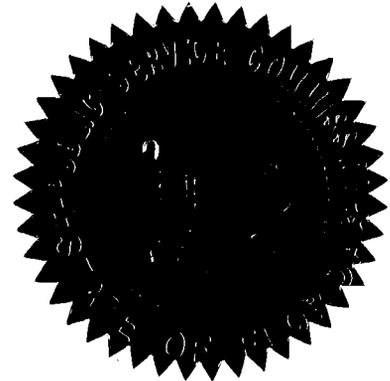


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 070098-EI

In the Matter of:

PETITION FOR DETERMINATION OF NEED
FOR GLADES POWER PARK UNITS 1 AND
2 ELECTRICAL POWER PLANTS IN GLADES
COUNTY, BY FLORIDA POWER & LIGHT
COMPANY.



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PROCEEDINGS: AGENDA CONFERENCE
 ITEM NO. 8

BEFORE: CHAIRMAN LISA POLAK EDGAR
 COMMISSIONER MATTHEW M. CARTER, II
 COMMISSIONER KATRINA J. McMURRIAN
 COMMISSIONER NATHAN A. SKOP

DATE: Tuesday, June 5, 2007

TIME: Commenced at 9:30 a.m.

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

REPORTED BY: JANE FAUROT, RPR
 Official FPSC Reporter
 (850) 413-6732

1 PARTICIPATING:

2 MICHAEL COOKE, GENERAL COUNSEL, JENNIFER BRUBAKER,
3 ESQUIRE, BOB TRAPP, and TOM BALLINGER, representing the
4 Commission Staff.

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P R O C E E D I N G S

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2 CHAIRMAN EDGAR: Okay. We will go back on the
3 record, and we are on Item 8. And as I mentioned right before
4 we went on break, this is a post-hearing decision,
5 participation limited to Commissioners and staff, Commissioners
6 Edgar, Carter, McMurrian, and Skop.

7 And, Mr. Trapp, are you going to start us off?

8 MR. TRAPP: Yes, ma'am, I believe so.

9 CHAIRMAN EDGAR: Okay. Mr. Trapp, if you will give
10 us an overview of the item and the staff recommendation,
11 please.

12 MR. TRAPP: Yes, ma'am.

13 Good morning, Commissioners. My name is Bob Trapp.
14 I'm with the Commission staff.

15 We are here today to present to you staff's
16 recommendation on Florida Power and Light's petition to
17 determine the need for the Glades Power Park Units 1 and 2. We
18 will probably be referring to those a lot as FGPP.

19 Florida Power and Light proposes to build a
20 state-of-the-art advanced coal technology consisting of two
21 980-megawatt class ultra-supercritical pulverized coal units to
22 meet the capacity need of the company and fuel diversity needs
23 of the company. FGPP will be located on a 4,900-acre site west
24 of Lake Okeechobee, near the town of Moore Haven in Glades
25 County, Florida.

1 As stated, one of the primary reasons Florida Power
2 and Light is proposing to build FGPP is for fuel diversity.
3 With these plants, the solid fuel percentage for Florida Power
4 and Light, which is 18 percent in 2005, will remain at
5 18 percent in 2016. In contrast, without the coal units,
6 Florida Power and Light's solid fuel percentage will decline to
7 7 percent by 2016. Also, without FGPP, Florida Power and
8 Light's dependence on natural gas will increase from 42 percent
9 in 2005 to over 70 percent in 2016.

10 To put this into some kind of perspective, over the
11 first 20 years of full operation of these units, FPL will
12 reduce its consumption of natural gas by about 2 million MMBtu.
13 This decrease in natural gas use is equivalent to the total
14 quantity of natural gas that was used by Florida Power and
15 Light during the last six years. So this is a significant
16 impact on their gas usage.

17 Staff's recommendation consists of a primary
18 recommendation to approve the need determination for FGPP and a
19 first and second alternative to deny or defer the determination
20 of need respectively.

21 Staff is prepared to discuss this item, both the
22 primary and alternative recommendations with the Commission,
23 and answer any questions that you have. We can either do this
24 going, you know, issue-by-issue, but we think maybe a better
25 approach would be to have a general discussion of these

1 alternatives. And toward that end, we have prepared an
2 executive summary that appears starting on Page 6 of the
3 recommendation. So if you would like to proceed in that
4 fashion, I have Tom Ballinger here with me and Jennifer
5 Brubaker from our legal staff to discuss the recommendations.

6 CHAIRMAN EDGAR: Okay. Mr. Trapp, what I would like
7 to ask our staff to do to get us started with our discussion is
8 to, as you have described and however you all choose to do
9 that, but what I would ask, again, as we get started here is
10 that you give us an overview of the recommendations that are
11 contained in the item. And then I think, Commissioners, what I
12 would like to do is give the opportunity for specific questions
13 to our staff, if, indeed, there are questions. And then once
14 we have had the opportunity for specific questions, then we can
15 have some discussion amongst us, and then we can see how best
16 to proceed through the different issues. So that's the way I
17 would like to at least try to approach it, and we will go from
18 there.

19 So, Mr. Ballinger.

20 MR. BALLINGER: That would be me to give you the
21 summary of the summary. Tom Ballinger with Commission staff.

22 What we have done is given you three alternatives.
23 They are pretty obvious of what you can do, approve, deny, or
24 delay for additional information. But what the executive
25 summary really gives you in the recommendation throughout is

1 the foundation by which each of those alternatives would be
2 premised upon.

3 For example, the primary recommendation to approve
4 the plant is premised on the belief that natural gas prices
5 will continue to rise at a higher escalation rate than coal,
6 which gives you an economic benefit as well as a fuel diversity
7 benefit. A conditional on the primary recommendation is to
8 require FPL to report annually cost-effectiveness, the
9 continued cost-effectiveness of continuing with the FGPP,
10 looking at -- recognizing there have been changes and there is
11 still movement afoot at the federal and state level on energy
12 policy, on emission regulations, things of this nature that may
13 change the cost-effectiveness of continuing with the project.

14 So as a condition of approval, staff would recommend
15 that the utility be required to report annually on actual
16 versus budgeted costs and an update, if you will, on the
17 cost-effectiveness, taking into account changing circumstances.

18 The first alternative recommendation would be to deny
19 FPL's petition. And the foundation for this one, kind of where
20 you would have to go to first to support that petition, would
21 be a belief that natural gas prices would moderate in the
22 future. That they would grow at an escalation rate similar, if
23 not lower, than coal to lessen the difference between coal and
24 gas, because that is the primary driver in any decision to
25 build a power plant. As Mr. Trapp pointed out, this

1 alternative would not produce any advantages in terms of fuel
2 diversity for FPL, and you would see their gas usage climb it
3 over 70 percent by the year 2016.

4 And the second alternative is one that if -- because
5 of the uncertainty in energy policies and things of this
6 nature, the Commission is a little uncertain how can we have
7 additional time. And what staff came up with is there is a
8 reliability need out there. Based on a 20 percent reserve
9 margin, FPL determined and staff believes there is a
10 reliability need in the years 2013 and 2014, which would be
11 satisfied by FGPP or a gas plant. I mean, either one of those
12 plants could satisfy the reliability need.

13 If, however, the Commission felt that FPL's system
14 would be reliable with a 15 percent reserve margin, which they
15 have used in the past for many years prior to 1999, I believe
16 is when the stipulation was entered into, making such a finding
17 to go to 15 percent would shift that reliability need one year
18 to the year 2014 of when new capacity would have to be added.
19 In that year staff would then say to gather updated information
20 on changes in energy policy, fuel forecasts, things of this
21 nature. It would require two future events, if you will, the
22 first one being a generic proceeding to bring in the other
23 signatories to the stipulation, and get their take on it, and
24 maybe they need to go to 15 percent or maybe 20 percent is the
25 right number. I think that proceeding needs to be done to be

1 consistent with prior Commission orders where they said that
2 any look at this reserve margin would be in a generic
3 proceeding to take in all participants.

4 The second event that would happen would be another
5 revisitation, if you will, of this hearing in probably June of
6 '08 in order to meet the 2014 deadline if you are going to
7 still consider coal as an option. What that means is that the
8 utility would be required to file updated information, probably
9 in the February or March time frame to give us time to then
10 have a hearing sometime in June and a decision soon after.

11 Those are the summaries of the recommendations. You
12 see on Page 7 is a table giving you kind of the general pros
13 and cons of each alternative, and we would be happy to discuss
14 each one with you.

15 CHAIRMAN EDGAR: Thank you, Mr. Ballinger.

16 Commissioners, questions?

17 Commissioner Skop.

18 COMMISSIONER SKOP: Thank you, Madam Chair.

19 I haven't had the ability to conduct any direct
20 examination during the hearing by virtue of being a new
21 Commissioner, so at this point I would like to ask some
22 questions of Mr. Ballinger if he would be open to answering
23 those. And my point of doing so, some of them may be
24 redundant, but I'm hoping to flesh out some of the issues that
25 are of concern to me, and that may also benefit my fellow

1 Commissioners.

2 First of all, Mr. Ballinger, with respect to the cost
3 of the plants, the Glades project is estimated at 5.7 billion,
4 correct?

5 MR. BALLINGER: Yes, sir.

6 COMMISSIONER SKOP: Okay. And the comparable costs
7 for a slightly larger combined cycle combustion turbine would
8 be approximately 1.7 billion, is that correct?

9 MR. BALLINGER: That sounds about right, about four
10 times the difference.

11 COMMISSIONER SKOP: Okay. So roughly four times the
12 difference and, basically, for apple-to-apple net generating
13 assets, basically, there is about a \$4.23 billion incremental
14 discretionary investment for the same net generation, correct?

15 MR. BALLINGER: Correct.

16 COMMISSIONER SKOP: Okay. Moving on to the cost of
17 the O&M. With respect to the fixed O&M costs, the cost of the
18 Glades plant in comparison to combined cycle for fixed O&M is
19 approximately 9.5 percent higher, correct?

20 MR. BALLINGER: 9.5 times higher.

21 COMMISSIONER SKOP: Yes, 9.5 times higher. Excuse
22 me. And with respect to the variable O&M, it's approximately
23 3.4 times higher, correct?

24 MR. BALLINGER: Correct.

25 COMMISSIONER SKOP: Okay. With respect to

1 thermodynamic efficiency, it's higher for the combined cycle
2 implementation, correct?

3 MR. BALLINGER: A combined cycle unit typically has a
4 lower heat rate, which is more thermodynamically efficient.

5 COMMISSIONER SKOP: Okay. And so in layman's terms
6 lower efficiency means what?

7 MR. BALLINGER: It will use less Btus to generate a
8 kilowatt hour of electricity, but that does not take into
9 account the cost of that fuel. So from a pure mechanical
10 basis, yes, it is more efficient as far as how many Btus it
11 takes to create a kilowatt hour.

