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COMMISSION
CLERK

September 18, 2009

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

090451

Re: Joint Petition to Determine Need
Gainesville Regional Utilities and
Gainesville Renewable Energy Center, LLC

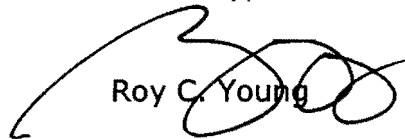
Dear Ms. Cole:

Enclosed is an original and 15 copies of Gainesville Regional Utilities and Gainesville Renewable Energy Center, LLC Joint Petition to Determine Need for the Gainesville Renewable Energy Center in Alachua County, for filing.

Also, attached is Notice of Intent to Request Confidential Classification of certain exhibits to be filed with the testimony of Bradley E. Kushner.

Thank you.

Sincerely,



Roy C. Young

RCY:swp
Enclosures

CUM
BOR 4
COL 2
GPC 1
ELF 1
SNC
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ADM
CLK

DOCUMENT NUMBER-DATE

09699 SEP 18 8

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint petition to determine need for the Gainesville Renewable Energy Center in Alachua County by Gainesville Regional Utilities and Gainesville Renewable Energy Center, LLC.

Docket No. 090451

Filed: September 18, 2009

**GAINESVILLE REGIONAL UTILITIES
AND GAINESVILLE RENEWABLE ENERGY CENTER, LLC
JOINT PETITION TO DETERMINE NEED FOR THE
GAINESVILLE RENEWABLE ENERGY CENTER IN ALACHUA COUNTY**

Gainesville Regional Utilities (GRU) and Gainesville Renewable Energy Center, LLC (GREC LLC), by and through undersigned counsel, hereby petition the Florida Public Service Commission (Commission) pursuant to Section 403.519, Florida Statutes, and Rule 25-22.081, Florida Administrative Code, to determine the need for the proposed Gainesville Renewable Energy Center (GREC) biomass project at GRU's existing Deerhaven plant site in Alachua County, Florida, and to file its order making that determination with the Department of Environmental Protection (DEP) pursuant to Section 403.507(4)(a)2, Florida Statutes. In support of this Petition, GRU and GREC LLC state:

Introduction

1. GRU and GREC LLC submit this Petition and accompanying Need for Power Application in support of the GREC, a biomass-fueled facility to be located within the confines of GRU's existing Deerhaven plant site in Alachua County, Florida. The proposed unit will improve and maintain the reliability of GRU's electric system, provide long-term electric generation capacity, provide an economical source of renewable energy, increase the reliability

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and diversity of GRU's fuel supply, and provide other economic and potential regulatory benefits to the Gainesville region.

2. Accompanying this Petition is a detailed Need for Power Application that sets forth the information required by Rule 25-22.081, FAC. That Need for Power Application is incorporated by reference as Exhibit No. __ [GREC-1] to this Petition. Contemporaneously with the filing of this Petition, GRU and GREC LLC are submitting the pre-filed testimony of six witnesses in support of this Petition and the Need for Power Application.

3. Pursuant to Section 403.5064, Florida Statutes, GREC LLC is planning to submit a site certification application for the proposed facility to DEP and other agencies, including the Commission, in October 2009.

Preliminary Information

4. The agency affected by this Petition is:

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

5. Petitioners' full names and addresses are:

Gainesville Regional Utilities
301 SE 4th Avenue
Gainesville, Florida 32601

American Renewables, LLC
75 Arlington Street, 5th Floor
Boston, Massachusetts 02116

6. All notices, pleadings and other communications required to be served on the Petitioners should be directed to:

Roy C. Young
Scheff Wright
Young VanAssenderp, P.A.
225 South Adams Street – Suite 200
Tallahassee, Florida 32302-1833

Primarily Affected Utility

7. GRU is a municipal electric, natural gas, water, wastewater, and telecommunications utility that is owned and operated by the City of Gainesville in Alachua County, located in north-central Florida and is a valid applicant under the Florida Electrical Power Plant Siting Act (PPSA), Chapter 403, Part II, Florida Statutes.

