity and supply reliability and stabilize
9 volatility in electric rates. It will satisfy the need
10 of member cities for low cost, base load energy better
11 than all other alternatives. Thank you.

12 **MS. RAEPPLE:** I tender the witness for
13 cross-examination.

14 **CHAIRMAN EDGAR:** Thank you.

15 Ms. Brownless?

16 Mr. Simms?

17 **CROSS-EXAMINATION**

18 **BY MR. SIMMS:**

19 **Q** Good afternoon, Mr. May. In your testimony,
20 you indicate that the demand side management planning is
21 among your responsibilities with FMPA; is that correct?

22 **A** I'm sorry, I did not understand the question.

23 **Q** Demand side management is -- with planning is
24 within the scope of your responsibilities at FMPA?

25 **A** To some degree, that's correct.

1 **Q** I believe that your testimony states that at
2 page 1, lines 17 through 21. And line 21, demand side
3 management is listed among the functions, the
4 responsibility for the functions you have responsibility
5 for; is that correct?

6 **A** Yes.

7 **Q** Okay.

8 **A** The word is "demand side planning."

9 **Q** Demand side planning, okay.

10 And you have sponsored some sections of the
11 application; is that right?

12 **A** Yes, I have.

13 **Q** And section B.7 is one of the sections that
14 you have sponsored, is that right, B.7 through -- well,
15 section B.7?

16 **A** Actually it's B.7.1.

17 **Q** B.7.1. Thank you.

18 The application at B.7.1 discusses FMPA
19 members existing demand side management measures; is
20 that right?

21 **A** Yes, it does.

22 **Q** Okay. And there's a list of measures there on
23 page B.7-1 to B.7-2; is that right?

24 **A** Yes, there are.

25 **Q** The application here indicates that these

1 measures are currently offered or being reviewed by FMPA
2 members, is that correct, and I believe that's --

3 **A** Yes.

4 **Q** And can you tell me what being reviewed means
5 in this context?

6 **A** Well, it means that our members are on an
7 ongoing basis looking at opportunities to reduce their
8 cost through demand side or conservation measures.

9 **Q** It appears to me that the phrase -- this is
10 the introduction to the list of demand side management
11 measures that runs from page B.7.1 to B.7.2. It
12 identifies them as measures that are either offered or
13 being reviewed. Does that mean that not all of these
14 measures are currently being offered?

15 **A** Well, some -- some of the measures are -- if
16 you're talking about at this instant in time, that may
17 be the case, that some of the members do not offer these
18 programs at this point in time. But -- but such
19 measures as energy audits are offered by quite a few of
20 the members. There are some members that do not offer
21 those right now because of their small size.

22 **Q** Okay. So -- so the list that we see here are
23 not necessarily measures that are all currently being
24 offered?

25 **A** The list of measures here are not necessarily

1 being offered by all of our cities. Our cities range
2 from less than 20 megawatts of capacity to just over
3 200 megawatts.

4 Q Okay. Is there anything in -- in the
5 application, or any of the other materials you've
6 prepared that indicates precisely what measures are
7 being offered by which -- by which members? I mean, I'm
8 just trying -- I'll let you answer that question.

9 A I -- I do not recall if we have provided a
10 specific table of the measures. I think that we have
11 provided some information that's more specific to the
12 member -- to which members are providing what programs.

13 Q Okay. Thank you.

14 FMPA does not have demand side -- demand side
15 management programs which it administers itself; is that
16 correct?

17 A That's correct. As a wholesale power of
18 energy, we are not in a position to actually implement
19 demand side management programs.

20 Q Okay. Let me ask you a couple of questions
21 about the programs that your members themselves manage.

22 With respect to those programs -- well, strike
23 that.

24 In general, is aggregate coincident peak
25 demand the basis for a dispatch of FMPA's system?

1 **A** I'm sorry, I don't quite understand the
2 question. Is aggregating peak demand?

3 **Q** Aggregated coincident peak?

4 **A** Is it what?

5 **Q** Is that the basis for dispatch of EMPA's
6 system?

7 **A** I wouldn't say it's the basis for the dispatch
8 of our system. We -- we aggregate the -- we look at the
9 aggregate load on a continuous basis of our cities and
10 dispatch to meet that aggregate load.

11 **Q** Does that aggregate load or the aggregate -- I
12 mean, are you -- are you drawing a distinction between
13 your aggregate load and aggregate coincident peak?

14 **A** Our aggregate coincident peak is a single
15 point in time as opposed to the dispatch of generating
16 units which is continuous.

17 **Q** Does the aggregated coincident peak demand
18 determine the amount of capacity needed?

19 **A** Yes, it does.

20 **Q** Does it ultimately also affect the cost to
21 provide services as well?

22 **A** Well, since -- since the aggregate peak, I --
23 the coincident peak is what we determine our capacity
24 requirements on, it -- in that sense, it does affect our
25 cost.

1 **Q** It does drive the cost of --

2 **A** Excuse me?