12 COMMISSIONER SKOP: So, basically, lower efficiency
13 means that you need to put in more work input or energy
14 consumption per kilowatt hour generated, correct?

15 MR. BALLINGER: I'm sorry. Could you repeat that?

16 COMMISSIONER SKOP: Yes. A lower efficiency,
17 thermodynamic efficiency would require more work input or
18 energy consumption to achieve the same work output, correct?

19 MR. BALLINGER: Yes.

20 COMMISSIONER SKOP: With respect to environmental
21 compliance, specifically CO2 capture, I believe it states on
22 Page 20 of the staff recommendation that there is the potential
23 risk of derating the proposed plant by 28 percent if CO2
24 capture were required, correct?

25 MR. BALLINGER: For the FGPP, yes, that's for current

1 technology. There was also testimony that that efficiency
2 level is declining and approaching that of an IGCC.

3 COMMISSIONER SKOP: Okay. Just looking at the second
4 to the last paragraph on Page 20 of the staff recommendation, I
5 guess according to FPL's witness they looked at the impact to
6 the output of the Glades plant, and it would approximately be
7 28 percent, correct?

8 MR. BALLINGER: Yes.

9 COMMISSIONER SKOP: With respect to renewal of the
10 PPAs, essentially in the staff recommendation on Page 9, it
11 basically speaks to the fact that there is approximately --
12 just over 1,000 megawatts of PPAs, and if all the contracts
13 were renewed the need for additional capacity could be delayed
14 until 2014, correct?

15 MR. BALLINGER: Yes, from a pure reliability
16 standpoint.

17 COMMISSIONER SKOP: Okay. And with respect to the
18 PPAs in question, there was no specific discussion other than
19 some references to the terms of the contracts within the
20 record, correct?

21 MR. BALLINGER: There was some discussion about there
22 was attempts to extend some contracts that were unsuccessful.
23 There was also discussion about the real desire to extend these
24 contracts, being that most of them were gas and oil, what would
25 it do for your fuel diversity. So it was kind of is it worth

1 pursuing from that standpoint.

2 COMMISSIONER SKOP: Okay. But with respect to the
3 capital project that is under consideration, there may or not
4 be an incentive to renew or diligently renew certain PPAs?

5 MR. BALLINGER: That was not discussed on the
6 prudence of it. On a PPA, the utility does not earn a return,
7 the costs go through a clause. So from that standpoint, there
8 is not an incentive, if you will, to contract with a PPA as
9 there is with a utility-owned plant that goes in base rates.

10 COMMISSIONER SKOP: Okay. But assuming for the sake
11 of discussion, if the PPAs were renewed, the additional
12 capacity could be delayed until 2014, and based on the resource
13 plan, that might provide some sort of a bridge, absent adding
14 some other type of incremental generation, to get to the solid
15 fuel nuclear option that we see in 2018 or 2019, correct?

16 MR. BALLINGER: If we signed up to 1,000 megawatts of
17 PPAs based on a 20 percent reserve margin, it would shift the
18 reliability need to 2014. Then you are still faced with a
19 decision, do I build coal or gas as the bridge to get to the
20 nuclear option.

21 COMMISSIONER SKOP: Okay. With respect to the
22 reserve margin that you just mentioned, same page, Page 9 of
23 the staff recommendation, looking at the far right column,
24 reserve margin with FGPP for the years 2012, 2013, and 2015,
25 basically, according to the staff-prepared table, they would

1 not meet, or maintain the 20 percent reserve margin without
2 being able to pursue additional short-term PPAs, correct?

3 MR. BALLINGER: Correct. And I'm trying to recall on
4 this -- this table does not include the short-term purchases, I
5 believe, in 2011 and 2012. It's looking only at FGPP. Even
6 with FGPP, FPL would fall short of its 20 percent reserve
7 margin in the year 2013. You see it's at 19.1 percent. But
8 then in the year 2015 it goes to 18.7, but I don't believe this
9 table reflects the addition of gas units after FGPP, which I
10 believe came in 2015 and all of that. I think that was in an
11 exhibit that showed the two expansion plans, and I believe
12 there was gas units following the FGPP.

13 COMMISSIONER SKOP: So even with the addition of this
14 plant there would still be the need for incremental capacity at
15 that point, correct?

16 MR. BALLINGER: In the year 2013 there appears to be
17 still a reliability need for some short-term purchases, I
18 guess.

19 COMMISSIONER SKOP: And with respect to need
20 mitigation in the record or during the hearing, there was no
21 discussion with respect to any potential for uprating of the
22 existing reactors?

23 MR. BALLINGER: Correct.

24 COMMISSIONER SKOP: Okay. And with respect to moving
25 on to natural gas, would you concur that we are overextended on

1 natural gas based on some of the figures that were previously
2 mentioned?

3 MR. BALLINGER: Overextended, certain utilities more
4 so than others. This has been a topic the Commission has
5 discussed over the last two or three years of fuel diversity.
6 And I think it was pointed out FPL is the one that is, I would
7 say, of the IOUs particularly more dependent on gas than the
8 other investor-owned utilities in Florida.

9 COMMISSIONER SKOP: Okay. But in all fairness to the
10 petitioner, however, the extensive build-out of combined cycle
11 plants actually benefitted the consumers to the extent that the
12 capital costs of the projects didn't result in a substantial
13 increase to the base rate, correct?

14 MR. BALLINGER: It is true the addition of gas plants
15 have a lower capital cost than coal, and, yes, consumers have
16 benefitted from that. The flip side has been the volatility in
17 the fuel component.

18 COMMISSIONER SKOP: Right. So that's the trade-off,
19 consumers have exposure to the fuel volatility risk via the
20 fuel adjustment charge?

21 MR. BALLINGER: Correct.

22 COMMISSIONER SKOP: Okay. And even with Glades
23 proposed plant, the petitioner still would be heavily dependent
24 upon natural gas to meet their generation needs, correct?

25 MR. BALLINGER: Correct. I think even with Glades by

1 the year 2016, I think they would have 60 percent of their
2 generation based on gas.

3 COMMISSIONER SKOP: So even with building the
4 proposed plant, it won't substantially change the overall
5 exposure level?

6 MR. BALLINGER: I don't know that I agree with you
7 substantially. I think going from 60 to 71 percent is a big
8 swing. We are not going to change fuel diversity overnight.
9 We have to start somewhere of doing it. FPL is a large system,
10 growing several hundred megawatts a year, and --

11 COMMISSIONER SKOP: And irrespectively, we are still
12 going to have substantial exposure to natural gas, and that's
13 going to remain the same through 2013/2014 if this plant is
14 approved, correct?

15 MR. BALLINGER: That is correct. There are several
16 more gas units that have already been approved by the
17 Commission and the Governor and Cabinet of siting. You have
18 Turkey Point 5 coming on line, I believe, later this year; and
19 you have the West County Units coming on in '09 and '10.

20 COMMISSIONER SKOP: Moving on to some brief
21 discussion of the site plan. In terms of the site evaluation
22 and locations in the clean coal generation report, are you
23 familiar with that point? On Page 9 it speaks to various
24 potential locations that were considered for the proposed
25 plant, correct?

1 MR. BALLINGER: Yes. On Page 9 of that report it
2 does say some areas that FPL evaluated when looking at sites.

3 COMMISSIONER SKOP: And then also on Page 30 of the
4 same report, basically it goes on to say that approximately
5 1.5 acres are required per megawatt hour, correct?

6 MR. BALLINGER: Yes, down at the bottom of the page,
7 I see that.

8 COMMISSIONER SKOP: And essentially -- so for the
9 proposed plant it would require, according to that figure,
10 about 3,000 acres on a total site of almost 5,000 acres,
11 correct?

12 MR. BALLINGER: I'm looking at the bottom here, a
13 1,700-megawatt clean coal facility would utilized a 3,000-acre
14 site.

15 COMMISSIONER SKOP: And the proposed site for Glades
16 is 4,900 acres, correct?

17 MR. BALLINGER: Correct.

18 COMMISSIONER SKOP: Okay. And on the transcript, I
19 don't know if you have this with you, but on Page 767 it
20 basically speaks to where on the site the proposed power plant
21 would be located, and I believe that that would be in the
22 center of the parcel, is that correct?

23 MR. BALLINGER: I trust your reading of the
24 transcripts. I can't recall if it was exactly in the center,
25 but that sounds about right.

1 COMMISSIONER SKOP: Okay. And then would you happen
2 to have a copy of the post-hearing brief filed by the
3 petitioner?

4 MR. BALLINGER: I will have one in just a second.
5 Okay.

6 COMMISSIONER SKOP: And on Page 66 of that brief, at
7 the bottom it basically speaks that it would be highly unlikely
8 that a gas-fired combined cycle facility would be built at the
9 site selected for FGPP, correct? The last sentence.

10 MR. BALLINGER: Correct.

11 COMMISSIONER SKOP: Next, I would like to briefly
12 discuss the resource plan, which I believe is Exhibit 50 which
13 was filed.

14 MR. BALLINGER: I'm sorry. What page was that?

15 COMMISSIONER SKOP: Exhibit 50, the resource plan.

16 MR. BALLINGER: Okay. I know where that is.

17 COMMISSIONER SKOP: Okay.

18 MR. BALLINGER: And this shows the generation
19 expansion plans with and without coal, is that the one?

20 COMMISSIONER SKOP: I believe so.

21 MR. BALLINGER: Okay. I have it.

22 COMMISSIONER SKOP: Okay. And the top chart or
23 graph -- not graph, but the top Excel spreadsheet, if you will,
24 for lack of a better term, basically details the plan with
25 coal, correct?

1 MR. BALLINGER: Correct. And then the bottom part is
2 the plan without coal.

3 COMMISSIONER SKOP: Okay. And as we discussed, even
4 with the plan with coal some of the reserve margins still fall
5 below the 20 percent as shown on that resource plan?

6 MR. BALLINGER: Yes. For example, the plan with coal
7 in the year 2016 went to a 19.6 percent reserve margin.

8 COMMISSIONER SKOP: Okay. And on that same chart,
9 the plan with coal for 2015, they appear to be adding another
10 combined cycle plant, correct?

11 MR. BALLINGER: Yes, and I think the transcripts, the
12 depositions, and all of that, it was stated that probably the
13 most desirable one for the next gas unit would be at the West
14 County facility more than likely because there is already a lot
15 of infrastructure for gas there to build the next gas plant.
16 After that it might be at the Glades site later on, but that
17 would require also the development of gas infrastructure to
18 that site which currently isn't there.

