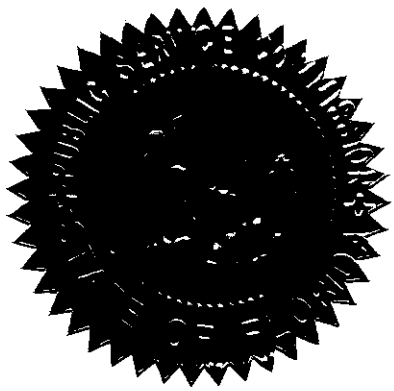
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 080148-EI

In the Matter of:

PETITION FOR DETERMINATION OF NEED FOR LEVY UNITS 1 AND 2 NUCLEAR POWER PLANTS, BY PROGRESS ENERGY FLORIDA, INC.
_____/



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Pages 1 through 57

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PROCEEDINGS:	HEARING
BEFORE:	CHAIRMAN MATTHEW M. CARTER, II COMMISSIONER LISA POLAK EDGAR COMMISSIONER KATRINA J. McMURRIAN COMMISSIONER NANCY ARGENZIANO COMMISSIONER NATHAN A. SKOP
DATE:	Wednesday, May 21, 2008
TIME:	Commenced at 9:30 p.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	JANE FAUROT, RPR Official FPSC Reporter (850) 413-6732

PARTICIPATING:

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JOHN T. BURNETT, ESQUIRE, and R. ALEXANDER GLENN, ESQUIRE, Progress Energy Service Co., LLC, Post Office Box 14042, St. Petersburg, Florida 33733-4042, appearing on behalf of Progress Energy Service Co., LLC.

KATHERINE FLEMING, ESQUIRE, KEINO YOUNG, ESQUIRE, and CAROLINE KLANCKE, ESQUIRE, FPSC General Counsel's Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, appearing on behalf of the Florida Public Service Commission Staff.

I N D E X

EXHIBITS

NUMBER:		ID.	ADMTD.
1	Comprehensive Exhibit List	38	38
2-12	Service Hearing Exhibits	38	38
13	Staff Stipulated Composite Exhibit	38	38
61	Mr. Klutho's Exhibit	36	38

P R O C E E D I N G S

CHAIRMAN CARTER: Good morning. I would like to convene this hearing and begin by asking staff to read the notice. Staff, would you please read the notice.

MS. FLEMING: Pursuant to notice issued by the Commission Clerk, this time and place has been set for a hearing in Docket Number 080148-EI.

CHAIRMAN CARTER: Thank you. At this point in time let's take appearances. I will start with you, Mr. Jacobs.

MR. JACOBS: Good morning, Commissioners. My name is Leon Jacobs. I'm here on behalf of the Southern Alliance for Clean Energy.

MR. BREW: Good morning, Commissioners. I'm James Brew of the firm of Brickfield, Burchette, Ritts and Stone, and I am here for PCS Phosphate-White Springs.

MR. BURGESS: Mr. Chairman, Commissioners, my name is Steve Burgess. I'm here on behalf of the Office of Public Counsel.

MR. GLENN: Alex Glenn on behalf of Progress Energy Florida.

MR. BURNETT: Good morning, Commissioners. John Burnett, Progress Energy Florida.

MR. WALLS: Good morning, Commissioners. Mike Walls and Dianne Triplett, behind me, with Carlton Fields on behalf of Progress Energy Florida.

CHAIRMAN CARTER: Before I go to staff, am I missing someone? I guess not.

Staff.

MS. FLEMING: Katherine Fleming, Keino Young, and Caroline Klancke on behalf of the Commission.

CHAIRMAN CARTER: Thank you. Thank you.

Staff, are there any preliminary matters?

MS. FLEMING: Chairman, there are some housekeeping matters that we can take up at the beginning of the technical portion of the hearing. I would like to note that we have a comprehensive exhibit list that has been distributed to all parties, and I would suggest that we mark Exhibit Number 1 as the comprehensive exhibit list for the record.

This exhibit list also includes the service hearing exhibits that were introduced at Crystal River on April 23rd, and those are identified as 2 through 12. It also includes staff's stipulated exhibit, a composite exhibit as Number 13, and in addition it also includes all the prefiled exhibits.

CHAIRMAN CARTER: Show it done. And what we will do, Commissioners, is at the concluding of the public testimony we will give the parties an opportunity to look at those exhibits that we took for identification down at Crystal River and then maybe take a little break so they can have a chance to review that, and at the beginning of the technical hearing we can take those up. Any further matters, preliminary matters?

MS. FLEMING: Not that I am aware of, Mr. Chairman.

CHAIRMAN CARTER: Okay. Do we have anyone here that wants to give testimony today for the public, public testimony? Anyone here today, would you please stand if you want to give public testimony today. We need to swear you all in. What a handsome group. Would you please raise your hands.

(Witnesses sworn.)

CHAIRMAN CARTER: Thank you. You may be seated. Okay.

Ms. Fleming.

MS. FLEMING: Yes, Chairman. I do have the list of names, and I will call the speakers as they signed up. The first one here is Phyllis Lott.

CHAIRMAN CARTER: Phyllis Lott.

PHYLLIS LOTT

appeared as a witness and, swearing to tell the truth, testified as follows:

DIRECT STATEMENT

MS. LOTT: Good morning.

CHAIRMAN CARTER: Good morning. Just push the button there. It's on. Okay.

MS. LOTT: There is something very intimidating about going first. I really have a lot I could say, but I will just hit the high points. I did speak at the meeting at Crystal River on the 23rd.

A brief overview. Progress Energy executed a purchase agreement for the land in November of 2006. They got the county commissioners who, by the way, live at least 35 or 40 miles away, to change the comprehensive plan from agricultural rural residential to public use in March of 2007.

In addition, in September of 2007, the county adopted revisions to its zoning code to allow for the siting of the nuclear facility on the property. All of this was pretty much done before we even knew what was going on.

An aside to that, the county commissioners simultaneously, by changing the land use and the zoning, allowed Tarmac Mining to purchase 9,000 acres to mine for 100 years. All of this is in the same area. We feel that really the Sunshine Law was blatantly violated.

We received in April of 2008, this notice that there was a public hearing and we were invited to allow us to comment on the proposed plant site. To me this is backwards. If this procedure was started in 2006 and a year and five months later we get notice that we may put in our comments concerning the proposed plant site, it is for what reason? Are we going to just halt the process after the land is bought and millions of dollars have already been spent on this and now they want our opinion on what we think in the area? To me that is pretty much backwards to handle anything.

I propose that this plant will be a public nuisance.

A nuisance is defined as something that interferes with the use of the property by being irritating, offensive, obstructive, and dangerous. And nuisance includes a wide range of conditions. This plant becomes a nuisance to all surrounding property owners for those reasons and for the next eight years. It effects our property value and desirability. It threatens our way of life. We will have to deal with traffic and it will be horrendous. Crime, noise pollution, safety features for eight years. Disruption of quiet enjoyment may constitute a nuisance. The right of a property owner to enjoy his or her property without interference, public nuisance.

