

VOTE SHEET

June 5, 2007

Docket No. 070098-EI – Petition for determination of need for Glades Power Park Units 1 and 2 electrical power plants in Glades County, by Florida Power & Light Company.

Issue 1: Is there a need for the proposed generating units, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?

Recommendation: Yes. Based upon a 20% reserve margin criterion, FPL has demonstrated a reliability need in the years 2013 and 2014. FPL relies upon a 20% reserve margin as a planning criterion pursuant to a stipulation that was approved by the Commission in 1999. As discussed in Issue 7, FPL has also demonstrated a reliability need for the years 2014 and 2015 based on a 15% planning reserve margin.

MOOT

COMMISSIONERS ASSIGNED: Edgar, Carter, McMurrian, Skop

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Nathan A. Skop

Katrina J. McMurrian

John Edgar

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

04532 JUN-5 07

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Issue 2: Is there a need for the proposed generating units, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes?

Recommendation: Yes. If solid fuel plants are to be considered, then the most cost-effective unit of that type must be selected. When site-specific conditions were considered, the FGPP unit is projected to have lower capital and operating costs (20% to 35%) than a comparable IGCC unit. In addition, the emission rates for the FGPP and an Integrated Coal Gasification Combined Cycle (IGCC) were projected to be similar. The FGPP is also projected to meet all current environmental emission requirements. Therefore, the FGPP was selected as the solid fuel generating option when FPL performed more detailed system revenue requirement analyses that compared coal to natural gas generating facilities. The system revenue requirement analyses are discussed in Issue 7.

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Issue 3: Is there a need for the proposed generating units, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519, Florida Statutes?

Recommendation: Yes. Without the FGPP units, FPL's reliance on natural gas generation will increase to over 70% by the year 2016. By contrast, Tampa Electric Company and Progress Energy Florida, Inc. project more moderate dependence on natural gas, approximately 33% and 38% respectively. Without the FGPP units, FPL's dependence on natural gas would continue to rise until the years 2018 and 2019, assuming the addition of nuclear generating units in those years.

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Issue 4: Are there any conservation measures taken by or reasonably available to Florida Power & Light Company which might mitigate the need for the proposed generating units?

Recommendation: No. Since 1980 through 2005, FPL has implemented approximately 3,519 MW of savings from its Demand-Side Management (DSM) programs. For the time period 2006 through 2015, FPL has modified its current Commission-approved DSM goals of 802 MW to include an additional 564 MW, thereby increasing its DSM summer peak demand reduction by 1,366 MW. FPL has also included a 1,256 MW reduction to its system reliability assessment for the effect of the new energy efficiency standards mandated by the 2005 Energy Policy Act. Even after consideration of such conservation and DSM efforts, FPL has a capacity need of 1,194 MW in 2013. No cost-effective DSM or conservation measures have been identified that would mitigate the need for the proposed generating units.

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Issue 5: Has FPL appropriately evaluated the cost of CO₂ emission mitigation costs in its economic analysis?

Recommendation: Yes. FPL considered four cases of possible CO₂ emission mitigation costs that covered a range from no mitigation cost to a high emission cost estimate. The forecasts provided by FPL mimic the Sierra Club's forecasts when adjusted to remove outdated data.

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Issue 6: Do the proposed FGPP generating units include the costs for the environmental controls necessary to meet current state and federal environmental requirements, including mercury, NO_x, SO₂, and particulate emissions?

Recommendation: Yes. FPL included estimates of emission allowance costs for SO₂, NO_x, and mercury under the federal Clean Air Interstate Rule (CAIR) and Clean Air Mercury Rule (CAMR). However, the Best Available Control Technology (BACT) controls for the FGPP units have not been determined and the regulations for phase II of the CAIR and CAMR regulations, which take effect in 2018, have not been finalized at this time.

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Issue 7: Are the proposed generating units the most cost-effective alternative available, as this criterion is used in Section 403.519, Florida Statutes?

Primary Recommendation: Yes. The proposed FGPP is the most cost-effective alternative to meet the reliability and fuel diversity needs of FPL. The addition of natural gas generating units to the FPL system does not address the strategic benefit of fuel diversity. Therefore, the need for the FGPP is driven more by the need for fuel diversity on FPL's system than by simple economics. Such a strategic benefit is difficult to quantify and must be thought of more as a long-term insurance program rather than purely an economic decision.