19 COMMISSIONER SKOP: Well, just looking at 2015, I
20 guess staff made the statement that if we add FGPP, we will
21 maintain the 18 percent of coal that we have in 2005 through
22 18 percent in 2016. And I guess maybe you guys can help me
23 out, but I'm a little lost to see how if we are adding a gas
24 plant in 2015 that that ratio is going to remain constant. I
25 would expect it to go down slightly.

1 MR. BALLINGER: It's because of the percentage of
2 load growth you have got going on. And what FPL is really
3 doing is replacing some existing purchased power agreements
4 from the Southern Company which go away, or partially go away
5 in 2010, and they are replacing that with the FGPP.

6 COMMISSIONER SKOP: Okay. And then basically moving
7 on to the plan without coal at the bottom. Basically, in 2014
8 and 2016 it articulates adding combined cycles at a site named
9 Glades, is that correct?

10 MR. BALLINGER: Yes. And I think if FPL were forced
11 to go to a gas expansion plan, the first site you see in 2012
12 would be the South Florida combined cycle, probably at the West
13 County, and they would start development of getting gas
14 infrastructure in to have a gas plant possibly at Glades.

15 COMMISSIONER SKOP: But in some regards that is
16 contrary to what they expressly state on Page 66 of the
17 post-hearing brief, correct?

18 MR. BALLINGER: I will have to go back and read the
19 brief. I'm almost tempted to say that might be in the context
20 that if you built Glades, would you build a gas plant there, as
21 well. I think it is consistent to saying if you did not build
22 Glades, our first choice would not be a gas plant at Glades, it
23 would be somewhere else.

24 COMMISSIONER SKOP: Okay. And with respect to the
25 Glades reference in 2014 and 2016 there, basically, that would

1 at least suggest the possibility of economic development in
2 Glades County, correct? Or at the Glades site, whatever -- the
3 appropriate county, excuse me.

4 MR. BALLINGER: Yes. If that site were to be
5 developed into a power plant site, yes, it would stimulate some
6 economic development in the area.

7 COMMISSIONER SKOP: Okay. But even with adding the
8 plan with coal, we are still adding gas-fired generation in
9 2015 and 2017 on the proposed resource plans, correct?

10 MR. BALLINGER: That would be the current plan now,
11 and I would caution you that a gas plant even in 2015 is
12 premature to decide at this time. It takes about a four-year
13 window for permitting and all of that. So that decision to
14 build a gas plant in 2015 would be made around 2011. So
15 there's a possibility those units -- those gas units in 2015
16 and '17, might change. We don't know. We don't have to make
17 that decision today.

18 COMMISSIONER SKOP: Agreed. But the key argument for
19 this is fuel diversity, and I guess what I'm at least
20 struggling with or trying to take a look at is whether, you
21 know, this resource plan reflects a comprehensive plan to
22 address diversity, or whether it's just business as usual, and
23 we are going to go right back in to adding gas. And at least
24 in the plan itself, that appears for the moment to be what I'm
25 seeing. But let me move on to another issue.

1 With respect to the economic analysis, I would next
2 like to draw your attention to, I guess, the demonstrative aid.
3 Do you recognize this graph?

4 MR. BALLINGER: Yes. That is something I had my
5 staff prepare when this case got started.

6 COMMISSIONER SKOP: And this was provided to all
7 Commissioners, correct?

8 MR. BALLINGER: Yes, sir.

9 COMMISSIONER SKOP: Okay. And can you provide a
10 brief explanation, just briefly, of what the graph represents?

11 MR. BALLINGER: This graph is the messy version, if
12 you will, of the table found on Page 28 of the staff
13 recommendation. And what the graph represents is the annual
14 cumulative net present value -- yes, cumulative present value
15 revenue requirements as they accumulate through time. The
16 table represents the end points of all the different 16
17 scenarios.

18 COMMISSIONER SKOP: And so, basically, the graph
19 provides a fair and accurate representation of the data taken
20 directly from the record?

21 MR. BALLINGER: Yes. It was developed from certain
22 exhibits in the record.

23 COMMISSIONER SKOP: Madam Chair, at this point would
24 it be appropriate to enter this as an exhibit or can we just
25 use it for demonstrative purposes?

1 MR. COOKE: Madam Chair, the record is closed at this
2 point. This can be used as general information, and it's
3 derived from record information. The record information can be
4 used for purposes of decision-making, but I don't think we
5 would want to re-open the record at this point to cause
6 additional exhibits to be entered.

7 COMMISSIONER SKOP: Based on the recommendation of
8 Counsel, can we just use this as a demonstrative aid, and can
9 you explain briefly the 16 sensitivity scenarios that are also
10 shown on Page 28, but can you represent to what -- how we might
11 interpret this graph?

12 MR. BALLINGER: Sure. For example, if you look on
13 the legend where it says 1AO, and 1AW, that is the difference
14 in the plans with and without coal under forecast Scenario 1A,
15 which would be your top left corner of the box on Page 28, the
16 end result. And you see with this one it takes, as discussed
17 in the staff recommendation, even -- this is the most favorable
18 forecast, if you will, for the FGPP, it produces the most
19 economic benefits. And as discussed in the recommendation,
20 even with the scenario, it takes about ten years to start
21 showing a cumulative positive benefit. As you can see on this
22 graph, by about the year 2022 is when that line crosses over
23 and shows the benefits.

24 And it's the same rationale for all of these. You
25 can get that information for every scenario in the box. The

1 table on Page 28 gives you the summary end result, if you will,
2 of each scenario. This one, the graph will give you more of a
3 time line of when those benefits occur.

4 COMMISSIONER SKOP: So bounding that expected value
5 analysis, basically, the curves reflected above the horizontal
6 axis represent the seven sensitivity scenarios that show that
7 coal is preferable to gas, correct?

8 MR. BALLINGER: That's correct.

9 COMMISSIONER SKOP: Okay. And in the most optimistic
10 scenario or sensitivity analysis, basically, the expected value
11 in 2055 or '54, whatever the time frame is on the far right of
12 the graph, it shows basically an expected benefit of -- net
13 benefit, and that would be recovering the cost of the
14 \$6 billion plant plus an additional approximately 2.6 or
15 \$2.7 billion to consumers?

16 MR. BALLINGER: Yes, it is a savings of approximately
17 \$2.8 billion.

18 COMMISSIONER SKOP: Okay. And doing that same type
19 of boundary analysis for the lower curve, by not making the
20 capital investment in this particular plant and, basically,
21 building out with what is shown in the proposed plan for not
22 adding coal, you potentially not spend anything and
23 potentially, if gas prices moderate, achieve an expected value
24 of approximately 4 billion in savings, is that correct, for
25 that bottom line?

1 MR. TRAPP: Yes. This is Bob Trapp.

2 I just wanted to respond to that by saying, yes, with
3 some clarification. That extreme case is Case D on the
4 environmental considerations, and my understanding is that
5 those are fairly extreme assumptions that there would be no
6 economic -- there would be no consideration of the economic
7 impact to the economy of the United States of the bills that
8 were associated with that. So while that is the extreme case
9 that Florida Power and Light did, I think one has to look at
10 what assessment one gives to where you think the world is going
11 to go in these economic assessments.

12 These are not necessarily forecasts in the sense of
13 this is what we think is going to happen. These are forecasts
14 in the sense of if you assume these environmental conditions,
15 and if you assume these conditions in fuel markets, this is
16 what is going to happen. And I think the point of fuel
17 diversity is that we can actually control which one of these
18 forecasts we move to by the decisions we make with respect to
19 the technology selected. But that's just my opinion.

20 Thank you.

21 COMMISSIONER SKOP: Thank you.

22 And I concur with it. I was just trying to frame the
23 boundaries of the extreme points represented on the graph.
24 But, nevertheless, in seven of the sixteen sensitivity
25 scenarios presented favor natural gas over coal or not

1 implementing coal, is that correct?

2 MR. BALLINGER: I think it is the other way around.
3 I think it is nine out of the sixteen would favor gas.

4 COMMISSIONER SKOP: Thank you. And with respect to
5 the graph in general, this shows a system-wide impact as
6 opposed to a simple capital project analysis on a head-to-head
7 basis, correct?

8 MR. BALLINGER: Correct. This analysis is a typical
9 revenue requirement analysis which includes the incremental
10 capital of your generation addition, be it gas or coal, and
11 then what the system fuel impacts are with that decision going
12 forward, basically.

13 COMMISSIONER SKOP: Okay. And referring back to the
14 report on clean coal generation on Page 9 at the bottom. I
15 will give you a moment to --

16 MR. BALLINGER: Okay.

17 COMMISSIONER SKOP: The last two sentences, it says
18 depicting our expected or most likely values for all variables
19 including expected gas price forecasts, and then it goes on to
20 articulate a system present value revenue requirement. Is
21 there any way to distinguish between the lower values shown in
22 the clean coal generation report and the expected values in
23 which the data on this curve is based?

24 MR. BALLINGER: This one, if I remember, if you took
25 a single gas forecast, let's say as a base case, I think is

1 what was done in this analysis, it showed then that it was
2 still -- coal was a benefit by \$435 million. Which of these
3 forecasts on Page 28 of the 16 scenarios that is, I really
4 don't know. We could probably find through this report the
5 fuel forecast used.

6 COMMISSIONER SKOP: We can move on.

7 MR. BALLINGER: Okay.

8 COMMISSIONER SKOP: I was just trying to distinguish,
9 because at least in some instance it didn't have a direct
10 correlation. I know things have changed since then.

11 Moving on to other analysis that may have been done
12 on a stand-alone basis. Was there any direct capital project
13 analysis done head-to-head between the proposed plant and
14 implementing a combined cycle plant and just basically running
15 it on fuel sensitivity analysis?

16 MR. BALLINGER: Are you asking me did they do just a
17 comparison of natural gas to a coal unit side-by-side, not the
18 system impacts?

19 COMMISSIONER SKOP: Correct.

20 MR. BALLINGER: No. And the reason you wouldn't do
21 that is those units have different operating characteristics on
22 a system. That's a screening analysis you would do for like
23 technologies, which is what FPL did for the solid fuel
24 technologies where they screened out -- they compared on a
25 side-by-side basis one at a time, IGCC, fluidized bed, FGPP,

1 and sub-critical pulverized coal.

2 COMMISSIONER SKOP: I understand, and I concur with
3 the technology selection in that regard. However, apparently
4 the answer to the question was no. But also, too, with respect
5 to a stand-alone head-to-head analysis based on fuel
6 sensitivities, did they also not perform one with the combined
7 cycle plant including the LNG storage on site, which, I think,
8 was 1.4 billion as opposed to a head-to-head with Glades?

9 MR. BALLINGER: Correct. They didn't do any
10 side-by-side. They did system analysis.

11 COMMISSIONER SKOP: And, Madam Chair, I just have two
12 more brief questions, and, hopefully, we will be able to work
13 through this relatively quickly.

