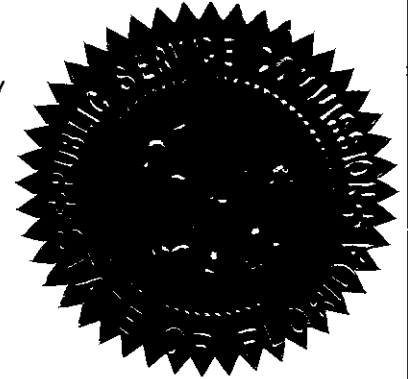


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 080281-EI

In the Matter of:

PETITION FOR APPROVAL OF SOLAR ENERGY
PROJECTS FOR RECOVERY THROUGH ENVIRONMENTAL
COST RECOVERY CLAUSE, BY FLORIDA POWER &
LIGHT COMPANY.



PROCEEDINGS: AGENDA CONFERENCE
ITEM 5

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

DATE: Tuesday, July 15, 2008

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

REPORTED BY: LINDA BOLES, RPR, CRR
Official FPSC Reporter
(850) 413-6734

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1 PARTICIPATING:

2 ERIC SILAGY, representing Florida Power & Light
3 Company.

4 MARTHA BROWN, ESQUIRE, and BILL McNULTY, representing
5 the Florida Public Service Commission staff.

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P R O C E E D I N G S

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3 CHAIRMAN CARTER: Commissioners, we'll give staff a
4 moment to get ready for Issue, for Item 5.

5 Staff, you're recognized.

6 MR. McNULTY: Commissioners, Item 5 is FPL's petition
7 for Commission approval of three proposed renewable energy
8 projects for eligibility for cost recovery through the
9 Environmental Cost Recovery Clause. FPL's petition is filed
10 pursuant to Section 366.92(4), Florida Statutes, which
11 identifies certain cost recovery eligibility requirements for
12 renewable energy projects which are zero greenhouse gas
13 emitting at the point of generation up to 110 megawatts
14 statewide. The three projects proposed by FPL include Martin
15 Solar, DeSoto Solar and Space Coast Solar projects.

16 If the Commission approves the projects as eligible
17 for cost recovery, the prudence of all related project costs
18 would be addressed at the annual hearings in the ECRC docket.

19 Staff recommends the Commission approve FPL's three
20 proposed solar projects as eligible for ECRC cost of recovery
21 under the statute. Staff is available for any questions.

22 CHAIRMAN CARTER: Commissioners? Commissioner Skop,
23 you're recognized, sir.

24 COMMISSIONER SKOP: Thank you, Mr. Chairman. Give me
25 one second.

1 I guess I just wanted to say that I'm in full support
2 of approving these three solar projects consistent not only
3 with the legislative policy of the state but also the
4 Governor's initiatives.

5 That being said, I do have two quick questions. But
6 before I get to those, I guess I just did a quick calculation.
7 And I haven't done one like this in about seven years, so I
8 might be wrong and I'd be the first one to admit that --

9 CHAIRMAN CARTER: Did you use a solar-powered
10 calculator, Commissioner?

11 (Laughter.)

12 COMMISSIONER SKOP: I did not. Unfortunately, I did
13 not. Actually, actually I may have. No. I think I used my
14 computer here. I was banging something out.

15 But I'm not so sure, and, again, I could be wrong,
16 but I'm not so sure that the FPL production estimates for the
17 project and the numbers that staff have incorporated in
18 Table 1 are accurate. I think that, in fact, due to a math
19 error perhaps they may be, in fact, overstated by a factor of
20 three, and I was wondering if we might be able to take a quick
21 break so I could confer with staff.

22 But I guess the production estimates come from the
23 direct testimony of Mr. Silagy, and they're, I guess,
24 summarized in Table 1. But I just could not get to those
25 numbers. And I think what they may be based upon is the number

1 of hours of sunlight in a day. And I know Florida is the
2 Sunshine State, but at least, if my math is correct and subject
3 to check, I think that the sun may be shining 24 hours a day.
4 So I just would like to see if maybe we could confer, if I
5 could confer with staff or that staff maybe could confer with
6 the utility real quick. Because I don't know what the
7 trickle-down effect will be of that if that in fact is true,
8 whether those production estimates factor into the fuel savings
9 and the CO2 charts and the SO2 and so on and so on from there.
10 So I just was wondering if we might be able to, to break
11 briefly so I could confer with staff.