3 **Q** It does drive the cost of providing services
4 in that context?

5 **A** Yes, it does.

6 **Q** Yeah. Does FMPA have any coordinated program
7 that it is intended to help lower the aggregated
8 coincident peak program coordinated among the members?

9 **A** Well, we -- we have a member services
10 department that works with the cities to coordinate the
11 city's efforts at conservation programs or demand side
12 management programs. But FMPA cannot implement those
13 programs.

14 **Q** I understand you cannot implement your own
15 demand side management programs. I guess what I'm
16 asking is whether FMPA, whether that -- whether that
17 member services function, if part of that includes a
18 specific plan for helping members to coordinate their
19 DSM programs in a way that is intended to lower the
20 aggregated coincident peak?

21 **A** Well, to the extent that we can disseminate
22 information between the cities, if one city might happen
23 to see a program that works for that city, that we can
24 share with the other cities, we do that.

25 To the extent that we could provide

1 information about our aggregate load or the individual
2 city's loads back to the cities, and the cities see that
3 as beneficial, we can do that also in order for them to
4 coordinate the implementation of demand side management
5 programs.

6 **Q** I understand that you -- sorry, I don't want
7 to -- I'm not trying to push this point too far. I
8 understand you can do that. My question is whether you
9 have a plan that's specifically designed to do that.

10 **A** No, we do not.

11 **Q** Generally would you say that the greatest
12 effectiveness of the DSM programs of your membership
13 would occur if they are -- if those DSM programs are
14 instituted and implemented by all members or as many
15 members as possible simultaneously?

16 **A** Not necessarily. Because a DSM program that
17 results in load control devices, the load control
18 devices once again would have to be installed at the
19 cities for the cities' customers. And if the city were
20 to operate those load control devices to reduce their
21 peak, their peak is not necessarily at the coincident
22 peak of FMPA.

23 **Q** I see. So would you say, then, in general the
24 greatest effectiveness of the collective DSM programs
25 would occur if they are -- if they are coordinated so as

1 to lower the aggregated coincident peak?

2 **A** Well, to the extent that -- yes, we -- we
3 lower the coincident peak of FMPA. We could do that.
4 We would have to be -- it's not a simple program
5 since -- since the peaks of the individual cities are
6 not necessarily the same time during the day as the peak
7 for FMPA. We can end up shifting the coincident peak to
8 a different hour in the day.

9 **Q** But in general, the objective of lowering
10 aggregate coincident peak is the most effective way
11 to --

12 **A** That is the objective.

13 **Q** Right. You indicated at the beginning of
14 page -- at the beginning at page 8 of your direct that
15 FMPA considered DSM in connection with this application.
16 And let me find the line reference for that.

17 So at the beginning of page 8, you reference
18 the DSM programs that are implemented by your --
19 implemented by the individual members. Did FMPA conduct
20 a coordinated and comprehensive assessment of all of the
21 DSM measures currently being employed by its members in
22 connection with this application?

23 **A** We did question each of our members on what
24 their existing conservation and demand side management
25 programs are.

1 **Q** And did you gather from the members the -- the
2 specific details of all of those programs in connection
3 with this application?

4 **A** We gathered the details that were provided to
5 us by the cities.

6 **Q** So you asked the cities for the deals; is that
7 right? Is that what you're saying?

8 **A** We asked the cities for what programs they are
9 currently implementing.

10 **Q** Right. And did you ask them for the details
11 of the program, their effectiveness?

12 **A** No, we did not ask them for their
13 effectiveness.

14 **Q** Do you know if there's a uniform criteria that
15 all members use to assess the DSM -- their DSM measures?

16 **A** That all -- all --

17 **Q** That all of your members use -- do all of your
18 members use a uniform criteria for assessing the
19 effectiveness of their DSM measures?

20 **A** Not to my knowledge, they do not.

21 **Q** Okay. And FMPA's analysis found that -- in
22 connection with this application, found that no program
23 evaluated was cost effective for any member; is that
24 correct?

25 **A** The evaluation of DSM was done for FMPA, not

1 the individual members.

2 **Q** Not the individual members. And that found
3 that there was no cost effective measure?

4 **A** That none were cost effective in replacing our
5 base load requirement.

6 **Q** And -- and -- so are you saying that there was
7 no assessment of whether there may be cost effective
8 measures for individual members?

9 **A** No, we did not do any assessment for
10 individual members. Had we done an assessment for
11 individual members, it would likely have shown that it
12 was even more costly for the individual member than it
13 would be for FMPA.

14 **Q** But we don't -- we don't have that analysis,
15 right?

16 **A** No.

17 **Q** Okay. But there are members who currently
18 do -- do have and are implementing DSM measures, is
19 that --

20 **A** Based on the survey that we did, there are
21 customers out there that implement the Energy Star
22 program, that encourage energy conservation, that
23 provide information to their consumers to reduce their
24 energy consumption.