14 With respect to rate impact of the proposed plant, if
15 I can refer you to the post-hearing brief on Page 67.

16 MR. BALLINGER: Okay.

17 COMMISSIONER SKOP: And, basically, the net impact to
18 the base rate apparently is estimated at \$3.63 initially?

19 MR. BALLINGER: Yes. This was in Mr. Silva's direct
20 testimony, and it was a one-year snapshot looking at the net
21 impact, taking into account the increase in capital with the
22 offsetting fuel costs.

23 COMMISSIONER SKOP: Okay. But you would agree that
24 we are still exposed to fuel volatility. That's not going to
25 go away. So we are still -- because of our dependence upon

1 natural gas for this generation, by adding the coal plant, we
2 are going to have the base rate impact from the coal plant,
3 but, also, we are still going to have that fuel adjustment
4 charge because of our overall balance of our generating assets?

5 MR. BALLINGER: Yes. But you have reduced that
6 exposure from 70 percent of your generation down to 60
7 percent.

8 COMMISSIONER SKOP: Correct. And one final question,
9 with respect to the testimony, oral testimony about wind, and I
10 think it was in the transcript on or about Pages 844 through
11 845, I think there was some reference reports and discussion on
12 siting efforts. And to your knowledge, were there any
13 late-filed documents that may have substantiated the oral
14 testimony or the efforts that may have been undertaken in that
15 regard?

16 MR. BALLINGER: That followed up on their siting
17 evaluation?

18 COMMISSIONER SKOP: Well, I believe a report was
19 commissioned, and I was wondering whether that report may have
20 been late-filed as a reference.

21 MR. BALLINGER: Not that I'm aware of.

22 COMMISSIONER SKOP: Okay.

23 Madam Chair, no further questions.

24 MR. BALLINGER: I do have one follow-up, if I may.
25 You talked about the savings based on the expected gas price,

1 and on Page 53 of that green report --

2 COMMISSIONER SKOP: Yes.

3 MR. BALLINGER: -- it has the gas forecast used at
4 that time. And I would point out to you that the estimate
5 going on of FPL's expected forecast had gas in the year 2006 at
6 about \$7 a billion Btu, and I think we are seeing already it is
7 closer to 10 actual now.

8 COMMISSIONER SKOP: And that is where I recognize the
9 time difference between the two reports. But, thank you.

10 Thank you, Madam Chair.

11 CHAIRMAN EDGAR: Okay. Commissioners, if there are
12 further -- we can come back if other questions come to mind as
13 we continue working our way through this item, but if there are
14 specific questions of staff at this time, this would be an
15 appropriate time.

16 Commissioner Carter.

17 COMMISSIONER CARTER: Madam Chairman, I would just
18 like to make some comments, if appropriate.

19 CHAIRMAN EDGAR: You are recognized.

20 COMMISSIONER CARTER: To launch us into our
21 discussion phase. And I have kind of tried to be a little more
22 deliberative in terms of writing a few things down, if you will
23 permit me.

24 CHAIRMAN EDGAR: Just do it slowly, so I can --

25 COMMISSIONER CARTER: Yes, ma'am.

1 We have heard a great deal of testimony both in
2 support of and against a determination of need for the proposed
3 Glades coal units. We have heard about the potential
4 environmental impacts and collateral impacts this development
5 will have on the surrounding Glades County community, both
6 positive and negative. We have heard a lot of testimony about
7 what the future holds in terms of carbon emission regulations,
8 and we have heard conflicting testimony regarding how much
9 conservation is reasonably available to FPL to avoid building
10 new units.

11 The best that can be determined after hearing the
12 testimony on these issues is that any final answer resolving
13 them is speculative at best. But the most remarkable testimony
14 we have heard throughout these proceedings is testimony
15 concerning the cost-effectiveness of the proposed units on the
16 many regulatory and fuel cost scenarios. Again, the best that
17 can be said about these cost projections, assuming the future
18 costs of yet to be enacted legislation and the future cost of
19 fuel is that they are purely speculative.

20 However, even these speculative projections and
21 conclusion demonstrate that under many scenarios a natural gas
22 option is more cost-effective than a coal option. Even under
23 the projections most favorable to coal, cost-effectiveness
24 isn't achieved until at least ten years into the future, and in
25 most scenarios long after that. If there is anything certain

1 in the modern world, it's that nothing is certain, most
2 especially the price of natural gas or coal 10, 20, 30, 40 or
3 50 years into the future. With that in mind, I would like to
4 address the issues that are before us today in this need
5 determination.

6 First, is there a need for electricity that would be
7 generated by the proposed units? Yes. There is little doubt
8 that the growth occurring in FPL's territory warrants an
9 increase in the base load generating capacity. Does that
10 electricity have to come from pulverized coal? No. FPL can
11 meet this need by generating electricity from natural gas.

12 Second, is there a need to maintain adequate
13 electricity at a reasonable cost? Yes. In the immediate
14 future a natural gas option can provide adequate electricity
15 and can do so at a reasonable cost. Are these pulverized coal
16 units the only alternative to meet the need? No. Most of the
17 scenarios tested in the cost differentials yield a reasonable
18 cost for gas-generated electricity deep into the future.

19 Third, is there a need for greater fuel diversity and
20 supply reliability? Yes. Hurricanes and international events
21 have demonstrated this without question. Can we only achieve
22 these ends by building these pulverized coal units? No. Other
23 alternatives exist. Can we do more to spur conservation?
24 Probably. Can we do more to encourage renewables? Certainly.
25 Can we as a state do more to encourage and cultivate gas supply

1 stability? Most certainly.

2 Fourth, has FPL taken advantage of all conservation
3 measures reasonably available under the current regulatory
4 framework? Probably. Does the likelihood of this fact
5 necessarily result in a need for these pulverized coal units?
6 No.

7 Fifth, has FPL appropriately evaluated the potential
8 cost of CO2 emission mitigation in its economic analysis? Yes.
9 Is an appropriate evaluation of existing regulatory proposals
10 yet to be enacted an accurate predictor of future regulatory
11 regime? No.

12 Finally, are the proposed pulverized coal units the
13 most cost-effective alternative available? The record in this
14 case supports an argument either way. There is no certain
15 answer. Given the potential for high cost regulation of
16 carbon, the divergence of possibilities for natural gas price
17 moderation, reduction, or increase, and the collateral effects
18 of a large scale coal project, and recognizing the needs for
19 regulatory certainty, both from the perspective of the
20 ratepayer and the utility, I support staff's first alternative
21 recommendation and will vote to deny the petition for
22 determination of need.

23 Thank you, Madam Chair.

24 CHAIRMAN EDGAR: Thank you, Commissioner Carter.

25 COMMISSIONER SKOP: Madam Chair.

1 CHAIRMAN EDGAR: I think part of what I heard you on
2 1 through 6 -- 1 through 5 was yes, but no.

3 COMMISSIONER CARTER: Yes, ma'am.

4 Commissioner Skop.

5 COMMISSIONER SKOP: Thank you, Madam Chair. At your
6 discretion I would like to also make a brief opening comment.

7 Madam Chair, fellow Commissioners, the need
8 determination before us today represents a landmark decision to
9 the extent that it represents the first of many decisions that
10 we will make which will have a profound impact on Florida's
11 energy policy and in meeting its future energy needs. There is
12 no doubt that the petitioner is heavily dependent upon natural
13 gas to meet its generation needs.

14 I view this issue as a joint problem, however, which
15 requires a comprehensive policy solution that extends far
16 beyond merely building a new power plant. In the instant case
17 I'm hopeful that we, as Commissioners, will engage in an open
18 constructive discussion on how to best solve this very
19 difficult problem in the best interest of Florida's consumers
20 and industry. And getting it all out there as Commissioner
21 Carter has done pretty well -- I mean, I would just like to
22 comment on two brief points, if I may.

23 I tend to support the technology selection that FPL
24 has chosen if we move to a solid fuel option. And in that
25 regard, I think that the ultra-supercritical pulverized coal is

1 the proper choice if this plant were to be built as the result
2 of a determination of need. However, again, I think that there
3 is a question, as Commissioner Carter has properly articulated,
4 that this is a major policy decision and a major policy
5 discussion, because simply building a power plant is not going
6 to solve the diversity problem here. And I think my biggest
7 heartache is the commitment to diversity that will be achieved
8 by just simply building this plant. On the existing footprint
9 they don't have the ability to mirror image the plant, so you
10 wouldn't have economies of scale.

11 So in looking at my comments in relation to what I am
12 seeing in the resource plan, to me it is a hard pill to swallow
13 in terms of the commitment to diversity. And we need to
14 diversify because we are too heavily dependent upon natural
15 gas-fired generation, I agree. But in the interim what are we
16 going to do to bridge the gap to get to nuclear? I think that
17 is the crux of the matter.

18 So thank you for the opportunity to make some
19 additional comments.

20 CHAIRMAN EDGAR: Commissioner McMurrian, would you
21 like to jump in?

22 COMMISSIONER McMURRIAN: To be honest with you,
23 Chairman, if it's appropriate --

24 CHAIRMAN EDGAR: Or not? Your choice.

25 COMMISSIONER McMURRIAN: If it would be appropriate,

1 I wouldn't mind taking a few minutes to try to take some of
2 this in. I tried to take good notes during Commissioner Carter
3 and Commissioner Skop's comments; but, frankly, I would like a
4 few minutes to try to go over some of it, if we can, if it
5 would be appropriate to do that.

6 CHAIRMAN EDGAR: Absolutely. Absolutely. I can
7 always personally use a stretch. So, ten minutes? Okay.

8 Let's take a break for ten minutes. We will come
9 back at about seventeen after.

10 (Recess.)

11 CHAIRMAN EDGAR: Okay. We are back on the record and
12 glad to be so.

13 It is 12:35, and I had said about a ten to
14 fifteen-minute break, and we went to about a 25. So, I am
15 hungry. So we are going to -- my apologies to everybody. I
16 realize that everyone's time is valuable, but I also think that
17 it is good to have some additional time, perhaps, for our staff
18 to get some things together, and for anybody else to get their
19 thoughts together. So we are going to take what I am going to
20 call a short lunch break, and we will be back at 1:15.

21 Commissioners, does 1:15 work for you? Staff, does
22 1:15 work for you? Okay. Then we are on lunch break, and we
23 will be back at 1:15.

24 (Lunch recess.)

25 CHAIRMAN EDGAR: Okay. We are back on the record.

1 Thank you all. And I can see you now, so that is a good thing.

2 Okay. When we broke we had had some questions, and
3 we were just beginning, I think, to go into some discussion.

4 Before we do that, Commissioners, again, there will
5 be additional opportunity, but are there questions at this
6 point?