12 CHAIRMAN CARTER: Commissioner, let's -- Commissioner
13 Argenziano.

14 COMMISSIONER ARGENZIANO: If we do break, I'd like to
15 hear what staff has to say at some point.

16 COMMISSIONER SKOP: Yes.

17 COMMISSIONER ARGENZIANO: Okay.

18 CHAIRMAN CARTER: Yeah. I would like for, after the
19 break, we'd like staff to come in and tell us what the, what
20 the deal was. And I think your question, Commissioner, relates
21 to Table 1. Are there any more so that as we take the break,
22 if there are any additional, we can kind of --

23 COMMISSIONER SKOP: No. That's the only, the
24 question I had. Like I said, I just, I just did a quick
25 calculation and I just wanted to make sure. Because, again,

1 we're making an investment of almost three-quarters of a
2 billion dollars, so I just wanted to make sure.

3 CHAIRMAN CARTER: Commissioners, also before we
4 break, if there are any other calculation error concerns or
5 questions along those lines before we do that, that way staff
6 can kind of get them all together before we come back.

7 Commissioner Edgar, you're recognized.

8 COMMISSIONER EDGAR: Thank you. And I'd just like to
9 clarify for my own benefit with staff that we are not approving
10 these projects with the item before us, but we are approving
11 eligibility under the statute and those costs will be
12 considered in the ECRC at a later time; is that correct?

13 MR. McNULTY: That's correct, Commissioner.

14 COMMISSIONER EDGAR: Thank you.

15 CHAIRMAN CARTER: Okay. Commissioners, I'm looking
16 at the clock on the wall, which is always dangerous. Maybe I
17 should look at -- let's come back at 20 after. We're on
18 recess.

19 (Recess taken.)

20 We are back on the record, and we just took a brief
21 moment for some review with staff.

22 Commissioner, you're recognized to ask your question.
23 Commissioner Skop.

24 COMMISSIONER SKOP: Thank you, Mr. Chairman.

25 And I just -- in conferring with staff, they

1 addressed my concerns. I think that we resolved that issue,
2 which was a nonissue, and that's, I guess, what happens when I
3 do quick math on the fly. But apparently the, it was inherent
4 in the capacity factor and the numbers on Table 1 are, in fact,
5 correct. So I stand corrected.

6 CHAIRMAN CARTER: Okay. Excellent. Excellent.

7 COMMISSIONER SKOP: Just two quick questions. Just,
8 Mr. Silagy, I guess you're here today, and thank you.

9 I think that the, at least the Martin project is a
10 very, very innovative approach. I think, as you stated in your
11 direct filed, prefiled testimony, that this is going to be the
12 first of its kind to integrate solar technology with a combined
13 cycle plant. And I was just wondering, I've looked over the
14 testimony and I've looked over the diagrams, and I just was
15 wondering with respect to your testimony on Page 17 if you
16 could just perhaps maybe explain to the Commission, because I
17 think this is very exciting. And you speak to the fact that
18 the Martin Solar is optimized at 75 megawatts and this matches
19 the steam generation capability in existing Unit 8 heat
20 recovery steam generators and the steam turbines have just been
21 sized for the duct burners. And I guess I was wondering if you
22 might be able to explain it a little bit -- because, again,
23 I've looked at the diagram -- to the Commission, is the steam
24 that will be generated from the solar panels that'll be
25 converted into steam through a heat exchanger, is that going to

1 go right into the steam headers or is that going to replace
2 the, or reduce the necessity to burn natural gas in the
3 existing duct burners? And I was just wondering if you could
4 elaborate on that point just a little bit for us.