25 **Q** And those are the measures that were listed

1 in -- in the application in the section that you
2 sponsored that were the measures that were either
3 currently existing or being considered?

4 **A** I -- I wouldn't say that all of the measures
5 that were listed in the need for application are
6 specifically offered to the members. Those were the
7 measures that were evaluated for cost effectiveness.

8 **Q** So I just want to make sure that I understand
9 this. I'm sorry I'm taking a little while. So the
10 measures that were discussed in the application are
11 measures that were evaluated for FMPA itself?

12 **MS. RAEPPLE:** Excuse me, Madam Chairman.
13 Could you please ask Mr. Simms to point the witness
14 specifically to the measures that he's referencing
15 because I think there's some confusion.

16 **CHAIRMAN EDGAR:** I think that's a reasonable
17 request.

18 Mr. Simms, if you'll help us.

19 **MR. SIMMS:** Yes, I apologize.

20 **BY MR. SIMMS:**

21 **Q** I'm going back to page 8 -- well, okay.
22 Page 8 of the -- of the direct testimony for Mr. May.
23 Here there are several measures that have been
24 specifically identified. Those measures are the
25 measures that were evaluated, and this is from lines 11

1 to line 17 on page 8. Those are the measures that were
2 specifically evaluated for FMPA; is that right?

3 **A** No, those are the measures that -- those are
4 the programs that at some point in time by some of our
5 cities are offered to their members.

6 **Q** Okay. At some point in time for some of your
7 cities, these are -- these measures are offered, but
8 they are not necessarily all being offered currently?

9 **A** Correct.

10 **Q** Is that correct?

11 **A** Correct.

12 **Q** And do these particular DSM measures
13 necessarily relate to the cost effectiveness study that
14 was done for FMPA's participation in the TEC process?

15 **A** Not necessarily.

16 **Q** And again I just want to clarify. FMPA did
17 not do an evaluation of cost effectiveness of DSM
18 program for its members just for FMPA itself, is that
19 right, in connection with this application?

20 **A** You said members and for FMPA. Which
21 document?

22 **Q** I'm sorry, I will clarify that question.

23 FMPA did not evaluate the availability or cost
24 effectiveness of DSM measures for its members in
25 connection with this application?

1 **A** Well, because we serve the members and the
2 evaluation was done for this need filing of DSM measures
3 for FMPA, the measures were evaluated for the benefit of
4 the members.

5 **Q** But not members that they would implement,
6 that FMPA would implement?

7 **A** If we had found measures that proved to be
8 cost effective for us to implement, I would have
9 personally taken those to the members and said, this is
10 something that we need to look at in more detail. But
11 we found no measures that were cost effective.

12 **Q** Okay. How many individual measures did FMPA
13 consider in the DSM analysis for this?

14 **A** The -- I believe there were 180 different
15 measures that were evaluated and that analysis was done
16 by Brad Kushner.

17 **Q** Right. Do you know with respect to the
18 measures that are currently being implemented by any of
19 your members, whether they would pass the rate impact
20 measure -- rate impact test as determined by the FIRE
21 model?

22 **A** I believe that was the question you asked me
23 earlier, that whether any of these measures were
24 evaluated.

25 **Q** No, I'm asking -- I'm asking if you know

1 whether any of the members -- any of the measures that
2 your members currently implement, whether they would
3 pass the rate impact -- rate impact test?

4 **A** That analysis would have to be done by our
5 members. And because of their size, their small size,
6 it's likely they did not do that extensive amount of
7 analysis.

8 **Q** So that, we do not know. Okay. Thank you.
9 Do you know, did your analysis of measures for
10 FM -- DSM measures for FMPA compare the levelized cost
11 of each measure to the levelized cost of the power
12 from -- producing power from TEC?

13 **A** Are you referring to the DSM measures?

14 **Q** The DSM measures.

15 **A** I did not do the analysis.

16 **Q** Okay. So you don't know?

17 **A** Brad Kushner did the analysis.

18 **Q** So you don't know the answer to that question,
19 is that --

20 **A** I'll defer the answer to that question to
21 Brad Kushner.

22 **Q** Do you know if any of your members serve any
23 industrial or manufacturing electric customers?

24 **A** Yes, we do.

25 **Q** Just a couple more questions. In your

1 testimony beginning at page 6, you talking specifically
2 about the need for additional capacity. I believe that
3 begins with the question at line 19. Is that right? Is
4 that an accurate description of what's being discussed
5 here?

6 **A** What was the question again?

7 **Q** Page 6, beginning at line 19, there's a
8 discussion of the need for additional capacity, FMPA's
9 need for additional capacity. Page 6, line 19 of your
10 testimony.

11 **A** That's where the discussion begins, yes.

12 **Q** Okay. Thanks.

13 Is it your view that there's little or no base
14 load capacity available in Florida?

15 **A** Well, as -- as I testified here, the cases
16 from the request for proposals that we have sent out
17 over the last four years have indicated to us that there
18 is no base load capacity.