7 Commissioner McMurrin.

8 COMMISSIONER McMURRIAN: Yes, ma'am.

9 I guess this is for Mr. Ballinger or Mr. Trapp. In
10 the staff recommendation it mentions nuclear, and I believe
11 2018 and 2019 were the dates for FPL's plans for additional
12 nuclear generation I think at Turkey Point. And I realize the
13 answer to this question is probably not in the record, and I
14 won't be basing my decision on it, but I did want to talk about
15 it while we are here. Are there ways to speed up plans to put
16 nuclear on line?

17 MR. BALLINGER: I suppose so.

18 COMMISSIONER McMURRIAN: Maybe the way I should ask
19 it is what would be the earliest that a company could put on
20 a -- could plan for nuclear generation if they started as soon
21 as possible?

22 MR. BALLINGER: Based on the experience that we have
23 got here and what's coming down the pike that we know of, we
24 haven't had a lot of recent experience with nuclear, obviously.
25 The last ones built came on line in the late '70s, probably,

1 early '80s. But recently we've had conversations with Progress
2 Energy about their proposed nuclear plant, which has an
3 in-service date of 2016. And they are proposing or planning on
4 filing a need determination in January of '08, so you are
5 looking with that window, you have an eight-year lead time, if
6 you will. So I think you could extrapolate that to FPL and
7 look at the same lead time.

8 COMMISSIONER McMURRIAN: Okay. Another question I
9 had with respect to gas generation -- let me find the page. On
10 Page 9 of the rec, in the middle of the page there was a
11 sentence about FPL intends to pursue short-term purchased power
12 agreements to maintain the 20 percent reserve margin for the
13 years 2011, 2012, and 2013. And I believe Commissioner Skop
14 asked some questions about this earlier.

15 If we were to deny the plant that's proposed, and FPL
16 were to instead propose a gas plant down the road going back
17 through this process, how soon could a gas plant be constructed
18 and would that obviate the need for some of these short-term
19 purchased power agreements?

20 MR. BALLINGER: The time line for a gas plant from
21 start to finish is about four years, permitting and everything
22 like that. I think the earliest you're looking at
23 realistically would be 2012. So they might still have the
24 short-term need in 2011. And if you give me a minute, I can
25 tell you from the record the megawatt shortage in 2011. I

1 think it was 200 megawatts. In 2011 they were looking for a
2 summer purchase -- a seasonal purchase, and 800 megawatts in
3 2012. Let me just -- yes, that's what it was.

4 MR. TRAPP: If I might add, you know, right now
5 Florida Power and Light is planning the infrastructure for a
6 coal unit at the Glades sites, and, obviously, they have plans
7 for gas expansion elsewhere on their system. But
8 infrastructure needs would have to be taken into consideration
9 by the company for any additional dependence on natural gas.

10 We currently have two major pipelines that supply the
11 state. I believe their subscriptions are about full by about
12 2009. So you might be looking at the necessity to attract new
13 pipeline investment in the state. I think there is some
14 activity going on still with the Bahamas type LNG projects. We
15 do have Florida Power Corp -- excuse me, Florida Progress
16 Energy working the Elba liquid natural gas deliveries for some
17 supply at their Hines units, I believe. But, so far there
18 hasn't been, apparently, a whole lot of additional progress for
19 LNG imports into the state. So you would have to build into
20 your time clock those additional infrastructure requirements
21 just to get the gas supply into the state, additional gas
22 supply into the state.

23 COMMISSIONER McMURRIAN: So 2012 -- even given that,
24 2012 maybe -- we are essentially looking at the same time line
25 that we would be as far as purchasing short-term purchased

1 power agreements either way. Maybe not as much if you were to
2 go with gas, because you could presumably build it sooner,
3 given what Mr. Trapp said.

4 MR. BALLINGER: And that Exhibit 50, I think we
5 talked about earlier, had the two generation plans with coal
6 and without, and the one without coal had a gas combined cycle
7 in 2012. And it was FPL's own estimate, so perhaps even taking
8 into account the infrastructure you might be looking at 2012.

9 COMMISSIONER McMURRIAN: Okay. I think another
10 couple of questions, perhaps. With regard to the
11 recommendation, the first alternative recommendation to deny,
12 at least it's described in the executive summary, and I believe
13 elsewhere in the recommendation as well, that the
14 recommendation is premised on the assumption that natural gas
15 prices will moderate over time. And I guess that's my main
16 concern there, that I'm not sure that I believe that they will
17 moderate over time.

18 At the same time, I believe there is a lot of
19 uncertainty with respect to a lot of other aspects in the case
20 with respect to the carbon regulations and the pending
21 legislation and perhaps advances in technology and that sort of
22 thing. So like Commissioner Carter, I believe that is where I
23 am.

24 At the same time, I would, perhaps, like to discuss
25 changing at least the premise of staff's recommendation that

1 natural gas prices will moderate over time. I think that it
2 goes back to some of the things that Commissioner Carter was
3 saying that I just don't think we know what's going to happen
4 with gas prices and coal prices so many years down the road.

5 MR. BALLINGER: That's correct. And I think the
6 basic premise is the economic analysis kind of showed it equal,
7 gas or coal. It wasn't a clear winner either way. And I think
8 what staff was doing with the first alternative is saying if
9 you think gas -- that gives you the clear winner. Because in
10 our mind, if all things are equal, economics and all of that,
11 the Legislature has told us to look at fuel diversity as kind
12 of the deciding factor. So all else, if I had two -- in my
13 mind, if I had two projects that were equal as far as economics
14 go, I would go with the fuel diversity choice -- or the one
15 that gives me fuel diversity to add that other component.

16 MR. TRAPP: And, again, if I may add, I agree with
17 what Mr. Ballinger said with respect to all things being equal,
18 that perhaps fuel diversity is your nudge in your
19 decision-making process.

20 But I would also like to turn to Page 28 and 29 of
21 the recommendation which shows the scenario analysis that was
22 performed by Florida Power and Light, and much, I think,
23 discussion was had in the record and here about these
24 forecasts. And I would like to clarify, just for my own
25 personal perspective having worked with these scenario analysis

1 for some 33 years, that these may be forecasts, but they're
2 not. This is a scenario analysis. It shows the likely outcome
3 under different assumptions of what the world might look like.
4 And in this case they have done 16 cases of that.

5 I think you have to decide for yourself based on, you
6 know, the evidence that you heard in the record the weight that
7 you want to give each one of these 16 scenarios. And I think
8 that is what staff was trying to communicate in the assumptions
9 that, you know, lead to the different alternatives in the
10 recommendation.

11 You know, quite frankly, being a child of the '70s
12 and having been hired in my professional career in an oil
13 embargo, I have some suspicion about overreliance on liquid
14 fuels or any single fuel. It seems to me that the forecast
15 that is likely to occur with higher dependence upon natural gas
16 is going to take you toward the left corner of these scenarios.
17 Because the more you depend on gas as your primary fuel type,
18 the more that gas price is going to cost you. And so my
19 weighting, my personal weighting, goes toward the left corner
20 up here where you see basically a savings associated with
21 diversifying into coal.

22 If you look at Page 29, which is a case that really
23 is more to me a fuel diversity one-to-one comparison, you know,
24 in the past, we build coal plants with 45, 60-day or even
25 longer coal piles, because we have recognized that there are

1 disruptions that take place in the delivery of coal to plants.
2 And there is rain that falls on coal piles at plants that
3 can -- you know, you can't just have an instantaneous supply of
4 coal. You have to have some backup at the plant to withstand
5 these uncertainties that occur in the world of transportation,
6 and weather, and what have you.

7 We haven't given really in the past that similar
8 consideration to natural gas, but I think this 16-case study
9 does that by assuming that there would be gas storage at a gas
10 facility. And you see that, you know, the savings on my left
11 corner where I tend to weight things become greater in that
12 one-to-one, apples-to-apples type comparison where you might
13 take into consideration there may be hurricane disruptions in
14 the Gulf, and you might want to have 60 or more day storage
15 capacity on a gas plant site.

16 So, again, those are just my perspectives in
17 analyzing the data and the reasons for my support of basically
18 the primary alternative, which is a world that I believe shows
19 no break in gas prices. I mean, we have competition with
20 foreign governments for materials; steel, fuel, gas. Gas is a
21 domestic supply. We have used up the bubble that we enjoyed.
22 We are now struggling to find new sources, need for new
23 pipeline, that type of thing. All I see is increased pressure
24 on gas prices, which takes me to the need for a fuel diversity
25 type of alternative. I'll be quiet at this point.

1 COMMISSIONER McMURRIAN: That was all, Chairman.

2 I was just wanting to voice my concern with denial
3 just because of that premise that staff has put in there. And,
4 you know, I agree with the things that Mr. Trapp is saying to
5 the extent that we really don't know what will happen with
6 natural gas prices, and that I am concerned that they will not
7 moderate over time. I don't feel comfortable saying that. At
8 the same time, I don't feel comfortable with all the other
9 assumptions that lead you to approving the plant. So that's
10 really it. And that's sharing my thoughts with you all.

11 CHAIRMAN EDGAR: Discomfort across the board.

12 Commissioner Skop.

13 COMMISSIONER SKOP: Just one quick follow up, Madam
14 Chair, on Commissioner McMurrrian's comment to -- or question to
15 Mr. Trapp.

16 With respect to the 60-day supply for liquid natural
17 gas on site, is 60 days a reasonable assumption for
18 interruption? I know the reasons that you articulated that I
19 have experienced personally with freight disruption of coal
20 delivery or coal getting wet, but is 30 days a more realistic
21 expectation for pipeline disruption in terms of the sizing of
22 the plant and the cost associated with the \$1.4 billion
23 increment to attach that to a combined cycle type facility?

24 MR. TRAPP: I really don't know the answer to that
25 question. I think it bears further study by the Commission. I

1 think you're correct that most normal volatility in gas prices
2 probably could be covered by less than 60 days. My one data
3 point that I can turn to is Katrina where the Gulf supply of
4 natural gas was affected substantially more than 60 days. So,
5 again, you have to strike a balance between the short-term
6 volatilities that you are going to experience with natural gas
7 markets versus natural type disasters or other type disasters
8 that may affect -- may have a larger, longer effect to the gas
9 supply. So I don't really know the answer to your question,
10 but perhaps.

11 MS. BRUBAKER: Commissioners. I'm sorry.

12 COMMISSIONER SKOP: I'm sorry.

13 MS. BRUBAKER: I just wanted to clarify that the
14 Sierra Club intervenors did raise that question about whether a
15 60-day gas supply was a valid comparison, but I think another
16 benefit to doing that comparison is you can see a real cost
17 comparison between the two on a similar basis.