5 MR. SILAGY: Sure, I'd be happy to. The steam, once
6 it's produced at the heat exchanger, the solar facility will
7 then be flanged into the high pressure side of the steam system
8 but prior to the super heater. So it will replace steam that
9 was being produced right before the super heater.

10 And then that steam, it'll go in at about 600 degrees
11 and 2,000 psi. Then it'll go through the super heater process
12 and then get injected into the steam turbine. So it's
13 basically at the HRSG area. And the Martin Unit 8 is a
14 four-by-one facility.

15 COMMISSIONER SKOP: Right.

16 MR. SILAGY: So the beauty of this design is, is that
17 it -- if a gas turbine, as an example, is taken down for
18 maintenance, we'll still be able to produce the same amount of
19 electricity that we would have utilizing the solar thermal
20 facility injecting the steam.

21 COMMISSIONER SKOP: Okay. So the, I guess would it
22 be correct to say that the, if the four-by-one combined cycle
23 plant is down, it'll still be able to generate through solar,
24 through steam, or would it just be dependent upon the entire
25 plant operating?

1 MR. SILAGY: We would expect that at least one unit
2 at the Martin facility, because we have four there, it's 1,100
3 megawatts with the duct burners, would be operating. Because
4 we typically stage those down.

5 COMMISSIONER SKOP: Right.

6 MR. SILAGY: And so you'd be able to continue to
7 produce steam and therefore electricity, and that would
8 displace the need to burn natural gas to generate that same
9 amount of steam.

10 COMMISSIONER SKOP: Okay. So, so I guess in lieu of
11 just reducing the need for duct burning on the, on the trains,
12 that it would just merely add to the, increase the steam flow
13 rate, which would allow the turbine to generate incrementally
14 more electricity.

15 MR. SILAGY: You're just replacing steam that would
16 have been utilized by, or been produced by utilizing natural
17 gas for the steam that's produced by the sunlight through the
18 heat exchanger. Because what happens, you know, the thermal
19 oil gets super heated by the concentration to about
20 750 degrees, and that also gives you enough head room within
21 there. So even if you have cloud cover that comes over, you're
22 still continuously producing steam. You don't have that quick
23 circulation going up and down.

24 COMMISSIONER SKOP: Right. And I'm familiar with the
25 SEGS plants. But I just thought this was really innovative

1 technology and initiative that FPL was doing, so I just wanted
2 to get a little bit more clarification for just the
3 Commission's behalf. So thank you for that.

4 And just one more quick question to staff. I guess
5 on Page 6 of the staff recommendation, continuing on to Page,
6 the top of Page 7, it speaks to the Space Coast Solar lease,
7 and then that the lease includes both monetary and nonmonetary
8 considerations, including the development and construction of
9 the NASA PV facility. And I just wanted to talk to our legal
10 or technical staff in regards to that with respect to whether
11 the lease has been reviewed and just hear from Ms. Brown, I
12 believe.

13 MS. BROWN: Yes, Commissioner. I reviewed the lease.
14 I can't say I reviewed every detail of it because I was looking
15 to make sure that the lease fulfilled the eligibility
16 requirement of the statute, which was that the company had the
17 land to build the project, and that appeared to me to be
18 satisfied by this lease.

19 COMMISSIONER SKOP: Okay. I guess the question I
20 have is I have a copy of the lease in front of me. And I guess
21 on Section 3.1 and 3.2, just the difference in dollar amounts,
22 I guess, for the lease, it speaks to the fair market value of
23 the use of the land. And I don't believe that this is
24 confidential in any way, but the fair market value of the lease
25 is less than the, I guess, the proposed PV facility project.

1 And, again, it's by a magnitude of a couple of million dollars
2 or at least, I think, \$2 million. But I just had hoped that
3 the staff had looked at that and got a comfort level. Because
4 I do see that dealt a difference and I just wanted to make
5 sure that -- you know, we are talking about a lot of money
6 here.