As a condition of approval, Staff recommends that the Commission require FPL to continue monitoring the cost-effectiveness of the FGPP. FPL should report to the Commission annual budgeted and actual costs associated with the construction of the FGPP. In addition, the report should include FPL's cost-effectiveness evaluation regarding the continued construction of the FGPP. This report should be filed by April 1 of each year. Providing this information on an annual basis will allow the Commission to monitor the cost-effectiveness regarding the continued construction of the FGPP. Staff's recommendation that FPL should continue to monitor the cost-effectiveness of the FGPP and report annual budgeted and actual costs is not intended to prejudge any matters which will be addressed in the bifurcated docket.

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1st Alternative Recommendation: No. If the Commission believes that natural gas prices will moderate in the future, then the Commission should deny the need for the FGPP. FPL would still have time to construct additional gas-fired generation in order to meet a 2013-2014 reliability need. As discussed in Issue 3, such action would increase FPL's reliance on natural gas generation to over 70% by the year 2016. However, capital costs are lower and adverse environmental impacts are less than coal.

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2nd Alternative Recommendation: No, not at this time. The Commission should find that a 15% planning reserve margin is adequate to maintain system reliability and integrity on the FPL system. Based on a 15% planning reserve margin, FPL has demonstrated the need for additional generating capacity (1,970 MW) to reliably meet its projected system load growth in the 2014 and 2015 time frame. The Commission should initiate a generic proceeding to address the current stipulation with FPL, PEF, and TECO to maintain a 20% reserve margin.

Because of the uncertainty associated with (1) natural gas and coal prices, (2) pending legislation for the regulation of CO2 emissions at the State and Federal level, and (3) the cost impacts of CO2 regulation, the cost-effectiveness of FGPP cannot be determined with a high degree of confidence at this time. Staff recommends that the Commission defer the final determination of need for FGPP and require FPL to provide up-dated cost-benefit information in a June 2008 proceeding, based on State and Federal energy policy in existence at that time. During this continuation, FPL should continue to aggressively pursue cost-effective conservation and renewable generation.

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Issue 8: Based on the resolution of the forgoing issues, should the Commission grant FPL's petition to determine the need for the proposed generating units?

Primary Recommendation: Yes. The proposed FGPP is the most cost-effective alternative to meet the reliability and fuel diversity needs of FPL.

As condition of approval, Staff recommends that the Commission require FPL to continue monitoring the cost-effectiveness of the FGPP. FPL should report to the Commission annual budgeted and actual costs associated with the construction of the FGPP. In addition, the report should include FPL's cost-effectiveness evaluation regarding the continued construction of the FGPP. This report should be filed by April 1 of each year. Providing this information on an annual basis will allow the Commission to monitor the cost-effectiveness regarding the continued construction of the FGPP. Staff's recommendation that FPL should continue to monitor the cost-effectiveness of the FGPP and report annual budgeted and actual costs is not intended to prejudge any matters which will be addressed in the bifurcated docket.

DENIED

1st Alternative Recommendation: No. ~~If the Commission believes that natural gas prices will moderate in the future, then the Commission should deny the need for the FGPP.~~

JPC

APPROVED

based on the analysis of record and the discussion at the conference.

2nd Alternative Recommendation: No, not at this time. The Commission should find that a 15% planning reserve margin is adequate to maintain system reliability and integrity on the FPL system. Based on a 15% planning reserve margin, FPL has demonstrated the need for additional generating capacity (1,970 MW) to reliably meet their projected system load growth in the 2014 and 2015 time frame. The Commission should initiate a generic proceeding to address the current stipulation with FPL, PEF, and TECO to maintain a 20% reserve margin.

Because of the uncertainty associated with (1) natural gas and coal prices, (2) pending legislation for the regulation of CO2 emissions at the State and Federal level, and (3) the cost impacts of CO2 regulation, the cost-effectiveness of FGPP can not be determined with a high degree of confidence at this time. Staff recommends that the Commission defer the final determination of need for FGPP and require FPL to provide up-dated cost-benefit information in a June 2008 proceeding, based on State and Federal energy policy in existence at that time. During this continuation, FPL should continue to aggressively pursue cost-effective conservation and renewable generation.

DENIED

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Issue 9: Should this docket be closed?

Recommendation: If the Commission approves staff's primary or 1st Alternative recommendation, the docket should be closed once the time for filing an appeal has expired. If the Commission approves the 2nd Alternative Recommendation, the docket should remain open to allow additional time for the maturation of statewide energy policy, to update information regarding natural gas and coal price forecasts and the impact of future carbon regulation on solid fuel technology, and to schedule additional proceedings associated with the updated information.

APPROVED