19 **Q** Okay. Do you believe that there would be a
20 ready market for base load capacity produced at TEC
21 should any of FMPA's power not ultimately be needed by
22 FMPA or the power wasn't needed until a later time after
23 2012?

24 **A** Our analysis shows that on an economic basis
25 that we can use even more capacity, base load capacity,

1 than our share of the Taylor Energy Center. So to the
2 extent that we could use even more economically than we
3 have evaluated, I would say that -- that may not be the
4 case. That another member not participating would not
5 necessarily make more base load capacity available in
6 the market.

7 **Q** I'm sorry, there may have been some confusion
8 about my question. What I was asking was whether there
9 would be a market for TEC's power should FMPPA or one of
10 the other participants wish to sell it.

11 **A** Okay. If one of the other participants wished
12 to sell their base load capacity, I would say yes, there
13 would be a market.

14 **Q** And would that be true of FMPPA as well if FMPPA
15 had excess?

16 **A** FMPPA will not have excess.

17 **Q** That's the point you're trying to make. I
18 understand.

19 Okay. Did you prepare late-filed Exhibit
20 No. 1? I believe it's entitled -- the first page is
21 "Initial Study Case Rate Results."

22 **A** Yes, I did.

23 **Q** Do you have that document in front of you?

24 **A** Yes, I do. It's not a color copy, so --

25 **Q** Okay. Mine's not a color copy either. So we

1 can talk about shades of gray. I'm not going to go into
2 great detail on this. Don't worry. I want to ask one
3 question about this. And that is: Is it true that this
4 analysis, this -- that this base case assumptions used
5 for this analysis do not incorporate the new capital
6 costs?

7 **A** No, it's not true.

8 **Q** It's not true?

9 The assumptions -- the base case assumptions
10 for TEC for this -- this late-filed exhibit do include
11 the new capital costs for the TEC?

12 **A** You said new capital costs. No, this includes
13 capital costs.

14 **Q** I'm talking about the revised capital costs.

15 **A** This analysis was done in 2004 and earlier.
16 It includes the capital cost from them.

17 **Q** Okay. And not the revised capital cost that
18 we had recently?

19 **A** It doesn't include the revised capital cost
20 for Taylor Energy Center or any other technology that's
21 here.

22 **Q** Okay. Thank you.

23 And is this the only rate impact study you've
24 done of the Taylor Energy Center?

25 **A** This is -- this is from 2004.

1 **Q** But this is the only one that currently
2 exist?

3 **A** No, it's not.

4 **Q** The only study of --

5 **A** No, it's not.

6 **Q** There is another rate impact study of the
7 TEC?

8 **A** We did a -- as part of our integrated resource
9 plan, we look at rates as well as net present value and
10 we look at the impact on rates. So in 2006 as Mr. Fonts
11 indicated, we completed a 2006 integrated resource plan.
12 So the analysis was done at that time also.

13 **Q** My recollection is that at your deposition you
14 testified that there was only one rate impact study for
15 the -- for the TEC. Is that an incorrect recollection
16 on my part?

17 **A** Would you just show me where that is in my
18 deposition?

19 **Q** Just a second, please. I believe that's on
20 page 25, lines 14 through -- 14 through the end of the
21 page.

22 **A** I see a reference there to doing rates, rate
23 comparisons.

24 **Q** I'll ask one last question and then I'll pass
25 it along. This is a very specific rate impact study,

1 and I'm wondering if there was another specific rate
2 impact study case rate results of this nature done in
3 connection with TEC.

4 **A** (No audible response.)

5 **Q** I'm sorry. Was there -- was there another
6 specific rate case rate impact study aside from this
7 that was -- that did this very same analysis in
8 connection with the TEC application?

9 **A** As I mentioned earlier, as part of our
10 integrated resource planning process, we analyzed net
11 present value and rates. In my deposition, the question
12 focused on the 2004 integrated resource plan and the
13 rate analysis that was done there. That was the
14 exhibits that we concluded mutually that you wanted to
15 see. We did a 2006 integrated resource plan and we
16 analyzed rates there also.

17 **Q** Okay. And I will just point you to one other
18 place in your -- in your deposition. And that's page 41
19 starting on line 1. There's another reference to a rate
20 impact analysis. Do you see that reference?

21 **A** Yes, I do.

22 **Q** I want to clarify that this is the analysis,
23 this late-filed deposition -- late-filed exhibit,
24 Exhibit 1, is what you're referencing between lines --
25 in this discourse between lines 1 and 18?

1 **A** I -- well, later on in the deposition, we
2 clarified what rate impact analysis it was that you
3 wanted. For instance, on page 43, line 1, we referred
4 to 2004. On line 14, the question was, "And yet so we
5 would get the 2004 base case?" And that's what we
6 provided.

7 **Q** Okay. So now your testimony today is that
8 there is no -- aside from what was referenced here in
9 2004, there is no rate impact study that's specifically
10 similar to this study?

11 **A** Yes.