8. GREC LLC is a private renewable power producer that will own, operate, and maintain the proposed GREC biomass facility and sell 100 percent of the facility's electric power output to GRU under a 30 year power purchase agreement (PPA). GREC LLC is therefore a co-applicant in this proceeding, and as such is participating in this joint petition for determination of need for the proposed GREC biomass facility.

9. GRU operates a fully vertically integrated electric power production, transmission, and distribution system which is wholly owned by the City of Gainesville. In addition to retail electric service, GRU also provides wholesale electric service to the City of Alachua (Alachua) and Clay Electric Cooperative (Clay). GRU's distribution system serves its retail territory of approximately 124 square miles and approximately 93,000 customers. GRU's electric service area is located in Alachua County. GRU owns and operates two primary generating plants – Deerhaven and John R. Kelly – and has a small distributed generation unit at

the South Energy Center. GRU also has an ownership share of Progress Energy Florida's Crystal River 3 nuclear generating unit. GRU has several existing PPAs, including one for landfill gas-to-energy generation, and in March 2009 became the first utility in the United States to offer a European style solar feed-in-tariff (FIT). GRU's total available firm summer capacity, including owned resources as well as PPAs, is 710.2 MW.

10. GRU is the "primarily affected utility" within the meaning of Rule 25-22.081, Florida Administrative Code. GRU's substantial interests will be affected by the Commission's decision on this Petition. If the Commission does not make an affirmative determination of need for the proposed GREC, there will be adverse economic impacts and adverse impacts to GRU's system reliability, reliability of fuel supply, fuel diversity, and ability to meet future renewable portfolio standards (RPS) and carbon constraint legislation.

The Proposed Power Project

11. The proposed GREC biomass facility will be located within the confines of GRU's existing Deerhaven power plant site on property leased from the City of Gainesville (d/b/a GRU). GRU will have title to 100 percent of the plant's output, including all environmental attributes (such as renewable energy credits, carbon offsets, etc.). The facility will be a new nominal rated 100 MW net (116 MW gross) biomass-fired electric generating facility, consisting of a biomass fuel handling system, a biomass-fired boiler, a condensing steam turbine generator with evaporative cooling towers and auxiliary support equipment. The facility will also utilize a zero liquid discharge system to eliminate industrial wastewater discharges in accordance with the site's restrictions pursuant to its current certification. The facility will be designed in accordance with standards normally used in the utility industry. The facility will, with standard O&M practices, be designed to provide full service over its 42 year design life.

The Florida Electrical Power Plant Siting Act (PPSA)

12. The PPSA provides a centrally coordinated, one-stop licensing process for power plant projects. The PPSA provides a centralized process to ensure that all affected state and local agencies review a project before the Siting Board, consisting of the Governor and Cabinet, takes final action on the site certification application. The Commission's need determination is a critical step in the PPSA certification process. Along with the reports submitted by DEP and other agencies, the Commission's need determination allows the Siting Board to balance "the increasing demands for electrical power plant location and operation with the broad interests of the public." Section 403.502, Florida Statutes.

The Florida Public Service Commission Review Process

13. Section 403.519(3), Florida Statutes, sets forth the following criteria which the Commission must consider in making need determinations:

- the need for electric system reliability and integrity;
- the need for adequate electricity at a reasonable cost;
- the need for fuel diversity and supply reliability;
- whether the proposed plant is the most cost-effective alternative available;
- whether renewable energy sources and technologies, as well as conservation measures, are utilized to the extent reasonably available; and
- whether there are conservation measures taken by or reasonably available to the applicant or its members which might mitigate the need for the proposed plant.

14. Rule 25-22.081, Florida Administrative Code, sets forth specific information which each Need for Power Application must include to allow the Commission to address the factors in Section 403.519, Florida Statutes. The information required by Rule 25-22.081, Florida Administrative Code, as well as other relevant information, is summarized below and discussed in detail in the accompanying Application.