I am just going to skip to a lot of issues, and I don't want to keep you here all day with what I could say. I don't know if anyone has addressed the evacuation route if there was an emergency. The Yankeetown school evacuation route is north on Highway 19 to Bronson to Williston, which takes us toward the plant.

I don't know if there were any figures pertaining to the aquifer usage of water that has been given. If there are, I can't find them. The amount of salt water taken from the barge canal for cooling. Fresh water has to be used not only for plant housekeeping, but for a major amount to dilute that salty solution from the cooling to be able to put the water back into the Gulf. Fresh water is the lifeblood of Florida, not energy.

There is a possibility that the transmission lines may run down through Yankeetown. I know this is one of the sites that was mentioned, but even running in front of the side next to your property is going to lower your property values tremendously. There may be even cases where they will take your property, eminent domain.

What is the solution? There is a nuclear power plant in Crystal River. They have the land, they have the facility, everything can be set up there. I know there is some talk about the transmission lines and that they may be too close to the others, but why not put those underground? It might be expensive, but jumping across to another county and building a nuclear power plant that is going to run into the billions of dollars is going to be horribly expensive, as well.

There are other forms of energy. We could talk about solar, but I will leave that to someone else to speak to. Putting transmission lines underground would also remove the risk of hurricanes. We wouldn't have to worry about that. The Crystal River nuclear power plant and the new proposed power plant eight miles apart. We are sandwiched in between two nuclear power plants. I don't know if there are any other nuclear power plants that are built that close together. There may be. But I'm saying that to destroy us this way is just unthinkable.

Also, I understand that Westinghouse Electric will be

the one who is going to be building, I guess, the nuclear reactors. They are a unit of Toshiba out of Japan. So it's not even going to be built by us.

As I said, there are so many things I could say, but I think to build this nuclear power plant, the proposed site where they have decided that it would be a good place to build it is wrong. I think we should have had plenty of notice before the land was bought, the comprehensive plans changed, the zoning changed, everything done before the people around in the area really knew what was going on.

I have heard that it will bring jobs into the area. Well, yes, it will bring jobs in there temporarily, but that land and the land surrounding it is beautiful land. There was a developer interested in that land close to where the nuclear power plant is going to be built, and when they got wind of this plant, they pulled the plug on the development. The development was going to be for upscale homes, possibly even a golf course. That would have been what we needed in that area, not another nuclear power plant. Nobody wants to live next door to a nuclear power plant. I don't care how safe you say it is, nobody wants to live next door to one. Thank you.

CHAIRMAN CARTER: Thank you, Ms. Lott. Would you just remain there for a moment. Thank you. Good to see you again.

Commissioners, before I ask the parties if they have

any questions, I will give the Commissioners an opportunity. Okay. Any questions for the witness from any of the parties? Hearing none. Commissioner Argenziano.

COMMISSIONER ARGENZIANO: Just one. Do you live in Citrus or Levy?

MS. LOTT: I have a home in Levy County. Yankeetown, Magnolia Avenue.

COMMISSIONER ARGENZIANO: Thank you.

CHAIRMAN CARTER: Staff, do you have any?

MS. FLEMING: No questions.

CHAIRMAN CARTER: Thank you, Ms. Lott.

Call your next witness.

MS. FLEMING: Art Jones.

CHAIRMAN CARTER: Say again?

MS. FLEMING: Art Jones.

CHAIRMAN CARTER: Art Jones.

ART JONES

appeared as a witness and, swearing to tell the truth, testified as follows:

DIRECT STATEMENT

MR. JONES: Good morning.

CHAIRMAN CARTER: Good morning, Mr. Jones. Welcome.

MR. JONES: Art Jones from Crystal River, Florida. Do I need to turn this on?

CHAIRMAN CARTER: It's on.

MR. JONES: Okay.

Dear Commissioners, Progress Energy has not done its due diligence on this rate hike proposal and grandiose plan. The numbers that they are using for future growth cannot be proven and may paint a totally invalid picture of the needs and solutions for the consumers of electricity in Florida. Florida may not have population growth in the future because their plan helps make it unaffordable for people to move here.

Due diligence has not been done thoroughly yet. This is a bad, bad plan that will waste way too much money. Let us try less expensive alternatives first. That is a better way. So I say their plan to increase rates is unwarranted. There is no need proven except to supply future growth that may never come. The insidious creep of electric rates over the next 20 years will add to the cost of living and will only harm Florida.

They are asking to increase rates now on senior citizens for a future mega-nuclear plant that actually may never be built in their lifetime, if ever. What happens if Florida's population does not grow any more because it is no longer affordable for the average retiree or middle class working family to live here? Greedy insurance companies may see to that. They have made record profits and are still increasing rates.

How can we pay for this? People are leaving Florida

now. Property taxes have skyrocketed. Now we see our power company asking for an increase this year and probably every single year into the future if we take the bait on this glorious nuclear plant that might as well be made out of gold they are so outrageously expensive.

The last time the United States tried to build a plant, we failed miserably. In their greed to make money, some private contractors apparently cut corners to increase profits. There were lots of major problems and the nuclear plant was never built. What if substandard materials that cost less and then fail are used again to fill unethical people's pockets with cash? Will these people just walk away again, leaving the citizens of Florida to pick up the bill? Cost overruns will explode and there is not a thing we will be able to do to stop them once this thing gets set in motion.

Please, let us not open Pandora's Box again. Due diligence must be done on the electric needs of Florida. This plan is bad. The solar option was never fully explored properly and fully. Also, let's see some real hard numbers comparing a new high-efficiency nonpolluting coal cogeneration fired plant at the existing site that would cost billions less. Coal can work even better with today's technology and cogeneration plants and is much safer and less expensive than nuclear. So if a big new plant really needs to be built someplace, let's compare our options at today's costs.

Now, with solar power, another option, there would be no need for new power line corridors through pristine areas, another huge savings to ratepayers. Also, with a switch installed in a meter box, consumers with photovoltaic cells on their roofs could put power back into the grid and lower their monthly electric costs. With solar we can see rates actually go down next year instead of up.

We are the Sunshine State. Why don't we lead the way in developing environmentally friendly solar power. There are other people using solar power right now, why not us? If we just invested one billion dollars into 195-watt solar panels presently for sale on the market to the general public right now for only $819 apiece, that would buy over 1.2 million solar panels with a combined output of over 238 million watts. Ten panels on a house would power a lot of homes' energy needs and allow excess energy back into the grid.

Imagine getting a check back in the mail from the power company when you get back from vacation and you had your house shut down. Besides, multiply that by $17 billion invested over the next ten years by Progress Energy, and you would get over 4 billion watts of electricity produced, and Florida could actually start exporting power and become a net exporter of electricity. Just that would meet the needs of the public today and in the future, bringing costs down to the consumer. Why not give that a try?

You know I hate to say it, but we are at war. Nuclear power is very, very dangerous. A nuclear power plant could be used in the future as a WMD, a weapon of mass destruction. Our country is at war right now with no end in sight. Three huge nuclear power plants sitting like ducks in a row on the Gulf of Mexico would make a very tempting target for sea launched missiles. Is it really worth the risk? No, of course not.