12 **Q** Okay. Thank you. And I'm sorry, one last
13 thing.

14 This is the copy that you have is -- this is a
15 true copy of your rate impact analysis that was filed as
16 late-filed Exhibit No. 1?

17 **A** What do you mean by "true copy"?

18 **Q** It's a correct representation of the original?

19 **A** With respect to the trend -- I mean, the
20 original is a color copy.

21 **MS. BROWNLESS:** We understand that.

22 **THE WITNESS:** Yes, it is.

23 **MS. BROWNLESS:** Thank you.

24 **THE WITNESS:** This one, I haven't looked
25 through all of these, but this one on top is.

1 **MS. BROWNLESS:** We're just trying to make
2 sure. But for the color, is this an accurate copy
3 of late-filed deposition Exhibit No. 1?

4 **CHAIRMAN EDGAR:** Yes, it is. I appreciate you
5 helping with the documents and everybody else,
6 helping each other with the copies as well.

7 **MR. SIMMS:** We'll wrap up.

8 **CHAIRMAN EDGAR:** You do need to speak into the
9 microphones for the record and for the court
10 reporter. And I think we've gotten what I think
11 you were trying to do.

12 **MR. SIMMS:** I did. Thank you.

13 **CHAIRMAN EDGAR:** Okay. Are there further
14 questions or cross? Mr. Jacobs?

15 **MR. JACOBS:** Thank you, Madam Chairman.

16 **CHAIRMAN EDGAR:** Excuse me. I'm sorry.
17 Commissioner Arriaga.

18 **COMMISSIONER ARRIAGA:** Thank you,
19 Madam Chairman. Our staff was just reminding me
20 that we have no jurisdiction or authority to set
21 goals, DSM goals to FMPA. Do you agree with that?

22 **THE WITNESS:** Yes.

23 **COMMISSIONER ARRIAGA:** And I also heard that
24 because you're a wholesale provider, you don't set
25 or you don't implement DSM goals. Is that also

1 correct?

2 **THE WITNESS:** That's correct.

3 **COMMISSIONER ARRIAGA:** And I think I heard
4 that 180 programs are evaluated and not found cost
5 efficient?

6 **THE WITNESS:** Correct.

7 **COMMISSIONER ARRIAGA:** Is it possible that any
8 one of your members participating in this program
9 could benefit if we approved a need determination
10 for additional capacity without making a
11 real serious effort to increase their DSM
12 programs?

13 **THE WITNESS:** Our need is so significant in
14 2012 and 2014 that the feasible DSM programs that
15 could be implemented, cost aside, doesn't appear
16 that it would achieve in the time frame that we're
17 talking about our need, sufficient reductions in
18 load even if it were done at the individual city
19 level.

20 From a cost perspective, since we evaluated or
21 it was evaluated at the FMPA level to reduce our
22 coincident peak and was not cost effective, if the
23 individual city evaluated implementing those
24 programs, it could -- we did it on an optimal
25 basis. If the individual city did it, it can only

1 be a higher cost for them than it would be at the
2 FMPA level.

3 **COMMISSIONER ARRIAGA:** See what I'm trying to
4 get at is the investor owned utilities that we do
5 regulate and that we do set goals have more or less
6 the same needs that you have for additional
7 capacity because the state is growing all over for
8 everybody. But those are your views, have to show
9 us an honest effort to implement DSM programs.

10 How can I get the same answer, that the same
11 efforts have been made at all levels of all cities?
12 Understanding that you have the same needs for
13 growth, how can I be assured if I make this need
14 determination instead of 900 megawatts you could do
15 with 800 if you implemented honest and -- efforts
16 in DSM programs?

17 **THE WITNESS:** I understand. And we used for
18 that analysis the FIRE model, the model that is the
19 approved model by the PSC, to do that analysis for
20 FMPA. And had any of those programs been
21 beneficial to FMPA from a -- on the basis of that
22 model, we would have taken them to the cities to
23 determine how we would implement them at the city
24 level such that it would be a benefit to FMPA.

25 If we took those same measures and evaluated

1 it, for instance, a direct load control, we talked
2 about the coincident peak for FMPA is what we
3 calculate our capacity, our coincident factor which
4 is the percent of the customer's load, peak load,
5 noncoincident peak that occurs at our on peak hour
6 is somewhere in the neighborhood of 95 to
7 100 percent of their peak. So if a customer were
8 to reduce their peak or shift their peak to a
9 subsequent hour, they could actually shift load on
10 to FMPA's coincident peak and increase our capacity
11 requirements.

12 So even though it could appear to be cost
13 effective at the city level, because we have this
14 great benefit of aggregating the cities and taking
15 an advantage, advantage of the coincidence factor
16 among all of those cities spread from Key West to
17 Jacksonville Beach to Havana, we in effect are
18 reducing our capacity requirements with that one
19 action.

20 Since we -- our evaluation did not show that
21 for FMPA, there were cost effective measures. That
22 means that it's even less likely that there are
23 cost effective measures at the individual cities.