The Need for the GREC

15. The capacity from the GREC is needed to improve and maintain the reliability of GRU's system. GRU's system is unique because the lowest cost fossil fueled unit, Deerhaven Unit 2, serves approximately 50 percent of GRU's system peak demand. The capacity from GREC is needed to replace the capacity from Deerhaven Unit 2 during maintenance and forced outages. Deerhaven Unit 2 is aging and will be 32 years old when GREC goes into service in late 2013. With increased age, the availability of Deerhaven Unit 2 is expected to decrease. Furthermore, most of the remainder of GRU's capacity is older than Deerhaven Unit 2 and will be retired during the term of the GREC LLC PPA. Thus, GRU needs the capacity from the GREC to meet GRU's 15 percent reserve margin planning criterion.

16. In addition to filling a capacity need, the GREC is needed by GRU's system to diversify GRU's existing fuel mix, which is dominated by coal (and therefore is potentially at risk under future carbon dioxide [CO₂] regulations), and natural gas, which is highly volatile in price and availability and also potentially at risk under future CO₂ regulations. The GREC is needed to minimize the effects of these potentially costly and regulation-constrained fuels.

Analysis of Generating (“Supply Side”) Alternatives

17. The GREC LLC PPA was evaluated on a levelized cost basis against comparable supply-side alternatives over the term of the GREC LLC PPA. The supply-side alternatives were evaluated considering seven different scenarios of fuel cost, capital cost, and CO₂ regulation. On a levelized cost basis, the GREC LLC PPA is lower in cost than any of the alternatives in 23 of the 28 cases that were evaluated. The GREC LLC PPA is lower in cost than any of the natural gas alternatives considered. Although it is uncertain whether any type of coal unit could be permitted in Florida at this time, the GREC LLC PPA is lower in cost than coal units with carbon capture and sequestration (CCS) technology.

Analysis of Non-Generating Alternatives

18. GRU has invested significant effort in developing the demand-side management (DSM) programs currently offered to its customers and is considered one of the leading utilities in the State in this area. Since 1980, GRU has offered incentives and services for energy conservation and demand reduction. DSM programs are available for all of GRU’s retail customers, including commercial and industrial customers. In addition, GRU continues to offer standardized interconnection procedures and compensation for excess energy production for both residential and non-residential customers who install distributed resources, and also offers rebates to residential customers for the installation of photovoltaic generation. GRU has several programs to improve the adequacy and reliability of the transmission and distribution systems, which also result in decreased energy losses. The combined successes of these programs and initiatives has helped to delay the need for additional capacity to beyond the proposed commercial operation date of the GREC biomass facility; however, the benefits associated with

the GREC project, as well as economic incentives available to the proposed project that would not be realized if the commercial operation date is delayed beyond 2013, are significant enough to warrant GRU's petition for determination of need at this time.

Environmental Benefits

19. The GREC biomass facility will provide GRU with a clean woody biomass resource that will better position GRU to comply with potential future renewable portfolio standards (RPS) and potential legislation to regulate CO₂ emissions. Generation from the GREC will displace generation from less efficient units with higher emission rates, including CO₂ emissions.

Adverse Consequences If The GREC Is Delayed

20. There are a number of economic consequences associated with the delay of the GREC. The most important economic consequence of delay is that if the project is not in commercial operation by January 1, 2014, it will not be eligible to obtain the Renewable Energy Grant contained in H.R. 1 (the American Recovery and Reinvestment Act of 2009) Sec. 1603. The increase in GRU's cost of power from not obtaining the Renewable Energy Grant will be \$8.10/MWh, amounting to \$6.4 million per year. In addition to the costs resulting from not obtaining the Renewable Energy Grant, the GREC LLC PPA contains a clause to adjust the non-fuel energy charge by escalation indices to the time of construction commencement. Based on the escalation rate of 2.5 percent assumed in this Application, the cost of delay is \$29.6 million per year of delay. Another economic consequence of delay is that if the GREC is delayed, it will not be available to displace replacement power costs for GRU's Deerhaven 2 during outages. In addition to the above direct economic consequences of delay, there are numerous indirect consequences of delay. The GREC will directly employ an estimated 42 people in the operation