What would the cost to protect these plants be? I haven't seen any numbers on that. Why paint a huge bull's-eye on Florida, especially when there is no such better and less expensive ways and much safer ways to generate power in Florida.

Let's get some quotes for producing photovoltaic energy from someone like General Electric, if Progress Energy can't do it. I bet they can beat this plan hands down with a photovoltaic system that will lower electric costs for the regular people of Florida.

I also want to say this good neighbor argument that I have heard does not hold up. Progress Energy, I'm sorry, has not been a good neighbor. I have been told that their plants here are some of the dirtiest in the country. This has been going on for years. They are just now cleaning up two of them, and still have two more to go with no plans to fix those that I have heard of. And what about the cost of decommissioning the

old nuclear plant? When is that supposed to happen and how much is that cost going to be? There are many unanswered questions here.

Progress Energy may only like this mega-nuclear plant because to them it is their ego. There will be lots of fat profits and bonuses worth millions out there for its owners and their big egos. They seem to care less about raising our utility rates on the people of Florida as long as they get their cut. There really has to be a better way.

Furthermore, you know, the mining of uranium is a very dirty business. Who is Progress Energy trying to kid? New mining claims within miles of the Grand Canyon have sprung up. The price of uranium keeps going up as speculators step in. Now people want to mine toxic uranium near and in our national parks and forests where some miners want to take mining right into bird sanctuaries and pristine areas of wildlife. It would leave radioactive waste in millings across hundreds of square miles of virgin lands. It is not logical to use this outdated technology. There is a reason we stopped building nuclear plants before, and all of those reasons are still valid today.

Again, I'm sorry, but nuclear power is just not competitive. Its start-up costs are way too high. They take too long to build costing billions more in pure wasted money. As a utility customer that always pays his bills on time and

tries not to waste money on late fees and charges, I don't want my power company being fiscally irresponsible wasting everybody's money in Florida. The carbon footprint for the next ten years is huge to mine, process, and build a mega-nuclear power plant. So for the next ten critical years our carbon footprint is added to, not reduced.

Uranium is also a fossil fuel and the speculators are already bidding up the price. It too will run out. Ten years from now you cannot guarantee that it could be hundreds of dollars more expensive to buy uranium. How will we be able to afford to run the plant then? Solar and wind are much better. No price increases from the sun or the wind.

Look, small efficient quickly built plants can be paid for and are better. Huge mega-plants are built on borrowed money which means we are again wasting money in interest charges that add up in compounded rates. Who wants to pay that? How stupid is that? When they would send power hundreds ever miles away in these long power line corridors losing power all along the way. Another stupid idea that is totally outdated.

We know better now. Our power companies should build small clean efficient cogeneration plants close to the places that need the power in the future when they need it. We must require detailed alternatives of cogeneration electric plants where they expect it to be needed. We must demand a detailed

alternative to the central thermal plant with long transmission corridors to cogeneration plants at the demanded sites.

We should keep our existing power line corridors and upgrade them, but never allow a new corridor to be built in the future. It is outdated, inefficient, and a big waste of power and money, keeping rates high. Our goal must be to increase productivity and lower rates in Florida, thus making it more affordable to live here. Our public goal should be to have the lowest rates in the country ten years from now using efficient and clean power. Let's create so much solar electric power here that Florida becomes a net exporter of energy. How about that for a goal?

The power company cannot prove that more people will be moving to Florida in the future if the cost of living is going to go through the roof. What if present new trends in declining growth continue for the next 50 years? I think all it would take would be another good hit by a hurricane and the sky high insurance rates will keep people from moving here, then we have two huge nuclear plants and nobody wants them. It is way too expensive to maintain and it gets shut down. What a big waste of money that would be. There has to be a better way.

I don't think the power company should be allowed to squander our money. I think they should invest wisely and seriously on small cogeneration plants where the demand is

actually needed. Small plants are fast, low risk, smart, and higher in investment returns on our hard-earned dollars. You know, someone once asked me who gives them the right to squander our hard-earned monies? Well, in this case only the state of Florida can give them that right. We want our money invested wisely and smartly, not wasted. So, again, please just say no. There must be a better way.

Cogeneration and efficiency are distributed resources located close to where energy is used and they don't incur energy losses of the electric grid. Capital costs are much less, also. Making electricity from fuel creates large amounts of extra heat that is normally wasted and lost. Building to scale cogeneration can heat thousands of square feet of living space in crowded neighborhoods and condo and apartment developments keeping the cost of living more affordable. This is a much better way.

It seems to me that the only people who want this are the ones who have not done their homework, their due diligence in this case. Nothing about this nuclear plan makes sense at all. They cannot prove the need for this rate increase today or tomorrow. Please deny this rate increase and stop this waste of our time and money.

In conclusion, I, once again, point out the numbers and challenge this proposal from Progress Energy as completely unacceptable. Is this some kind of an Enron deal? Everybody

in Texas thought Enron was a good neighbor and it was a big deception. This is a one-sided, distorted, crazy destructive plan that will only raise our electric rates here in Florida. The company has not done its due diligence on cogeneration of small plants, including solar power, photovoltaic solar power, wind power, simple small scale tidal generation. Is this the best plan they can come up with for Florida? Let's see a plan that can actually lower rates.

Please reject this proposal and send it back to the drawing board. Let's see some real research in alternatives presented in an intelligent and fair manner. Haste makes waste. There is not a need to rush this proposal until all the work has been done. And this need has not been proven beyond a shadow of a doubt.

I thank you in advance for doing your jobs intelligently and making the right decisions. All of us just want to do the right thing and to be able to afford electricity in the future. This plan is totally unaffordable. This is a bad plan put forth by Progress Energy. They have not proven the need for the construction of these two mega-nuclear plants in Levy County. Do they think that we don't do our due diligence? Afraid not. Reject it, please. Sincerely yours, Art Jones.

CHAIRMAN CARTER: Thank you, Mr. Jones.

Commissioners, any questions? Any questions from the

parties? Staff?

MS. FLEMING: No questions.

CHAIRMAN CARTER: Thank you very much, Mr. Jones.

MS. JONES: Thank you.

CHAIRMAN CARTER: Ms. Fleming.

MS. FLEMING: The next witness is Cliff Wiggins.

CHAIRMAN CARTER: Cliff Wiggins.

CLIFF WIGGINS

appeared as a witness and, swearing to tell the truth, testified as follows:

DIRECT STATEMENT

MR. WIGGINS: Good morning.

CHAIRMAN CARTER: Good morning and welcome, Mr. Wiggins.

MR. WIGGINS: Mine is not as long as Mr. Art Jones, but it is straight to the point.

I would like to say we, the citizens of Florida, are being told on a daily basis what we need. We need more shopping centers, office spaces, yet many are closing and there are only a few people in them. That is because not as many people are moving as projected, and technology is changing, people take care of business in various manners, and finally people are conserving.