24 **COMMISSIONER ARRIAGA:** I think you were
25 talking about load shifting and I was talking about

1 DSM. But in any case, does FMPA have any authority
2 to set goals to your individual members in the DSM
3 programs?

4 **THE WITNESS:** We don't have any authority to
5 enforce goals. We can set goals.

6 **COMMISSIONER ARRIAGA:** We so. We have
7 authority to enforce the IOUs but you don't have
8 any authority to do it to your individual members?

9 **THE WITNESS:** No.

10 **COMMISSIONER ARRIAGA:** Okay. So it is
11 possible -- it is a possibility that one of your
12 members could not be doing all of the necessary
13 efforts to go to the extremes necessary to have
14 reliable DSM programs, cost effective, reliable DSM
15 programs?

16 **THE WITNESS:** Sure, it's possible. But also
17 keep in mind that in contrast to the IOUs, we are a
18 nonprofit organization. We are trying to minimize
19 the cost to our customers whereas investor owned
20 utility is trying to maximize the profit to their
21 shareholder.

22 **COMMISSIONER ARRIAGA:** But I'm talking about
23 DSM, not about rate regulation.

24 **THE WITNESS:** But for us, the rate regulation
25 and the implementation of DSM are hand-in-hand.

1 **COMMISSIONER ARRIAGA:** Okay. Thank you so
2 much.

3 **CHAIRMAN EDGAR:** Mr. Jacobs?

4 **MR. JACOBS:** I believe Mrs. Brownless had a
5 prompt for an exhibit.

6 **MS. BROWNLESS:** A matter, Your Honor, which is
7 to identify Late-filed Deposition Exhibit No. 1 as
8 the next exhibit and to ask that it be moved into
9 the record.

10 **CHAIRMAN EDGAR:** Ms. Helton?

11 **MS. HELTON:** Is this the exhibit that
12 Mr. Simms asked the witness about, I guess, at the
13 end of his cross-examination? I'm a little bit
14 confused about which exhibit you mean.

15 **MS. BROWNLESS:** This is Late-filed Deposition
16 Exhibit No. 1 that we asked -- we provided to
17 Mr. May and asked if this was a black-and-white
18 copy of his color exhibit.

19 **MS. HELTON:** I guess do the applicants have
20 any objections to the identification of the
21 exhibit? I'm assuming -- I mean, I think it's
22 appropriate to mark the exhibit since I think it
23 will make the record clear what the witness was
24 asked about. I guess at the appropriate time at
25 the conclusion of the witness's testimony, we can

1 address whether it should be entered into the
2 record.

3 **MS. BROWNLESS:** And if it's appropriate simply
4 to mark it now, that's what we'll do.

5 **MS. PERKINS:** No objection.

6 **CHAIRMAN EDGAR:** Just a moment. I need to get
7 the right papers in front of me. Okay. We will
8 mark it as Exhibit 103.

9 And, Ms. Brownless, will you give me a title?

10 **MS. BROWNLESS:** It says "Initial Study Case
11 Rates Results."

12 (Exhibit No. 103 identified.)

13 **CHAIRMAN EDGAR:** Mr. Jacobs?

14 **MR. JACOBS:** Thank you, Madam Chairman.

15 **CROSS-EXAMINATION**

16 **BY MR. JACOBS:**

17 **Q** Good afternoon, Mr. May.

18 **A** Hi.

19 **Q** Without belaboring the point of DSM too much,
20 I'd like to follow-up briefly on Commissioner Arriaga's
21 discussion with you.

22 As I understand it, your role in the process
23 of DSM with regard to FMFA is essentially a coordinating
24 role. There is really little administration or
25 oversight that FMFA does anyway and certainly is not

1 within the scope of your duties; is that a correct
2 statement?

3 **A** Well, I wouldn't say little administration.
4 We -- to the extent that we can help the cities
5 coordinate efforts among themselves, and keep in mind
6 that they are spread out all across the state, from an
7 administrative perspective, we would assist them with
8 that. To the extent that we can provide information on
9 load patterns or load use for the city in total, then we
10 could provide that back to them and administer that
11 effort.

12 **Q** Is there any reciprocal process? Do they then
13 come back to you and provide to you what they did with
14 that information?

15 **A** It's -- what they did with the information?

16 **Q** Yes. If I understand, you just said you --
17 you can track their load patterns, their use patterns,
18 and you can provide that information to them as -- as a
19 matter of -- just as a matter of information and they
20 can take that and do the analysis and determine whether
21 and how they want to implement DSM as a result. Is
22 that --

23 **A** Not just the load pattern but the realtime
24 use, the use at every instant in time of what their load
25 is doing. So if they wanted to use load control

1 measures, they have the information to do that.

2 **Q** And then my follow-up question was then, do
3 you receive any feedback from your members as to what
4 they actually implemented as a result of the information
5 you gave them?