18 COMMISSIONER SKOP: One quick follow-up to Mr. Trapp.

19 On that same type of analysis, I know that the clean
20 coal generation report expressly speaks to the subject of
21 sea-based liquid natural gas and importing it through various
22 methods, and also it speaks to having on-site storage at any
23 proposed power plant as a basis for making an apples-to-apples
24 comparison.

25 Has there been any discussion, to your knowledge, in

1 the record -- and, again, I wasn't party to the proceedings,
2 and I may have missed something in the voluminous record, but
3 was there any discussion that you are aware of of any third
4 party type land-based natural gas capability, and whether FPL
5 has pursued those options, or is currently pursuing those
6 options?

7 MR. TRAPP: I'm not aware. I'll have to turn to Mr.
8 Ballinger. I'm not aware of that being in the record. I have
9 some knowledge from just being in the energy planning area,
10 but --

11 MR. BALLINGER: I don't think there was, that the
12 record talked about a pursuit of third parties.

13 COMMISSIONER SKOP: Okay. And just one quick
14 follow-up question. When we speak to diversity, again, one of
15 my key concerns is demonstrated commitment to diversity, not a
16 one-time blip on the radar screen. You know, the dependence on
17 natural gas is not going to change, as Mr. Ballinger stated,
18 overnight. We are still heavily dependent upon there. We
19 still have exposure to fuel volatility.

20 You know, I recognize that it has been benefitted the
21 consumers to the extent that the build-out, the extensive
22 build-out, low rate base, you know, it helps everyone in the
23 pocketbook, but at the end of the day, consumers feel
24 volatility every time we go to the gas pump. So, you know,
25 it's a -- you know, in fact, that might even promote

1 conservation in itself. But, at the end of the day, a 2000 --
2 or a 1,960-megawatt clean coal plant, it concerns me a little
3 bit, because it is been repped as like the little engine that
4 could. And that is not going to power all of Florida. So it
5 is hard for me to digest the fact that making the incremental
6 investment in this plant shows the commitment to true diversity
7 based on what I'm seeing on the resource plan, but also is in
8 the inherent best interest of consumers to bridge the gap to
9 nuclear just by virtue of the fact that it's marginal. It
10 doesn't change the exposure certainly before 2013 to natural
11 gas. And then even with the plant, it only marginally reduces
12 that exposure.

13 So we're still, as consumers, going to feel the
14 pinch -- and I know that we talk about dispatch and capacity
15 factors, we are still going to be -- if you ran this thing all
16 the time, you are still going to feel fuel adjustment charges
17 based on their natural exposure. That is not going to change
18 any time in the near future.

19 So, again, touching on what Commissioner McMurrin
20 kind of hinted at, the potential to bridge the gap -- there are
21 many ways to bridge a gap. This is merely one way. They have
22 a contingency plan that adds additional gas. Yeah, we're
23 exposed. That would cause more exposure. But if you
24 theoretically could do some things to either mitigate need, be
25 it PPAs or accelerate projections for nuclear construction,

1 maybe you bridge the gap with a cleaner, more cost-effective
2 source to the consumers. And, granted, it gives us more
3 additional near-term exposure to natural gas, but in the
4 long-term we need the comprehensive plan to get away from gas.

5 Again, for all the reasons mentioned, you know, we
6 need to diversify. We hear that. But I'm not seeing it on the
7 sheet. I mean, I've got to be frank, I'm not seeing it on the
8 sheet. So we need comprehensively policy-wise to do something
9 to get there. And, again, you can bridge the gap a clean way,
10 a cost-effective way, or you can do it a cleaner more expensive
11 way, but at the end of the day you need to bridge the gap with
12 something. And I think what I'm kind of getting at is that if
13 you have to make a \$6 billion investment, and that's going into
14 the rate base, and you could do it much cheaper to bridge the
15 gap with natural gas, how do you want to bridge that gap?

16 Because, you know, nuclear is going to affect the
17 rate base, but it is a very cost-effective method to generating
18 electricity, okay? But we're not going to get there, we need
19 to find a way to bridge this gap. And so to hear this being
20 touted as the 2000 -- or 1,960-megawatt little engine that
21 could that's going to save the day, I'm having problems with
22 that because it is inconsistent with some of what we are seeing
23 in the resource plan.

24 And so my question is if we are going to tout this on
25 diversity, any diversity is good, you know, but we need to

1 think about a more comprehensive type plan. So in that regard,
2 would you concur that, one, the impact to the base rate from
3 nuclear is going to be substantial? And as a subset, we've
4 incurred low base rate costs to begin with. We've benefitted
5 from that as consumers by virtue of natural gas build-out.

6 So in the interim, if we need to bridge that gap to
7 get there, does a little bit more gas exposure hurt, because we
8 are already going to feel the pain as it is. But at the end of
9 the day, if you could put that \$6 billion, or \$4 billion
10 discretionary investment towards nuclear, would you be better
11 off because it would be an overall cleaner alternative to get
12 there and bridge that gap?

13 MR. TRAPP: My response, I guess, would have to be
14 yes, I do believe this makes a difference. I think it makes a
15 substantial difference. I mean, the ratepayer is going to pay
16 for this decision no matter what technology you pick. And if
17 you believe the middle part of the scenario analysis where it
18 is kind of a break-even between coal and gas over the life of
19 the plant, whether it is through the fuel adjustment clause or
20 whether it's through base rates, the ratepayers are going to
21 pay.

22 Now, do you want them to assume the risk associated
23 with continued 70 percent dependency by this company on natural
24 gas, or do you want to, you know, bet on the risk that Bob is
25 right in that left corner? That upper corner may be more

1 toward what we are saving the ratepayers in terms of this
2 capital investment to get fuel savings. I guess that's my
3 point.

4 Again, I go back to my opening statement. This
5 company with this plant, and this is only one forum before you,
6 there are many to come, this plant will preserve this company's
7 current solid fuel base percentage, 18 percent. You're right,
8 they're not going to gain anything. What they do is they avoid
9 losing what they have down to 7 percent.

10 At the same time, I think the record is clear in this
11 case, you know, there were five days of record in this case
12 where Florida Power and Light showed their commitment to
13 conservation, showed their commitment to renewables. They were
14 challenged on that commitment. I hope that this Commission
15 will continue to challenge them on that commitment because we
16 need more conservation. You know, we need more energy policy
17 in the state of Florida that encourages conservation.

18 You have heard it all before, my pet peeve is
19 instant-on televisions. Why don't we have a switch in my
20 living room where when I go to work and don't need to be
21 entertained at home, I can turn off instant-on on all my
22 appliances. Those are areas where, you know, statewide energy
23 policy should direct conservation. But this Commission has a
24 vital role in formulating what utilities can do in
25 conservation. We have renewable programs, tariffs coming up

1 that need to be put out there to attract renewables in the
2 state of Florida. Exhaust that market. But, again, the record
3 shows in this case that we are not talking about 2,000
4 megawatts in a clump here. We are talking about, you know,
5 picking 10s and 20s at a time in those measures. We need to
6 look at nuclear. We need to look at coal. We need to look at
7 all the eggs that can go in the basket.

8 I also have survived the nuclear. And I'm sorry for
9 the speech, but I have also survived nuclear in Florida, and it
10 was a very tedious process. I don't think it's going to be
11 easy to put nuclear on the table, quite frankly. I think that
12 is going to be a fight, but I think we seriously need to look
13 at it as part of the resource base.

14 So I guess I disagree to the point that it doesn't
15 matter with this plant whether it is gas or coal. Every
16 journey to put the man on the moon starts with the first step,
17 you know, in a non-manned orbiter first, followed by several,
18 you know, advances in technology to get where we need to go.

19 CHAIRMAN EDGAR: Commissioner Skop, did you have a
20 further question at this point?

21 COMMISSIONER SKOP: No, Madam Chair, thank you.

22 CHAIRMAN EDGAR: Okay. A few comments.

23 Commissioner Skop, I hear and understand your
24 comments about this proposal perhaps being cited as, you know,
25 the answer to many of the problems, and that in my mind clearly

1 not being the case. It is not the be all, end all.

2 This Commission has taken a number of steps to
3 promote future development of additional nuclear generation in
4 this state, and I expect that we will have the opportunity to
5 do more of that at some point. It is by nature of the process
6 and the technology a slow process. Your comments about how we
7 bridge the gap, I guess -- and I'm not being argumentative. At
8 least I'm not intending to be, but I do have a bit of a concern
9 that that could be interpreted as nuclear being the "be all/end
10 all" answer and solution.

11 And I personally believe that additional nuclear
12 generation in this state is part of Florida's energy future,
13 and advisably so, but it is a number of years off and there are
14 a number of points that need to be addressed both from a
15 capital intensive process, siting, additional environmental
16 concerns, et cetera. So, you know, it's obviously a
17 multi-faceted process, and I just wanted to make the statement
18 that I don't know that we can put all of our hopes and dreams
19 even just on nuclear in the future.

20 I also feel strongly that fuel diversity is very
21 important. I have made comments along those lines from this
22 chair over the past year and a half and will continue to do so.
23 When the statute was changed approximately two years ago,
24 adding some language giving the Commission additional authority
25 to look at fuel diversity as part of the factors that we will

1 get, that was something that I heralded, and I believe many
2 others did as well, to give this Commission additional
3 discretion to look beyond some of the somewhat narrow confines
4 of the need determination statute. So I hear comments about
5 many of the assumptions that need to be built into the proposal
6 for this project being speculative, and I agree that they are,
7 and I have some real concerns about the speculative nature of
8 it.

9 Commissioner McMurrin, I also have some concerns
10 that I think are in line with what you were saying, and if I
11 misstate it, I apologize. I think what I was hearing you say
12 about if, indeed, this need determination is not to go forward
13 today, that it would be simply because of our adoption of the
14 assumption that natural gas prices will not increase as high or
15 as much. And I have some concerns because, Mr. Ballinger, that
16 would not be my only concern with the project.

17 I do have some real concerns about the addition of
18 the large fixed costs to base rates over the next ten years.
19 Ten years is a long time. Forty years is an even longer time.
20 And at the rate -- as we all know, as Commissioner Carter said,
21 what we know is that everything is going to change. We don't
22 necessarily know how, but we do know that everything is going
23 to change. And to look 40 years into the future is clearly not
24 something that I can do with an accurate crystal ball.

25 I also have concerns about whether, and this is on

1 the same point, but as to whether this plant as proposed in
2 this configuration on this site is cost-effective from an
3 economic standpoint to meet the lowest cost alternative
4 criteria in the statute to the point that it outweighs the
5 additional criteria for fuel diversity that we have the
6 obligation to look at.