We are told we need more mines because we need to build more roads. At the same time we face skyrocketing fuel

costs and new construction is down. We need to think smart and engineer new technologies to develop a mass transit system. We need to reconstruct existing buildings to conserve energy, and to use alternative energy, and saving devices. We are told that Floridians need more electrical energy to be produced in the future, yet by using better conservation methods, retrofitting, designing buildings to be made energy efficient we can reduce the need for more electrical energy. The type of light bulbs we use can make a difference.

We are told that nuclear power will help solve the problem of high energy costs in the future. Yet it is us, the citizens, who start paying for the astronomical costs of these power plants as early as next year, and it will be at least ten years before we can get any electricity from them. However, by allowing alternative energy production methods to have the same ability to obtain money the way nuclear power generation seems to be able to, Floridians could be using sustainable energy sources in just a few years.

It is important to remember that uranium and construction materials such as titanium are nonrenewable resources and if the demand on these materials increases then the costs will increase. We are told that nuclear power will help solve our world's climate changing problem because the plants do not emit carbon. Yet, daily the uranium must be mined, transported to the mill and processed, and then

transported to an enriched plant. The enriched uranium pellets then must be transported to the site. All of these steps emit carbon.

The largest producer of greenhouse gases is in the transportation sector, so even building the two plants will not cause any significant decrease in carbon emissions. We are told that these plants will have no significant effect on peoples' health in the surrounding area, that no significant harm will occur to the Withlacoochee River, the sea grass beds, or our drinking water. If you read about nuclear plants located around bodies of water you will find that they are experiencing water problems and water is vital to every human being.

Nuclear plants do emit radioactive titrium routinely both in the air and the water. There is potential for it to accumulate in the local water supply. It is the citizens of this area who are paying for these plants to be built and they just are not needed. So please do not allow nuclear power plants. Instead, move forward and use sustainable alternative energy. Thank you.

CHAIRMAN CARTER: Thank you, Mr. Wiggins. Commissioners, any questions? Any questions from the parties? Staff?

MS. FLEMING: No questions.

CHAIRMAN CARTER: Thank you very kindly, Mr. Wiggins.

Ms. Fleming.

MS. FLEMING: The last speaker that I have signed up is Mark Klutho, K-L-U-T-H-O.

CHAIRMAN CARTER: K-L-E-U --

MS. FLEMING: K-L-U-T-H-O.

CHAIRMAN CARTER: K-L-U-T-H-O.

MS. FLEMING: Yes.

CHAIRMAN CARTER: Good morning, Mark. Welcome. Have a seat.

MARK KLUTHO

appeared as a witness and, swearing to tell the truth, testified as follows:

DIRECT STATEMENT

MR. KLUTHO: Mark Klutho, Largo, Florida. Before I start, a little quiz. How many light bulbs in the fixture there?

CHAIRMAN CARTER: You are assuming that we can see that.

MR. KLUTHO: Oh, come on. A fluorescent bulb.

COMMISSIONER ARGENZIANO: (Inaudible. Microphone off.)

MR. KLUTHO: It's one bulb. You have three bulbs in each one of those fixtures, 32 Watts each, because those fixtures don't have energy specular reflecters. And that is why the fools at Regressive Energy say they need nuclear power.

We had solar installed at our house for hot water on December 27th. The first electric bill after that was $20.69. The next one was $21.38. The next one was 21.14. The next one was 21.38, and then 25.38. All compact fluorescent bulbs in our house, see?

And then I would like to go to some of my favorite quips from Amory Lovins. To heat your water with electricity is like cutting butter with a chainsaw. And another one, the engineers in this country need to be reeducated. And then my very favorite is we are not looking to see how much energy we can use, we are looking for a hot shower and a cold beer. Which is to say energy is not an end, but a means. And if you go and you look at Regressive Energy's new stupid building in downtown St. Petersburg, you would think that they think that energy is an end, see?

Here is Amory Lovins' book Energy Unbound. He signed it for me at an energy conference that was held in Tampa in 1992. For Mark Klutho, partner in creating America's future. And in the November issue of Popular Mechanics he received his latest award. They call it the Leadership Award, and it states here that the residential half of the Rocky Mountain Institute, which was completed in 1983, has a five-dollar-a-month electric bill. And it also talks about how he and the Rocky Mountain Institute helped design the Hawaii Gateway Energy Center, and it is a net zero energy building, which means it doesn't need

power lines going to it.

When I pulled up here today and I looked at all of these stupid buildings, which are brand new, and all of that new housing over there, it made me sick. The Rocky Mountain Institute in Snow Mass, Colorado, where they have had temperatures lower than 40 below zero, they saved $6,000 in the construction because they didn't buy a furnace or duct work.

The Solar Today here, Seven Trends in Green Building, the seventh trend is the important one, beyond lead platinum. It is a farce, a fraud. And then we have it is the architecture, stupid. Here is a library demonstration project which was funded by the Department of Energy in 1981. Day lit, passively heated, passively cooled. When they compared this building with others in the region, the utility bill was cut by 75 percent.

Now, did Regressive Energy utilize the science and technology that they did? And, in fact, the utility bill would have been cut by even more if they would have insulated that building the way the Rocky Mountain Institute was insulated. And then we have this Zion Park building, which is another building paid for by the taxpayers, where the utility bill was cut by 70 percent. And this article from Solar Today, I think I have it here somewhere, the utility bill cut by 70 percent. It costs the same as a conventionally designed building, and if they would have invested another 3 percent or so in the

construction, the utility bill would have been cut by 90 percent.

And, when Amory Lovins wrote in Fine Home Building, in 1991, if it is not efficient, it is not beautiful, what was the net extra cost of saving more than 99 percent of our space in water heating energy both solar heated and more than 90 percent of our household electricity just $1.50 per square foot, which was paid back in ten months.

Now, see, what needs to be done, because, you know, as Amory Lovins' book, Nonnuclear Futures, the Case for an Ethical Energy Strategy, copyright 1975. What needs to be done is you need to be doing the things that allow the utilities, for instance, like Southern California Edison did, and this was reported in the Rocky Mountain Institute's newsletter many years ago. They gave away more than a million compact fluorescent bulbs to their customers because they said it was cheaper for them to do that than it was to run existing power plants. Not make new ones, but run existing power plants.

And to be doing a boondoggle, remember, the first time nuclear came on the scene, the fools said it was going to be too cheap to meter. That didn't happen. And just last week, did you watch C-Span and see Lamar Alexander with his hearing? And one of the questions was, well, what about nuclear proliferation? Do you know what his response was? Well, we are going to try to control it. Try to control it?

What do you mean try? What if you don't?

I mean, this isn't dropping a bag of peanuts on the ground. You take $17 billion, for instance, in energy unbound here. Let me go to Page 137 here. Remember this is copyright 1987. And with the help of such groups as the Small Farm Energy Project in Hardington, Nebraska, many farmers are also drying their crops with solar heat, digesting manures to make fuel gas, recycling crop waste, and integrating their energy and feed production.

Why, there is one 450 cow dairy farm I know where a biogas run generator has turned $1,400 a month electric bill into a several thousand dollar a month profit on the sales of surplus power to the utility. Nevermind the milk and cream.