of the project, with an estimated payroll of \$4 million per year. In addition, an estimated 400 to 500 people will be employed to obtain the fuel supply, with an estimated payroll of \$18 million per year. The GREC will employ more than 400 people at peak construction, with an estimated payroll of \$1.5 million per week during the peak construction period. Over the entire construction cycle, construction payroll will total approximately \$102 million. These indirect benefits will be postponed with a delay in the construction and operation of GREC.

21. There are significant reliability benefits to GRU's system associated with the operation of the GREC, and delay of the GREC would also delay those benefits. GRU's system is unique because Deerhaven Unit 2's generating capacity comprises 50 percent of GRU's peak demand. Outages of Deerhaven Unit 2 have a marked effect on GRU's system reliability. The addition of the GREC significantly increases GRU's system reliability; consequently, delay in the operation of the GREC reduces GRU's system reliability.

22. Currently, there are proposed legislation and regulations at both the Federal and State levels to impose RPS and regulation of CO₂ emissions. It is vitally important for the GREC to proceed on schedule to allow GRU to meet the potential legislation and regulations in a reliable and cost-effective manner.

Disputed Issues of Material Fact

23. GRU and GREC LLC are not aware of any dispute regarding any of the material facts contained in this Petition. In any event, GRU and GREC LLC intend to prove in this proceeding that the proposed GREC biomass facility satisfies the criteria set forth in Section 403.519, Florida Statutes, for an affirmative determination of need.

Notice of Intent to Request Confidential Classification

24. Simultaneous with this Petition, GRU and GREC LLC are filing a notice of intent to request confidential classification for certain exhibits to the testimony of Bradley E. Kushner.

Statutes and Rules That Warrant Requested Relief

25. GRU and GREC LLC are entitled to the determination of need requested in this Petition pursuant to Section 403.519, Florida Statutes, and Rule 25-22.080, Florida Administrative Code.

Statement of Relief Requested

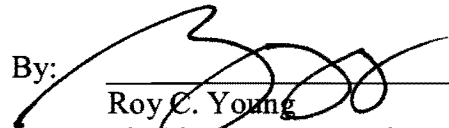
WHEREFORE, based upon the foregoing and the more detailed information in the Need for Power Application and pre-filed testimony submitted herewith, GRU and GREC LLC respectfully request that the Commission grant a favorable determination of need for the GREC biomass facility within the time limitations set forth in Rule 25-22.080, Florida Administrative Code. Specifically, GRU and GREC LLC respectfully request that:

- (a) the Commission give notice of the commencement of the proceeding as required by Rule 25-22.080(2), Florida Administrative Code;
- (b) the Commission schedule commencement of a hearing in this matter within 90 days of the filing of this Petition or as soon as possible thereafter pursuant to Rule 25-22.080(2), Florida Administrative Code; and
- (c) the Commission determines there is a need for the proposed electrical power plant described in this petition, and file its order making such determination with the Florida

Department of Environmental Protection pursuant to Section 403.507(4)(a)2, Florida Statutes.

RESPECTFULLY SUBMITTED this 18th day of September, 2009.

Young van Assenderp, P.A.

By: 

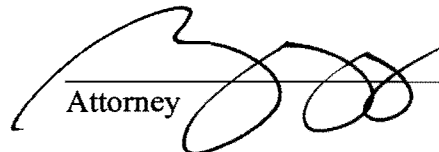
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Attorneys for GRU and GREC LLC

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Petition for Determination of Need for An Electrical Power Plant in Alachua County was served upon the following by hand delivery on this 18th day of September, 2009:

Jennifer Brubaker, Esq.
Supervising Attorney
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850



Attorney