7 So those are, you know, some of the thoughts that I
8 have had during the hearing and since the hearing and also as
9 we have had the discussion today. We have not, I don't think
10 yet today, touched on what amounts to kind of the third
11 alternative, and there may not be support for it, and I am not
12 yet saying that I support it, but I would like to -- before we
13 get to the point, which we will at some point this afternoon,
14 of coming to a vote and wrapping this up, at least make sure
15 that we have had the opportunity for some discussion on that.
16 So I will kick that off, and then if there are additional
17 comments, I welcome them. And if there are not, that is okay,
18 too.

19 We do have another alternative before us that
20 basically comes down to deferral. And, you know, I like to be
21 decisive and put things, you know, straight up or straight
22 down. On the other hand, I admit to there being something on a
23 very surface level attractive to being able to say, hey, you
24 know, maybe we need more time, maybe there are other factors.
25 Maybe the environmental review needs more time, maybe the local

1 siting needs more time, not to presuppose what others need.
2 But we do know that a number of things are happening under the
3 energy policy, both in this state, at multiple levels of
4 government and also at the federal level. And sometimes it is
5 okay to stand back and say, hey, we need more pieces to this
6 puzzle or we need additional information.

7 So there are some things about that particular
8 alternative recommendation that are appealing. It could,
9 perhaps, give us over time a few more pieces to the puzzle to
10 gain additional comfort. However, I also have some real strong
11 concerns about that alternative, one of which is that it would
12 accrue additional costs that would need to be borne by
13 consumers whether the project ultimately comes to fruition or
14 not, and that it would potentially open up consumers and this
15 Commission to future cost-recovery issues that we would need to
16 deal with. And if we need to deal with them, we will deal with
17 them, of course, and we will do it well, I have no doubt, and
18 fairly. However, that is an issue and a concern to me.

19 I also have a concern that the deferral option could,
20 perhaps, quite frankly, have other negative ramifications to
21 other projects and other needs in this state, and that is also
22 of particular concern to me. So I realize I probably haven't
23 said that very clearly, but what I'm trying to say is that I
24 think there are some pros and cons to that alternative.

25 I personally appreciate the staff giving us options

1 and giving us the up, the down, and also something that is kind
2 of in between, and laying that out to give us the opportunity
3 to discuss it and have had some facts before us to be able to
4 do that thoughtfully. So my thank you to the staff for giving
5 the three different options.

6 Again, just sort of my thoughts on some of the pros
7 and cons of that. You know, Commissioner Carter spoke about
8 regulatory certainty, and often we talk about administrative
9 finality, and I think some of those things are all wrapped
10 together. We talk about and mean wanting to make good
11 decisions about future energy policy, and the needs of this
12 Commission to address short-term demands and also long-term
13 needs into the future. What we have before us is probably one
14 of the textbook cases down the road of this Commission needing
15 to try to do both of those things.

16 Commissioner Skop, you made some comments about, you
17 know, the consumers feeling it in their pocketbooks with the
18 price of gas at the pump, and believe me as a mother of two
19 children that I drive all over town all the time, I certainly
20 feel that on a personal level. I also can share from my
21 perspective that as just one Commissioner it is also very
22 difficult and painful when we have to look at those fuel
23 dockets and those bills at the end of every year. And we will,
24 of course, all collectively as a Commission be doing that again
25 here in a short amount of months.

1 So I just wanted to -- before we moved on, we have
2 discussed two of the options. We had not really discussed the
3 third. I am open to discussing it. I do see some pros and
4 some cons to that. My preference is generally to be decisive,
5 but yet, again, sometimes allowing additional time to get some
6 additional pieces to the puzzle can be useful. In boiling it
7 all down, I guess I do have a concern, though, that that would
8 open up additional cost to the project if it is to go to
9 implementation, and, also, probably even more importantly if it
10 ultimately were not. So just some general comments.

11 Commissioners, other questions, discussion?

12 Yes, Commissioner Skop.

13 COMMISSIONER SKOP: Thank you, Madam Chair.

14 If I can just chime in, because, again, I share your
15 viewpoints in at least two of those regards with respect to the
16 cons associated with delay. Having read the record and the
17 reports, you know, I concur with your concern, as well as FPL's
18 assessment of the cost ramifications associated with the delay.
19 Also, too, I think a delay of that magnitude brings some degree
20 of uncertainty. You know, I'm not adverse against solid fuel
21 technology. I mean, I just want to get that out there. But
22 every project is on the merits. And to that extent, I don't
23 know how much uncertainty that adds, other than, you know, the
24 signal it sends to industry. But, hopefully, that will lend a
25 little clarity there.

1 But with respect to the option that you proposed, is
2 there a less drastic, like hybrid option, maybe a fourth option
3 that would, perhaps, offer a shorter delay period which might
4 allow some fine tweaking in the sequencing of a resource plan
5 or some other method procedurally -- and, again, I'm
6 differential to you on this -- that would allow, perhaps, the
7 petitioner to provide some additional, more comprehensive
8 options associated with this or some alternatives? And I will
9 just leave that at that and let you comment upon that.

10 CHAIRMAN EDGAR: Okay. We will look to our staff on
11 that here in just a moment from a procedural standpoint.

12 Before I do that, Commissioners, are there other
13 thoughts or comments kind of along that same thread of thought
14 before I lose it -- I mean, lose the thread of thought.

15 Commissioner Carter.

16 COMMISSIONER CARTER: Just a general comment, Madam
17 Chairman.

18 I think that this is tantamount to no decision. This
19 is going to put cost on the ratepayers. And I would rather the
20 ratepayers being paying for something they are going to get of
21 value versus something that they are studying and testing. And
22 that's why I feel very strongly about denying the petition with
23 modification to the premise about the prices of gas being
24 moderated over time, but denying the petition, so allowing the
25 parties to move forward. And at that point in time you're

1 moving forward with a process where you are actually spending
2 resources to generate the necessary energy that will be
3 required by the public.

4 So I have some concerns on that. I think that if we
5 had -- in a different environment, maybe some time would make a
6 difference. But I think this time frame in here only increases
7 the cost to the ratepayers.

8 CHAIRMAN EDGAR: Thank you.

9 Commissioner McMurrin, did you have a comment?

10 COMMISSIONER McMURRIAN: It's just that I concurred
11 with the points you raised about there being pros and cons
12 associated with the second alternative. And I think you summed
13 those up pretty well. I think the other one that was a part of
14 that recommendation was the change to the reserve margin, you
15 know, in this case. And I think that also has some difficulty
16 associated with it, especially if we open up a generic docket
17 going forward and possibly end right back up at 20 percent
18 reserve margin.

19 So I appreciate you pointing those problems out. I
20 went through and struggled with a lot of those points, too,
21 because I fully admit that it had a lot of appeal to possibly
22 put it off. But I agree that I think it would ultimately just
23 add costs to the ratepayers, probably whichever way we end up
24 deciding the case.

25 CHAIRMAN EDGAR: Thank you.

1 Mr. Cooke, I would like to ask you to respond
2 briefly, if you can, to the point that Commissioner Skop
3 raised.

4 MR. COOKE: If I understood, I think Commissioner
5 Skop was trying to come up with another alternative which would
6 be to build on our second alternative, which is to defer the
7 matter, but for a shorter period of time, and to seek
8 additional information. The concern I have is this is a
9 proceeding at which there was a hearing. The hearing has been
10 closed. The record is closed. I think, offhand, that would
11 necessitate reopening the record.

12 I would like to point out that staff tried to propose
13 some options here. One issue to keep in mind is that we do
14 have a rule that talks about reaching a decision within 135
15 days. Now, the word is decision. So we were comfortable with
16 proposing this option, but I don't know that we have pursued
17 this course in any need determination previously. So there are
18 some issues here. We are very comfortable with making it from
19 a legal standpoint and a policy standpoint, but it does
20 present, in addition to the kinds of policy issues you have
21 mentioned, some questions.

22 We would, also, as Commissioner McMurrian mentioned,
23 would have to -- it is premised upon reducing the reserve
24 margin to 15 percent, and there's uncertainty as to where that
25 ultimately could end up as well.

1 CHAIRMAN EDGAR: And just to close out my thought,
2 when I commented a few moments ago about having other, perhaps,
3 negative ramifications, one of the things I had in mind was
4 that piece of it with the reserve margin. And I think it may
5 make a lot of sense to continue, of course, to have discussion
6 at the appropriate times as to whether 20 percent is the most
7 correct magic number. But yet I do have concerns of not
8 knowing what the other ramifications of that change at this
9 point in time would be, realizing that other utilities and
10 other projects, and a number of other things probably that I'm
11 not thinking of, are in the process, realizing that 20 percent
12 is the number that has served this state well to date.

13 MR. BALLINGER: Chairman Edgar.

14 CHAIRMAN EDGAR: Mr. Ballinger, yes.

15 MR. BALLINGER: May I add a little bit to
16 Commissioner Skop's question? In the record it was discussed
17 about the plan, the commitment, and FPL was very clear that
18 this is not -- the plant you see on that Exhibit 50 are not
19 their committed plan. That those ones in the out years are --
20 I want to call them filler units, but they are in there. They
21 are subject to change, because we are not at the point to make
22 a decision yet to go or no go with those units.

23 I would offer to you, also, that a good forum to
24 discuss this about the longer term plan would be in a Ten-Year
25 Site Plan workshop, which comes up in August when the

1 Commission reviews ten-year site plans, and those kind of
2 dialogues can be had with the company at that time.

3 CHAIRMAN EDGAR: Commissioner Skop.

4 COMMISSIONER SKOP: Thank you, Madam Chair. I just
5 wanted to kind of back up and broach on a topic that
6 Commissioner Carter mentioned with respect to, I believe,
7 alternative one, is that I think something that you may be
8 strongly leading to. I don't want to put words in your mouth,
9 but in terms of pursuing that option, wouldn't it be possible
10 to entertain some policy direction associated with the
11 alternative like that to the extent that would, perhaps, build
12 upon Commissioner McMurrian's comments about accelerating
13 certain options, cleaner options, as well as my concerns. I
14 don't want to speak for Commissioner McMurrian, but, you know,
15 I do think that -- I view this as a joint problem. I don't
16 view it as the petitioner's problem, I view it as a joint
17 problem. And I'm trying to solve it, but it's a very difficult
18 decision to make, because the economics are not like bright
19 line law on this one.

20 So for cost-effectiveness, I'm struggling. I'm
21 struggling with the commitment to diversity, because there is
22 no ability to expand this proposed unit on the footprint that
23 it is proposed to exist on. So to me, it's like a one-time
24 blip on the radar. So, again, I'm trying to render a decision
25 on the merits that is definitive that will save consumers money

1 that, as you mentioned, won't lead to uncertainty, but also
2 kind of articulate some best practices that I feel may be
3 missing. Because, as has been mentioned, it's analogous to
4 putting eggs in a basket. Well, we need to learn to distribute
5 our eggs a little bit more, I would think. And if we need to
6 speak openly about maybe the need to accelerate, I'm willing to
7 consider whatever open constructive discussions we can have in
8 that regard to achieve some sort of a decision point.