Now, you know, there isn't any one renewable energy out there. The list is long. The list is long, and many of them that people are talking about are all wrong, and there are many renewable energy sources that are being completely wasted. What Amory Lovins says about efficiency measures, they are better than a free lunch. They are like getting paid to eat your lunch.

You do those efficiency measures. You give the incentives to the utility companies to allow the people to do the efficiency measures, and maybe they pay more for the energy they use, but they use less energy. And, I mean, one source of energy that is just flowing by the state every day, that Gulf

Stream. A much better way to get energy than nuclear power. I mean, and this idea about burning all kinds of waste material, taking those solids, that is not a good idea. See, with this dairy farm what they are doing is they are taking the methane from the cow manure and they are burning the gas. That methane is a gas that is more than 20 times more potent a greenhouse gas than is carbon dioxide, but then they have the cow manure as a fertilizer to use, which is a better fertilizer after the methane is removed. So, you have all these benefits that keep accruing. And this plan is going to hit people. It is just sheer stupidity. I mean, absolutely ridiculous.

Here is the book written about my ancestor, Henry Klutho. The first person from the state of Florida to be a member of the American Institute of Architects. In 1901, he said in the land of the blind the one-eyed man is king. And here is his personal residence in Jacksonville on the National Register of Historical Places. Way back 100 years ago this man was really the first planner that the state of Florida had, and he said you need to build for the climate. Well, you see, what I am doing and what the utility bills at our house are. This is before I have done the retrofit of the house, which is going to demonstrate how you have utility bills that don't total more than $20 a month, and at the same time you have a structure that will stand up to a Hurricane 5. And this house, like Henry Klutho's, will one day be on the National Register of

Historical Places.

But, these buildings you have to first do the things like Amory Lovins says, the efficiency measures are better than a free lunch, they are like getting paid to eat your lunch. So you don't have fixtures up here with 92 Watts, 96 Watts of lighting in them. And then, for instance, right up the street is Bell's outlet maul. They had old four bulb fixtures, four foot long T-12 bulbs with old magnetic ballasts. They had somebody come in and do a retrofit, put in electronic ballasts, put in the imaging specular reflecters. They became two bulbs fixtures. They now had the same light intensity with two bulbs, and then not only are you cutting the electricity used by more than half for the lighting, because the electronic ballasts don't draw the electricity the magnetic do, the T-8 bulbs don't draw the electricity that the T-12s do, but then you also are cutting your electric bill because you don't have the heat that the air conditioning is going to have to remove because the magnetic ballast isn't there and you only have half the bulbs. So you have effectively lowered your electric bill for lighting by more than 90 percent.

Now, that is profit for those people. And this is a new building and you didn't have the good sense to do it. And they didn't have the good sense to do it, the new Regressive Energy building that they just moved into last year. I have coined a term. Like I say, Henry Klutho, 1901, in the land of

the blind the one-eyed man is king. I have coined a term. This is not the information age, this is the second dark age.

If we don't get on the right track, you know, solar today here confronting the climate change crisis, why renewable energy and efficiency will play the major roles in addressing global warming. If it doesn't happen soon, Florida is going under water.

I have been studying passive solar design for 37 years, and there have been lots of advancements, but, you know, when I look at that Regressive Energy building, and I look at what I learn, how to do reading Popular Science in 1971, it is sad. It is really sad.

And then I have for you in this talk about, you know, high performance schools. I have this for you. This is the front page of the article. You can get it, the Solar Today. This is my guest column that appeared in the Tampa Tribune in August of 2000. Hillsborough County could save money by building more efficient schools. This guest column is unprecedented. It never happened with any publication that has ever existed in this country. I was invited to write my guest column in July of '97, and they told me they couldn't print it because it was two technical. But three years later it got printed without editing anything that could be considered technical. And then here is the article from Fine Home Building. If it is not efficient, it is not beautiful. Amory

Lovins, the Rocky Mountain Institute. And then the Climate: Making Sense and Making Money. It's a lie. Everybody is talking about how, oh, we can't cut the emissions. We can't -- we can't stop the global warming without some kind of great cost. We can be creating jobs, people can be making money. In fact, one of the things he points out in there, in a typical building lighting circuit, code says you use a 12-gauge wire, you put 15 amps of lighting on that. That is a 100 foot run, and that is done because you won't start a fire. But that doesn't mean you are using the electricity efficiently.

If you go to the next size larger, a 10-gauge wire, you will get a 193 percent annual return on your investment, a 193 percent annual return on your investment. Because you will allow the electrons to flow more freely through that wire and it will go to lighting the lights instead of getting the wire hot. Do you think the people at Regressive Energy did that? I doubt that seriously. Do you know anything that gives you 193 percent annual return on your investment?

And then, here, this is the Environmental Defense Fund newsletter. Algae made fuel. Fools are talking about making biodiesel from things like soybean and stuff like that. It says here, it was algae's appetite for CO2 that first caught the attention of Isaac Bursin (phonetic), a chemical engineer who co-founded Green Fuel Technologies that began the Red Hawk experiment. The potential yields from algae dwarf those of any

other biofuel. While an acre of soybeans yields about 60 gallons of biodiesel, an acre of algae could yield 5,000 gallons.

CHAIRMAN CARTER: Mr. Klutho, are you close to finishing?

MR. KLUTHO: Yeah, yeah. The one thing that I don't think I brought up here, but I have 12 copies of it, is that one about the Zion Park building. But, you know, like I say, I have been following every move that the Public Service Commission has made since I moved here to Florida in 1984. Every single move. I read the paper every day, both the Tribune and the Times. And, you know, it would be a big, big mistake if this plant, if any nuclear plant was to be built.

CHAIRMAN CARTER: Thank you, Mr. Klutho. The documents that you have laid out there, do you want to give those to us?

MR. KLUTHO: Yes, 12 copies of each.

CHAIRMAN CARTER: Just leave them on the desk and we will have staff to pick those up.

Commissioners, any questions of Mr. Klutho? Commissioner Argenziano, you are recognized.

COMMISSIONER ARGENZIANO: You obviously have a lot of research that you have done, and you mentioned the Zion Park building. Could you tell me where that is so that I can look that up?

MR. KLUTHO: Zion National Park.

COMMISSIONER ARGENZIANO: Oh, the Zion National Park. Okay. I didn't know you were talking about the national park. I have actually been there. Thank you.

CHAIRMAN CARTER: Staff, any questions?

MS. FLEMING: Staff recommends that we mark Mr. Klutho's exhibits as Hearing Exhibit 61.

CHAIRMAN CARTER: Hearing Exhibit 61. Commissioners, we will just make it a composite and put them all as one.

MS. FLEMING: Yes, Chairman.

(Exhibit 61 marked for identification.)

MS. FLEMING: And I will make sure that all the Commissioners and all the parties have an opportunity to look at the documents.

CHAIRMAN CARTER: Okay. Thank you, Mr. Klutho.

MR. KLUTHO: I just want to end with this. One solution comes up every morning.