6 **A** Well, the feedback could come -- come in two
7 ways. One is that if they are implementing load control
8 devices, then -- then they would provide us feedback on
9 the coordination of the operation of those load control
10 devices. If they're conservation measures, then the
11 information comes back to us in the form of changes in
12 their load patterns. We forecast on an annual basis the
13 load usage by each of the 15 cities taking into account
14 what their actual hourly energy consumption is, anywhere
15 from a few years to ten years historically.

16 **Q** Okay. And so you could -- you could -- by
17 those -- by those historical reports, you could see that
18 some impact -- have you seen in the reports -- are you
19 aware of it in the reports that you've observed in the
20 last two years -- last five years, have you observed the
21 kind of -- the kind of differentiation in patterns that
22 would demonstrate an active use of DSM on your members?

23 **A** That would be very difficult to ascertain
24 because our cities have grown -- have been growing at a
25 rate at less than 1 percent to over 10 percent in some

1 years. So try -- trying to pick out a particular city
2 and look at their load usage from a historical
3 perspective would most likely be masked by the growth in
4 demand.

5 **Q** Now, is it also -- would it be the case that
6 you could look at a particular member's load use -- load
7 and use patterns and identify whether or not they have
8 an industrial -- there's an industrial component that
9 have load, if they are commercial or residential, can
10 you -- you can differentiate that out?

11 **A** The cities provide to us their actual usage
12 split separately on an energy basis, a monthly energy
13 consumption basis in those different demand categories.
14 On an hourly basis, we do not track that information.

15 **Q** So at least at some level, you -- am I
16 understanding you to say that you would be able to track
17 patterns of usage across classes? In other words, could
18 you track patterns of uses in residential, commercial
19 and industrial?

20 **A** On a monthly basis would be the greatest
21 amount of detail, that we could track that.

22 **Q** And at that level, you would be able to
23 determine if some -- some measure had been implemented
24 by the city because you would see some -- some pattern
25 of usage change by -- in that class -- in that class of

1 use by that particular member?

2 **A** Possibly. But as I stated earlier, it's --
3 with the growth in load that we've experienced in these
4 cities and the variability of that growth and load from
5 very small cities, potentially not growing much at all,
6 to larger cities growing substantially, it's -- it would
7 be very difficult to isolate whether -- not whether, but
8 the amount of conservation or load control that's
9 actually effected.

10 **Q** Now, let's -- let's talk a little bit more
11 specifically about this application. In most of your
12 other projections and planning, FMPA's projections and
13 planning for the petition of need in here, it's
14 organized around the all requirements project; is that
15 correct?

16 **A** Yes, it is.

17 **Q** And so the real issue would be then to look at
18 your requirements underneath the all requirements
19 project and determine what the use -- the use patterns
20 are in that context. Would that be a fair statement?

21 **A** That's what we do.

22 **Q** Okay. Now, the -- the -- it does not appear
23 from what I've understood thus far then, that it would
24 be FMPA's statute to look at this information, these
25 load patterns on a monthly basis and say, wow,

1 industrial usage by this member is as of such a category
2 that there might be some -- some way that they can
3 effect that usage by implementing DSM especially if
4 they're experiencing growth -- growth at a significant
5 level. You wouldn't do that sort of an analysis?

6 **A** Actually indirectly we do that because we've
7 contracted with an energy services company that provides
8 the services to the members to go into individual
9 specific industrial customers and contract with those
10 customers to do an energy audit of that customer.

11 Now, that's something that's paid for either
12 by the customer or by the city to perform that audit and
13 would result in recommendations on what that specific
14 industrial customer could do to improve their energy
15 usage.

16 **Q** And so it very well might be then that the
17 energy services company might provide a recommendation
18 to your member that a way they may want to address this
19 growth is to look at some -- some -- some DSM or other
20 measures?

21 **A** Actually it's to the specific customer that
22 they would provide that recommendation. And if it were
23 cost-effective to that specific customer to implement
24 those changes, whether it's swapping out motors or
25 swapping out florescent lightbulbs, for energy efficient

1 lightbulbs or anything of that nature, insulation, then
2 that customer would be responsible for implementing it.

3 **Q** So it sounds like for this application, it
4 would have been really an interesting piece of
5 information to see a catalog of those -- of those energy
6 services reports to the customers of your members
7 because that would be a very good indicator of the
8 extent to which there might be some demand side
9 management issues that could -- that would deter or
10 mitigate the need for the all requirements project in
11 this case; is that a fair statement? A long statement,
12 but is it fair?

13 **A** I agree it would be interesting information.
14 But the bottom line is for those programs that are
15 implemented, they result in a change in the load pattern
16 for the cities. We collect that information and it's
17 incorporated into that load forecast, whether we know
18 explicitly what the information is or not.

19 **Q** Right. And I accept that. But one of the
20 conclusions that was reached in the application here is
21 that for each applicant, there were no demand side
22 management or conservation measures that would mitigate
23 their need for the capacity from TEC. And my question
24 is: From what I'm hearing, the only way FMPA could have
25 known that is if it were to be privy to the reports that

1 these energy services companies gave to the customers or
2 of your members? Because therein is the only place
3 where somebody went to your members and said, here are
4 potential measures that could be implemented.