7 So, Mr. McNulty, I think that if you have a --

8 MR. MCNULTY: Yes, Commissioner. I think, you know,
9 there is Exhibit E to the lease which does show that if you did
10 a calculation of the agreed upon appraised value per acre of
11 land, \$75,000, and you multiplied that times total acres, you
12 would come to \$4.5 million. And, as you can see, the
13 nonmonetary consideration for the, for the construction of the
14 NASA PV facility is estimated at \$6.7 million through 30 years,
15 and so there is a, there is a difference there. But we don't
16 know all of the considerations that went into that decision and
17 we would certainly be pursuing that in the cost recovery
18 proceeding.

19 COMMISSIONER SKOP: Okay. That's fine. Like I say,
20 I just saw the lease for the first time this morning, so I just
21 wanted to make sure that we looked at that because that caught
22 my attention.

23 MR. MCNULTY: Sure.

24 COMMISSIONER SKOP: No further questions. And, Mr.
25 Chair, at the appropriate time I'd like to make a motion to

1 approve staff's recommendation.

2 CHAIRMAN CARTER: Commissioners? Commissioner
3 Argenziano, you're recognized.

4 COMMISSIONER ARGENZIANO: Thank you, Mr. Chairman.
5 Just some brief comments.

6 I'm just thrilled with this plant. I think Florida
7 is just doing a great job. FP&L, the FP&L Group, as you know,
8 are the largest producers of wind and solar. And I go back to
9 1972 when I remember being on gas lines and our energy crunch
10 back then, and you heard about all these positive, innovative
11 approaches, and there weren't many out there really doing it.
12 So I've got to hand it to FP&L and the FP&L Group. They've
13 done a great job. And for this to happen in Florida, I
14 couldn't be happier.

15 The only thing I wish, I remember back in
16 '72 watching as we went through that energy crunch there were
17 people coming up with all kinds of ways to produce gasoline. I
18 remember this one commercial, oh, not commercial, it was a news
19 thing about a gentleman, and I'm not sure what state he was
20 from, but could run his car on potato peels. I wish we could
21 find him today because that would be awesome. I'd be in the
22 grocery store every day buying potatoes.

23 But I just want to say I'm just thrilled with this
24 project. I think it's going to be great. It's about time we
25 really push forward, and I, and I wish FP&L all the success in

1 the world and hope that it leads to more -- and even as solar
2 gets more and more effective, as I believe it's getting there,
3 I really would love to see them move forward with that. But
4 I'm so glad to be part of this today and I thank them very
5 much. It's a good thing.

6 CHAIRMAN CARTER: Commissioners, if nothing further,
7 I just wanted to echo those comments. I think the Legislature
8 giving leadership to this program has set Florida at the
9 forefront. Is that a lot of my colleagues and our colleagues
10 in other states have been asking us what we're doing in
11 Florida. And here we're just, not just talking the talk, but
12 we're actually walking the walk. 110 megawatts is nothing to
13 sneeze at. It's a tremendous beginning. And, as Commissioner
14 Skop said, it's very innovative, and you've got to be
15 innovative when you're doing new things. And I think it shows
16 that we're doing more than wringing our hands saying there's a
17 problem and the sky is falling. This is a very, very
18 significant movement, and the people at FPL, a great, great
19 innovative company and doing some fantastic things on that.
20 And with that, no comments, I'll recognize Commissioner Skop
21 for a motion.

22 COMMISSIONER SKOP: Thank you, Mr. Chairman.

23 I'd like to approve staff's recommendation as to
24 Issues 1 and 2 for the proposed solar projects and
25 enthusiastically present those to the Commission.

1 COMMISSIONER EDGAR: Second.

2 CHAIRMAN CARTER: Moved and properly seconded.

3 Commissioners, any further comments? Hearing none,

4 let it be known by the sign of aye.

5 (Unanimous affirmative vote.)

6 Those opposed, like sign.

7 CHAIRMAN CARTER: Thank you, Commissioners.

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1 STATE OF FLORIDA)
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

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I, LINDA BOLES, RPR, CRR, Official Commission Reporter, 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' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 28th day of July, 2008.

Linda Boles
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