CHAIRMAN CARTER: Thank you. Ms. Fleming.

MS. FLEMING: I don't have any other witnesses that have signed up to speak, however, they may have arrived after.

CHAIRMAN CARTER: Are there any witnesses that didn't get a chance to sign up to speak that wanted to speak? We are in our public hearing testimony. Any witnesses out there that wanted to speak? Okay. Hearing none. Let's do this, let's give staff an opportunity to get these documents together and

mark them, and let's give the court reporter a break.

In the meantime, let's give the parties an opportunity to look at the documents that we marked for identification while we were at Crystal River.

Commissioners, I am going to look up the ones on the wall this time. And I think we will give staff and the parties about 15 minutes so they can review everything, and then when we come back in for the technical portion, Ms. Fleming, what we may like to do is maybe take that up preliminarily in terms of those documents, and there may be some possible stipulations.

So, I am looking at ten till. Thank you, Commissioner. We are on recess until ten of.

(Recess.)

CHAIRMAN CARTER: We are back on the record. And here we are. We had just concluded our public testimony.

Ms. Fleming, you are recognized.

MS. FLEMING: Commissioner, I have had an opportunity to talk with all the parties regarding the service hearing exhibits, as well as the exhibit that was presented this morning, Exhibit Number 61. It is my understanding that there are no objections to these exhibits, so at this time staff would ask that Exhibit 1, which is the comprehensive exhibit list, Exhibits 2 through 12, which are the service hearing exhibits from April 23rd, Exhibit 13, which is staff stipulated composite exhibit, and Exhibit 61, which was introduced by

Mr. Mark Klutho, be moved into the record.

CHAIRMAN CARTER: Any objections? Show it done.

(Exhibits 1 through 13 and Exhibit 61 admitted into the record.)

CHAIRMAN CARTER: Any more preliminary matters, Ms. Fleming?

MS. FLEMING: I'm not aware of any other preliminary matters, Mr. Chairman.

CHAIRMAN CARTER: Okay. So we are now getting ready for our opening statements. And, according to the prehearing order, the parties were allowed ten minutes each if for their opening statements. Mr. Glenn, you're recognized, sir.

MR. GLENN: Good morning. My company needs base load capacity in the 2016 time frame. Adding two Westinghouse AP1000 power plants at the company's Levy County site meets that need in the most cost-effective manner.

Building these plants is the right choice for the state, our company, and our customers. Moving forward meets Congress's intent of fostering greenhouse gas emissions free nuclear generation, the state legislature's intent to promote new nuclear, as it did in 2006, and in its passage not 20 days ago of House Bill 7135.

Moving forward meets this Commission's rules implementing the Legislature's 2006 act, and it meets Governor Crist's support for new nuclear plants to help achieve his

greenhouse gas reduction targets in his 2007 executive orders. The company's prefiled testimony and need study show, and we will show at this hearing, that Levy Units 1 and 2 constitute the most cost-effective generating option when taking into account, as the legislature directed, the need for base load generating capacity, the need to improve fuel diversity, reduce Florida's dependence on fuel oil and natural gas, and the need to reduce air emissions compliance costs, and to contribute to the long-term stability and reliability of the grid.

Now, indeed, Potash Corporation of Saskatchewan's attorney, Mr. Brew, admitted as much during the prehearing conference last week when he said, and I quote, "In the context of need criteria, certainly the questions from our perspective are easy. If you are looking for base load capacity with no greenhouse gas emissions and relatively low fuel cost, the need criteria for a new nuclear plant are pretty straightforward." We agree.

Now, in considering the Levy project, the company has not ignored the importance of renewable energy and energy efficiency. We have achievable aggressive goals. While Mr. Masiello and his team continue maximizing energy efficiency, and Mr. Niekum, who you will hear from, and his group continue to leverage available renewable energy resources in the state, these alone are not enough to meet our customers' growing needs.

So, what are our options today? As a practical matter, we can't build coal plants in Florida today. As a practical matter, IGCC plants of the size that are needed are not technologically proven, they still emit carbon and other air emissions, and no technology exists to capture that carbon. So we have really got two options. We can abandon the path of building new nuclear in the state as some might argue here today, and build for the foreseeable future natural gas as the state has done for the last decade, or we can build new nuclear plants. We choose the latter.

Why do we do that? As our witnesses will show, these units will add critical base load capacity to our system. In fact, the last time we added new base load capacity was nearly a quarter a century ago on our system. They are going to allow us to make meaningful reductions. Meaningful reductions in greenhouse gas emissions and avoid those costs. In fact, without new nuclear it is going to be impossible for our company to meet the aggressive targets that the Governor set in his 2007 executive orders.

These units are going to play a critical role in improving our fuel diversity and security and lessen the price volatility of that fuel mix. And these units, as our witnesses will show, are going to generate about a billion dollars a year in annual fuel savings when they go on-line, and about a total of $92 billion over the life of these plants. So, when you

contrast those benefits with the risk of relying solely on fossil fuels, primarily natural gas over the long-term, which still emits carbon, which is volatile in price, and which is not really base load power, nuclear is the appropriate choice in the 2017/2016 time frame, with, of course, gas being a bridge to that time. That is what you are going to hear from our witnesses.

You are going to also hear that we do not make this decision lightly. That we have already spent tens of millions of dollars on this project to keep this option open for our customers because it is the right choice today. That we recognize and take very seriously the large initial capital costs of this project, which is one of the reasons why we continue to engage and negotiate in meaningful and significant negotiations with potential joint owners.

Joint ownership from our perspective can have the benefit of spreading a portion of the capital risk from our customers to others, it can have the effect of lowering the overall price impact to our customers, and of smoothing out some of the lumpiness of your reserve margins when the 22 megawatts comes into service.

Now, what you are going to hear from SACE and Potash are in effect that we should never build new nuclear or that the Commission should simply rewrite Florida law. Let's change nonbinding cost estimate in the statute to binding cost

estimate and cost cap. They do this under the guise of seeking a conditional need order, which is not appropriate and which would make it impossible for us to build a nuclear plant or any large project for that matter. Their arguments aren't consistent with Florida law, the rules of this Commission, and really the practicalities of licensing, financing, and building a project of this magnitude. Remember, while they appose nuclear power generation, they have presented you with no evidence, no evidence of a realistic alternative to meet our customers' future energy needs in a carbon constrained and volatile fossil fuel cost world.

So, when all is said and done after this hearing there ought to be no reasonable dispute that we need some type of generation. That renewables and energy efficiency have been maximized by the company, but those alone aren't enough. There ought to be no reasonable dispute that we can't build coal or IGCC to meet this need. There really ought to be no reasonable dispute that building natural gas solely is not in the best interest of the state and we shouldn't take that short-sighted approach.

There really ought to be no reasonable dispute that greenhouse gas emissions and associated costs are and will continue to be part of our state and our country's energy policy. And there ought to be no reasonable dispute really that this leads you to new nuclear generation for our company.

The Levy project is the right one at the right time for our state, our company, and our customers. Thank you.