5 **CHAIRMAN EDGAR:** Mr. Jacobs, I'm sorry, it --
6 it's been a long day. Shorter questions.

7 **MR. JACOBS:** I'd be happy to.

8 **BY MR. JACOBS:**

9 **Q** Energy services companies are -- is the place
10 where feedback is given to customers in FMPA's territory
11 about potential conservation DSM requirements, is
12 that --

13 **A** And that is on an ongoing basis. It's not a
14 program that we would initiate just for the Taylor
15 Energy Center.

16 **Q** And FMPA --

17 **A** It's happening now. So it was happening
18 yesterday, last year. So those programs are taking
19 place. And they're inherent in the load, the actual
20 load, that's being consumed by the cities.

21 **Q** FMPA really doesn't organize and coordinate
22 that piece of information?

23 **A** The information, no.

24 **Q** Okay.

25 **A** The service, yes.

1 **Q** I understand. And so the idea that FMPA,
2 whether or not its all requirements project needs can be
3 mitigated by DSM sounds like it comes from the
4 information that comes from the energy services
5 companies?

6 **A** I wouldn't necessarily agree with that.

7 **Q** Fair enough. Let me move on. Isn't it true
8 that one of the key issues for FMPA to participate in
9 TEC is interconnection costs?

10 **A** That's part of the cost of building the power
11 plant.

12 **Q** I'd like to point you to your response to
13 Interrogatory 30. I'm sorry, I meant to look and make
14 sure this is one that you -- that you responded to and I
15 may be wrong. But I would like to point to the
16 applicant's response to Interrogatory No. 30 from
17 staff -- I'm sorry, staff's second set of
18 interrogatories.

19 **A** Yes.

20 **Q** And here it speaks to the interconnection of
21 charges that will apply for TEC for the applicants. And
22 here it indicates, "FMPA will incur approximately
23 \$39 million charge for transmission."

24 **A** That would be our share of transmission
25 improvements if the total cost is \$100.3 million.

1 **Q** Is it a correct statement that's substantially
2 above what your -- what your present transmission costs
3 are per -- permitted are?

4 **A** I'm sorry, I didn't understand the question.

5 **Q** Is it -- is it a fair statement to say that
6 the allocation of cost that you'll receive from TEC
7 represent a fairly significant increase above your
8 relative present cost for transmission?

9 **A** I think that's mixing apples and oranges here.
10 Our transmission costs are tied to the rate that we pay
11 Progress Energy for transmission services because we
12 have network services. This \$39 million, even though we
13 may end up paying it up-front for the services, will be
14 refunded through credits on our transmission services on
15 an annual basis. So our net would be no increase in the
16 rate that we would pay for transmission services.

17 **Q** I understand. Thank you for that
18 clarification. Let me move on to the point I'd like to
19 really get to. And --

20 **CHAIRMAN EDGAR:** Mr. Jacobs, I need a stretch.
21 I think it's just about that time, and I apologize
22 for -- it sounded like a good transition point.

23 **MR. JACOBS:** No problem.

24 **CHAIRMAN EDGAR:** Okay. So let's -- and while
25 we are taking a brief break, I would ask that the

1 parties get together and talk schedules as well.
2 My understanding from where I sit and what I know
3 about the calendar right now from the Commission's
4 perspective is that we have some time tomorrow if
5 we needed it, we have some time Thursday, I know I
6 mentioned earlier Tuesday, but I have since then
7 been made aware of a conflict on that day.

8 So until I am told something different than
9 that, I'm looking at tomorrow and then Thursday if
10 we needed it. If you-all can get with our staff
11 and talk. Let's take about 20 minutes. And when
12 we come back, we'll talk schedule.

13 And then, Mr. Jacobs, we'll take back up with
14 your questioning. Thank you.

15 (Break taken.)

16 (Please go to Volume 6.)

17 * * *

18

19

20

21

22

23

24

25

CERTIFICATE OF REPORTER

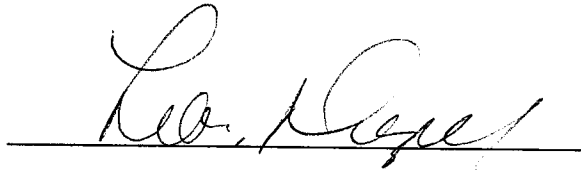
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

STATE OF FLORIDA)
COUNTY OF LEON)

I, LORI DEZELL, RPR, CCR, certify that I was authorized to and did stenographically report the proceedings herein, and that the transcript is a true and complete record of my stenographic notes.

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.

WITNESS my hand and official seal this 12th day of January, 2007.



LORI DEZELL, RPR, CCR
2894-A Remington Green Lane
Tallahassee, Florida 32308
850-878-2221