9 Thank you.

10 CHAIRMAN EDGAR: Thank you, Commissioner Skop.

11 By virtue of the fact that I had predicted solely on
12 my own that we would be done by about 11:00 this morning, and
13 we still are not -- and that is not a complaint, not a
14 complaint at all -- but I hope that that demonstrates that I am
15 always open to discussion when we are all gathered together.
16 It's healthy and it helps me.

17 But, yet, I note that we do have before us a very
18 specific issue, and we need to give guidance to the staff so
19 that they can prepare a final order, and that final order needs
20 to be clear and it needs to be on the issues that are before
21 us. So although I welcome broader discussion, I do think that
22 we need to address the specific issues that are before us so
23 that we can accomplish our business on that matter.

24 And I am also not overly trying to accelerate or to
25 read the tea leaves, because sometimes I read that incorrectly.

1 So let me just put this out there, and then we can talk about
2 it. Let me get my issues in front of me, though, first. Too
3 much paper.

4 Here is a proposal, and I welcome reaction from my
5 three colleagues. Often when we take up need determinations we
6 take them issue-by-issue, sometimes we vote on them as a group,
7 sometimes we do them individually. I know generally our
8 Clerk's Office appreciates it when we take them up individually
9 for clarity, and so we try to do that as well. However, in
10 this instance, I think I'm proposing that we maybe address it a
11 little differently. And perhaps if we move to Issue 8 and see
12 if we want to discuss that further. If so, we may. If from
13 that discussion or not we are ready for a motion, we can see
14 where Issue 8 takes us, and then either go back through, after
15 that, Issues 1 through 7 individually, collectively, or not at
16 all, depending on how that goes. So I'll let you get your
17 issue list in front of you, Commissioners, and see if there is
18 reaction to that.

19 And so I guess basically what I'm saying is rather
20 than work our way individually through each of them, we start
21 with Issue 8 and go from there.

22 So, Commissioner Carter.

23 COMMISSIONER CARTER: Madam Chairman, I think that
24 the perspective that we probably should take on this matter is
25 that on Issue 8 we should say that -- we should deny the

1 petition of need. And if we can back up one moment to this
2 first alternative, with the understanding, as Commissioner
3 McMurrian has said, is that not saying that the recommendation
4 is premised on the assumption that natural gas prices will
5 moderate over time, because we don't really know. But I think
6 with that qualification we certainly can move to the
7 perspective to where this alternative puts the -- it gives
8 notice to the marketplace, it give notice to the consumers, and
9 it puts us in a posture to where a lot of the concerns that all
10 of us have here can be resolved, and I think that the issues
11 will fall out from there.

12 But I think that what we probably should be doing
13 is -- and I kind of verbalized it that way because I think that
14 the perspective is to deny FGPP, and in a denial put the
15 perspective in there to strike the language about this
16 recommendation is presumed on the assumption that natural gas
17 prices will moderate over time.

18 And I think that puts us -- that gives notice to the
19 industry, that gives notice to the consumers and the
20 ratepayers. It also puts us in a posture to where -- nobody in
21 here knows what's going to happen in ten years. I mean, we're
22 talking about the cost of natural gas. Well, you start
23 building -- everybody starts building coal plants, the price of
24 coal is going to go up. The other thing is that if there is
25 enough of an investment in natural gas, then there may be some

1 more efficiencies, there may be some additional pipelines into
2 Florida, there may be some additional offshore -- you know what
3 I'm saying? The economics will drive that situation. So I
4 think that a lot of times we create the bogeyman when he
5 doesn't really exist.

6 So I feel strongly about this issue in terms of where
7 we need to be on this. I think that when you consider a lot of
8 the -- I just think that that's where we need to be. I think
9 we have been at this pretty much all day, and I think that the
10 perspective is such that where this is the best alternative
11 that is presented to us by Staff, and with the qualification
12 that we take this perspective out about it based on the
13 assumption, because we don't really know what natural gas
14 prices will do, but we do know over the next ten years it is
15 probably going to be the most economical way to do it based
16 upon the record.

17 CHAIRMAN EDGAR: Okay. Then, Commissioner Carter, I
18 think what I'm hearing you say -- and we will, again, have a
19 little more discussion and then we will move to a motion. I'm
20 not there quite yet, but close -- is that if, indeed, a motion
21 to deny the petition carries the day today, it would be based
22 upon the analysis of the record and the discussion that we have
23 had today that it is not the most cost-effective alternative,
24 and kind of leave it at.

25 COMMISSIONER CARTER: Say that again?

1 CHAIRMAN EDGAR: Would you like for me to say that
2 again?

3 COMMISSIONER CARTER: Yes, because I think you threw
4 me -- or maybe I heard a curveball.

5 CHAIRMAN EDGAR: There wasn't one intentionally.
6 Generally, I try to have those seen far in advance.

7 If, indeed, there is a motion to deny the petition,
8 that it would be based on the analysis of the record and the
9 discussion that we have had today, and the determination that
10 it is not the most cost-effective alternative, period.

11 COMMISSIONER CARTER: Oh, yes. I've got you.

12 CHAIRMAN EDGAR: That is what I think I was hearing
13 you say.

14 Commissioner Skop.

15 COMMISSIONER SKOP: Thank you, Madam Chair.

16 Just one quick clarification. I guess when
17 Commissioner Carter made his opening statements, it seemed like
18 he had definitive positions on Issues 1 through 9,
19 respectively, and was ready to pull the trigger on the vote.

20 My only concern, and I'm okay with probably what was
21 just put out there, is the expeditious manner to bring
22 resolution. Would there be any procedural reason that maybe we
23 should consider just going quickly issue through issue in terms
24 of either appellate record or any other issues? At least we
25 would be able to definitize, and if there were any related

1 cost-recovery associated to the preparation or thereof of the
2 need request, that it would at least show on certain issues
3 that maybe those efforts were at least prudent by virtue of the
4 outcome of whatever decision was rendered on the individual
5 issues?

6 CHAIRMAN EDGAR: Okay. I appreciate the question,
7 Commissioner Skop.

8 It is my analysis that there is not a legal need for
9 us to take individual votes on Issues 1 through 7, if indeed
10 the petition is denied. However, thankfully we also have
11 expert legal counsel on our procedural issues, and so I will
12 look to them.

13 Mr. Cooke.

14 MR. COOKE: I'm not sure where that expert is, but
15 I'll answer.

16 My reading of the statute is that the Commission has
17 been asked to rule upon a petition for need determination based
18 on the specifics in that petition and on the evidence that was
19 produced as a result of the hearing. The ultimate conclusion
20 is is there a need for it or not.

21 I don't think that the issues, per se, that are
22 proposed by staff -- for one thing, those are developed for the
23 purpose of ensuring during the hearing that we try to get a
24 complete record. What the statute calls for is a
25 determination, a decision. And you must take into account

1 certain factors, all of which you have discussed here. The
2 need for it based on reliability of the system, the need for it
3 based on diversity, the need for it based on it being the most
4 cost-effective, conservation measures, and I believe there is
5 one other one which is escaping my memory right this minute.
6 But I think those have been discussed.

7 I don't think it is necessary to take a vote on each
8 issue, per se. You are certainly free to do that. It would
9 create a more extensive record if you wanted to do that. Some
10 of those issues, for example, are not even the statutory
11 prongs. They were our way to try to make sure during hearing
12 that we got the record into a complete fashion so that the
13 statutory factors could be considered and a final decision
14 made.

15 CHAIRMAN EDGAR: Thank you, Mr. Cooke.

16 Commissioner Skop, does that address your question?

17 COMMISSIONER SKOP: Yes, Madam Chair.

18 And like I say, I would entertain any motions that
19 Commissioner Carter would have at this time.

20 CHAIRMAN EDGAR: Okay. Is there further discussion?

21 Commissioner Carter, do you want to give it a shot?

22 COMMISSIONER CARTER: Thank you, Madam Chairman.

23 Issue 8 says, "Based on the resolution of the
24 foregoing issues, should the Commission grant FPL's petition to
25 determine a need for the proposed generating units?"

1 I think the answer should be the first alternative
2 recommendation, no, with the clarification of the language that
3 I stated before about the statement relating to the price of
4 natural gas.

5 CHAIRMAN EDGAR: Thank you, Commissioner Carter.

6 That is clear to me, so I will look to staff to make
7 sure that it is clear to them. However, I have a motion and I
8 need to see if I have a second.

9 COMMISSIONER SKOP: Second.

10 CHAIRMAN EDGAR: I have a motion and a second. Okay.
11 Now I will look to staff. Do you have the clarity that you
12 would need?

13 MS. BRUBAKER: The only clarification I think I would
14 ask for is the basis for the denial. And it's my
15 understanding, based on the comments that we have had, that
16 it's based on the total review of the record evidence. If
17 there is anything in addition to that, I'd be happy to be
18 advised.

19 CHAIRMAN EDGAR: My comments were simply --
20 Commissioner Carter, as we were discussing this a few moments
21 ago, was the analysis of the record and the discussion that we
22 have had today. Does that work for you?

23 COMMISSIONER CARTER: That works for me. And I think
24 that that is consistent with what I said, because there was
25 nothing in the record that talked about whether or not the

1 prices would moderate over time. That was not -- to say the
2 premise, that was not a premise, so that's all I was stating.
3 So I'm comfortable with that.

4 CHAIRMAN EDGAR: Okay.

5 Commissioners, we have a motion and we have a second,
6 and we have had full discussion. Is there further discussion
7 or clarification before I call for a vote? Seeing none. All
8 in favor of the motion say aye.

9 (Unanimous affirmative vote.)

10 CHAIRMAN EDGAR: Opposed?

11 Show the motion adopted.

12 Mr. Cooke, I think from our discussion we have
13 addressed Issues 1 through 8. I'm assuming that we need to
14 take up Issue 9, which is should the docket be closed. And
15 consistent with our actions today, the answer to that would be
16 yes.

17 MR. COOKE: To close the docket, yes.

18 CHAIRMAN EDGAR: So I need a motion for the staff
19 recommendation on Issue 9.

20 COMMISSIONER CARTER: So moved.

21 COMMISSIONER SKOP: Second.

22 CHAIRMAN EDGAR: All in favor say aye.

23 (Unanimous affirmative vote.)

24 CHAIRMAN EDGAR: Opposed?

25 Show it adopted.

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Any other matters before we adjourn?

Seeing none. Commissioners, thank you all for your
patience and for the very helpful discussion that we have had.

We are adjourned.

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STATE OF FLORIDA)

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COUNTY OF LEON)

CERTIFICATE OF REPORTER

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

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

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

DATED THIS 11th day of June, 2007.



JANE FAUROT, RPR
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