CHAIRMAN CARTER: Thank you, Mr. Glenn.

Mr. Burgess. I started this way, now I am doing this now.

MR. BURGESS: Yes. Mr. Chairman, that is fine, and I appreciate it. And, Commissioners, I just want to take about one minute to first recognize the complexity of the challenge that you face in trying to apply the standards of Chapter 403. I think the most difficult standard to apply is probably that of the requirement of cost-effectiveness. You have got difficulties there because of the duration, the number of years you have to look out and try to determine what the cost of various costs are going to be because of the -- also, as well because of the elusiveness or the unpredictability of some of these costs.

Nevertheless, we urge you to consider all the costs and use your best adjustment in seeking to determine the closest, most accurate expectation of all the costs that are going to be involved and consider this in determining the proper determination to meet the power needs of the service area for Progress Energy.

Thank you.

CHAIRMAN CARTER: Thank you, Mr. Burgess.

Mr. Brew.

MR. BREW: Thank you. Good morning. There are 104 existing nuclear reactors in the country, including five in Florida. The fuel cost diversity and emissions benefits of those units are well established, and yet you haven't built a nuclear plant in this country in 30 years. The reason for that is very simple. No one would take the financial risk. Not the reactor designers, not utilities, not the investment community. But we are now looking at a rebirth of nuclear power starting in Florida.

Congress has offered to mitigate investor risk with loan guarantees, the NRC is consolidating its licensing review, and we have the Florida statute enacted in 2006. But, the 2006 legislation added additional criteria for you to consider in your need determination, but it did nothing to diminish the Commission's basic mission to protect consumers. In fact, the statute directs the Commission to take into account any matter within its jurisdiction that you deem is relevant in making a need determination.

The basic problem is that the risks of building these units haven't changed in 30 years. We don't have credible estimates. The estimates that we have today are stunning in the initial capital costs, and they are subject to regular revision upward. And actually Progress has been fairly candid in acknowledging that those costs may be going up much higher.

You don't have really the information you need on how

those costs will be managed in terms of the contracts, performance guarantees, what if any of the components might be fixed price. As Progress says, they are working on it, but you don't have that information.

There is a very high risk that construction schedule delays will occur because the infrastructure and supply chain required for nuclear plant construction is just now being reestablished. This means likely bottlenecks not only for the ultralarge forgings that are made by Japan Steel and only Japan Steel that is talked about relatively commonly, but virtually every component that goes into a nuclear steam supply system that has to follow an NRC pedigree.

So, just looking at most recent developments, last December, Moody's Investor Service estimated the likely cost of units at 5,000 plus per kilowatt hour, about 40 percent higher than what you saw a year ago. Last month, the Nuclear Energy Institute, which is the trade group for nuclear utilities, estimated that we are now looking at $78 billion a reactor or about $7,000 a kW. Last week when we were sitting at this prehearing conference, the Wall Street Journal published an article in which investors and a number of parties indicated their concern over the likelihood of costs running out of control for the reasons that I mentioned. And as I mentioned earlier, Progress has acknowledged a lot of these concerns in their petition.

So with the record in front of you virtually screaming that today's cost estimates are not realistic and the project costs will likely be much higher, the first question is what can and should be done to protect consumers from the project turning into economic millstones. The changes enacted in 2006, particularly with the nuclear cost-recovery rule, provide the needed push to get nuclear off the ground, but it does so by shifting the risks of those costs over onto consumers. That makes the issue in this need determination of whether this is the most cost-effective alternative, whether the units are likely to provide power at a reasonable cost, the Commission has to address how are these risks going to be managed, and that is really why PCS Phosphate is here.

Earlier this month at that same NEI conference, John Rowe, the CEO of Exelon, which is the utility that owns the most nuclear generation in the country, and he is chairman of that organization currently, said that disciplined project execution is critical for the success of new nuclear construction. Nothing will chill the rebirth of nuclear power more quickly than finding ourselves 18 months into construction on a project and 18 months behind schedule. Every utility contemplating building a new nuclear unit must have a sense of urgency about cost and schedule, and so should the Commission. That is why that is an issue that has to be addressed here.

We are now looking at -- taking a quick look at the

Progress need study, three concerns immediately jump out. The first is that the economic benefit scenarios rely heavily on a 60-year period in order to make the numbers work. Most don't show a net positive benefit for at least 30 years. So what we are looking at is billions of dollars being spent before the units go into service and at least a generation passing before we see a net positive benefit. And this is assuming no delay in the schedule and it is assuming that Unit 2 is completed within 18 months of Unit 1.

The second is that while Progress acknowledges a considerable assortment of factors that can cause schedule delays, their analysis in the need study doesn't address that at all. There was a sensitivity that looks at some changes in the capital cost estimate of 5, 15, and 25 percent, but those assume the same in-service dates, and anyone who has followed the history of nuclear construction know that it is all about controlling schedule. And so you have a very big hole in the record here in terms of not only what are the risks to consumers, but how are those costs likely to change. It hasn't been addressed.

Finally, even if you were comfortable with the 60-year period for assessing the economic benefits of the units, Progress' estimates have been badly skewed by using CO2 compliance numbers that not even their source will sponsor today, and that is something that we plan to address in the

hearing.

So this brings us back to what are we saying the Commission should be doing here. First is we can't really rely on the annual nuclear cost prudence review to accomplish what needs to be done here, because as Mr. Bradford explains in his testimony, unlike a power plant explosion, where you can look at a discreet event and address the prudence issues in a timely fashion, in construction instances, the costs have been incurred many years oftentimes before a prudence issue becomes manifest.

The second is the annual ongoing feasibility assessments that are part of the nuclear cost-recovery rule also is not the appropriate way to address this concern. I can't imagine a more difficult decision for the Commission than in that context to be trying to conclude that the projects once they hit $25 billion aren't worth going forward. So using that as a vehicle for addressing these cost risk concerns is not really, I think, where anybody wants to be, so they need to be addressed here.

Taking all of that into account, what we are recommending first is that the Commission should limit any finding of need to Unit 1. You are looking at a 33 percent reserve margin with Unit 2 going into service under the schedule that is proposed, so it is placing simply too great an economic burden on the consumers in the area to have that much

excess capacity.

The second is that any determination of need for either unit has to address these risk issues, and that can only be done through conditions that the Commission determines to be appropriate. Now, that is fully consistent with your jurisdiction under the Florida laws. There is no reason why you can't require, for example, an updated filing before construction actually breaks ground requiring Progress to justify moving forward once you have got better information on the contracts, on the EPC terms, where the schedule actually is, and likely in-service dates. Or any other factor that you consider to be appropriate.

We know that there are other things that the Commission could do in other contexts that aren't part of the need case. Certainly, the shifting of risk to consumers suggested in base rate cases, we need to look at rate of return adjustments, but in talking about this docket and the need criteria under the statute, the question is how can you make a determination as to whether these units will provide power at a reasonable cost and the cost-effectiveness alternative if you haven't addressed the risks that the estimates that you are working to today don't resemble what the actual costs of the plants will be, and that is what we plan to address at this hearing. Thank you.

CHAIRMAN CARTER: Thank you, Mr. Brew.

Mr. Jacobs.

MR. JACOBS: Good morning, Commissioners. The Southern Alliance for Clean Energy wants to thank you for the opportunity to address the issues in this proceeding, a proceeding which we believe represents a fundamental point of departure in this state's energy policy, and also in your authority.

You are being asked to render a final decision that Progress Energy Florida has specified need for additional substantial capacity, and that the proposed two nuclear units represents the most cost-effective means of meeting that demand. The Southern Alliance for Clean Energy asserts that you do not have before you the requisite proof to make a final binding agency decision on this matter.

We argue that should you grant this petition based on the level of proof that you have before you, you will eviscerate the traditional need determination procedure and replace it with a process totally inconsistent with reasonable energy planning, and which is significantly contrary to the best interest of ratepayers of this company and of the best interest of the public in general.

This petition begins by acknowledging that this resource decision is not the most cost-effective resource available to the company's ratepayers, but asks you to approve the request in order to boost its reserve margins and ensure

energy diversity and reliability. We assert that the approval of this petition would be detrimental to the statewide energy diversity and reliability for reasons that we hope to make obvious to you.

Further, we assert that you have before you reasonable alternatives to manage -- that the company could invoke to manage its reserve margin in a much more constructive and cost-effective manner than the proposed plant additions.

Let's take a brief look at some of the specific issues you have before you. The ultimate cost of this plant. The proof you have before you as to the ultimate cost borders on pure speculation. Yes, the statute does allow nonbinding projections of costs. In these proceedings you are establishing and furthering the legal precedent as to an interpretation of nonbinding. If you do so by the petition in this proceeding you will have removed, essentially removed the total burden of going forward on that proof and defer all authority for your determinations to an elongated high maintenance process that could go on ad nauseam. And I suggest to you that will have significant overall effect not only on the state's energy planning, but on your overall authority.

The impact of risk. The risks associated with this decision are phenomenal, and I won't go into all of them here, but let's talk briefly about the company's ratepayers. It is acknowledged and almost unrefuted that their customers are in

for deep rate shock as a result of the proposal here. Contrary to times in past where they maybe could have taken a look at the thing that they just bought, maybe kick the tires, and then complain about it, they don't have the ability to do that. They don't even know what it will be, yet they will be asked to bear that expense ad nauseam.

And, I would suggest to you a different kind of risk that is present in this proceeding, one that you may not have considered totally. The risk of backlash. At some point, some portion of the capacity of these units will be absorbed by as yet unnamed partners, probably through wholesale contracts to municipally-owned and cooperative utilities. I suggest to you that when these ratepayers see that bill there will be ramifications. Their recourse will be to go to the decision-makers who made those contracts and hold them accountable, and I suggest to you that that reaction will be formidable.

We can look here in the capital city recently and see how intricately a factor public activism was in resource allocation decisions for the city's utility. I suggest to you that with the onset of this renaissance of nuclear, that backlash risk will be substantial throughout the state.

Now, I think we should also take some thought to look at the impact on markets. You have been spending a lot of energy and devoted major resources to exploring energy

diversity through new markets and renewable energy and energy efficiency. If you approve this application, we suggest that you send a message to the markets that basically nuclear power is a diversity mechanism at a time when the markets for energy efficiency and renewables are at their infancy, and when they are desperately in need of infusion of investment probably mostly from outside investors. You will send a clear message to outside investors as to where the priorities lie, and I suggest to you it could not be at a worst time.

It is clear that the economies of scale in energy efficiency and renewables are at a premium state based on activities around the nation and around the world. You have the opportunity to join in this trend. The evidence is clear that the emergence of renewables and energy efficiency is having a specific impact on utilities service costs. They are seeing reductions in their costs to serve by the introduction of and expansion of renewables in energy efficiency.

In Florida we have not seen that. The evidence is clear there have been credible efforts, we accept, but we have not seen the level of impact and the level of bottom line reductions that could be done. This decision at this time, I believe, would certainly defer if not eliminate the possibility that we will see such a result.

As an aside, even if you do this, if you let these ratepayers essentially invest in this asset at this point in

time, my suggestion to you then is to be fair about that. In the back end of this deal when revenues and profits begin to show up from the wholesale contracts, then the ratepayers ought to get a benefit from that. Their rates ought to get rolled back based on revenues from wholesale. If they incurred the level of risk that they are picking up on the front end, they have to have some payback on that, or else this whole deal is patently and consistently unfair to the ratepayers.

Finally, as a matter of public policy, we urge you to walk this path carefully. You are setting fundamental policy for a long time to come. As my co-counsel enunciated, these decisions are going to have long-term binding impacts.

We ask that you give innovation a try. Think constructively here. You have the ability to do that. You can go back to the Legislature and give them guidance on how to implement their intent. Give them the benefit of your wisdom and your knowledge about how to bring these markets along and cover their concerns about base load capacity. I suggest to you to do this wholesale effort is very premature, very overbearing, and I think detrimental to the public. Thank you.

CHAIRMAN CARTER: Thank you so kindly. Commissioners, before we go further, let me just kind of see what staff -- I believe that we have, I kind of want to see if we have got another preliminary matter. Do we need to -- I think we have got two, was it two witnesses that have been

stipulated?

MS. FLEMING: Yes, Chairman. I would like to note that Witnesses Siphers and Weintraub were stipulated and have been excused from the hearing.

CHAIRMAN CARTER: Okay. All right. Any objection by any of the parties, by the way? Thank you so kindly. Any other preliminary matters?

MS. FLEMING: I'm not aware of any others.

CHAIRMAN CARTER: Commissioners, we are looking at the court reporter, and I really would wait -- I hate to get started with a witness and then have to make a break with them, because I know our first witness up will be Mr. Lyash, is that correct? I don't know how long his testimony is going to be. I know we have got on here that the witnesses can do a five minute opening and cross examination. That may take some time as well both from the parties as well as staff, and I'm trying to juggle the court reporter schedule, as well.

So I guess we are at a breaking point. It is probably best to just break now and start afresh right after lunch, and pick up with a new court reporter and new witness and go from there. Any objection, Commissioners? Okay.

Well, then I need a recommendation on our return time. You notice I have been pointing at -- there is a different clock here and there is a different clock there. 12:45. Is that fine, Commissioners? Okay, recess until 12:45.

(Transcript continues in sequence with Volume 2.)

STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

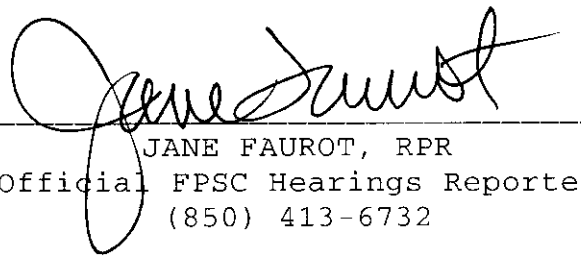
COUNTY OF LEON)

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 22nd day of May, 2008.



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