

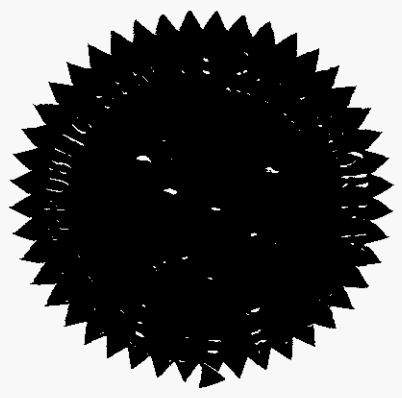
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of:

DOCKET NO. 090451-EM

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



PROCEEDINGS: AGENDA CONFERENCE
ITEM NO. 5

COMMISSIONERS
PARTICIPATING: CHAIRMAN NANCY ARGENZIANO
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER NATHAN A. SKOP
COMMISSIONER DAVID E. KLEMENT
COMMISSIONER BEN A. "STEVE" STEVENS III

DATE: Tuesday, February 9, 2010

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

REPORTED BY: JANE FAUROT, RPR
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FPSC-COMMISSIONER

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CHAIRMAN ARGENZIANO: Okay. We are back. We are on Issue 5. And, I think, Commissioner Edgar, you had asked to make a comment.

COMMISSIONER EDGAR: Thank you, Madam Chair.

I realize our staff will present the item and tee it up for us, and I guess I would ask, either as you are doing that or then next, if you could speak to us about what our role is in this particular issue that is before us. Recognizing, of course, that the project, as proposed, is above the statutory threshold for us to review, but also realizing that as a municipal we do not have rate regulation authority nor that same, then, perhaps, role in offering protection and oversight to the ratepayers.

And that's just something that I know I had brought up in my briefings with staff, but it is still an issue that I'm mulling through in my mind. And before we get into the more specific technical aspects of the proposal, I'd like to hear from staff about that kind of more overriding issue. Thank you.

CHAIRMAN ARGENZIANO: Staff.

MS. ELLIS: Yes, Commissioner. Hopefully,

1 we'll address that. It may be a bit late --

2 **CHAIRMAN ARGENZIANO:** I don't know if your
3 mike is on. Is it on?

4 **MR. ELLIS:** My apologies.

5 Good morning, Commissioners. I'm Phillip
6 Ellis with Commission staff. With me today is Erik
7 Saylor of the Commission's General Counsel as well
8 as other legal and technical staff.

9 Item 5 is a recommendation by staff on a
10 joint petition by Gainesville Regional Utilities, or
11 GRU, and Gainesville Renewable Energy Center, LLC,
12 or GREC, to determine the need for a new 100
13 megawatt biomass power plant to be constructed in
14 Alachua County. GREC, LLC will construct the
15 facility and sell its full output to GRU under a
16 purchase power agreement beginning December 1st,
17 2013. Because the proposed facility is greater than
18 75 megawatts in size, it is subject to certification
19 under the Florida Power Plant Siting Act.

20 Pursuant to Section 403.519, Florida
21 Statutes, the Commission is the sole forum for the
22 determination of need for this power plant. The
23 Commission's need determination is an integral part
24 of the overall site certification process, which
25 also entails review by the Department of

1 Environmental Protection and other state and local
2 agencies and ultimately approved by the Governor and
3 Cabinet sitting as the siting board based on the
4 review of the total record.

5 In its determination of need, the statutes
6 require the Commission take into account the
7 following: The need for electrical system
8 reliability and integrity, the need for adequate
9 electricity at a reasonable cost, the need for fuel
10 diversity and supply reliability, whether the
11 proposed plant is the most cost-effective
12 alternative available, and whether renewable energy
13 sources and technologies as well as conservation
14 measures are utilized to the extent reasonably
15 available.

16 The Commission must also expressly
17 consider the conservation measures taken by or
18 reasonably available to the applicant, which might
19 mitigate the need for the proposed plant and other
20 matters within its jurisdiction which it deems
21 relevant. While the statutes make it clear that
22 each of the factors must be taken into
23 consideration, the statutes do not prescribe what
24 importance should be given each by the Commission.
25 The Commission has broad authority to determine how

1 each of these criteria may be considered.

2 The Commission has the discretion to
3 determine the need for an electrical power plant
4 based upon one or more of the qualifications above
5 so long as each has been reviewed as a component of
6 the final decision. The Commission's determination
7 of need for an electrical power plants serves as the
8 Commission's report required by Section 403.507(4),
9 Florida Statutes.

10 As previously stated, the proposed GREC
11 project is required to be certified by the Florida
12 Power Plant Siting Act. The fact that GRU is not
13 rate regulated by this Commission coupled with the
14 circumstance under which GRU has proposed to enter
15 into this joint project with GREC, LLC raises
16 certain issues unique to this case.

17 In developing our recommendation, staff
18 has attempted to take these unique circumstances
19 into account as we evaluated the need for the
20 facility under the required statutory factors.
21 GRU's current load forecast indicates that the
22 utility does not have a strict reliability need for
23 additional capacity until the year 2023, but the
24 addition of the GREC project will significantly
25 improve the fuel diversity on GRU's system. The

1 record also shows that based on current economic
2 conditions, the addition of the GREC project in 2013
3 would result in a cumulative net present value cost
4 of approximately \$100 million, although if GRU
5 resells half of the contracted capacity for ten
6 years and if pending carbon legislation is enacted,
7 the GREC project would provide a cumulative net
8 present value savings of approximately 400 billion
9 over the term of the contract.

10 The purchased power from the GREC project
11 may increase the cost of electricity for GRU's
12 customers in the first year of the project by \$4 to
13 \$18 per month. The evidence indicates that the only
14 scenarios where the GREC project could provide
15 meaningful economic benefits and mitigate the rate
16 impacts over time are if pending legislation
17 regarding CO2 emissions is enacted.

18 The record shows that the Gainesville City
19 Commission and GRU made many efforts to inform GRU's
20 customers that their rates may rise when the plant
21 is operational. Based on this public outreach and
22 the public comments received at the service hearings
23 that were held in Gainesville, it appears that the
24 citizens are in support of this project.

25 Staff is recommending that the Commission

1 approve the need for the GREC biomass facility
2 because the additional generation from the GREC
3 project will significantly reduce the utility's
4 dependence on coal and natural gas and promote the
5 development of renewable generation in Florida.

6 The GREC project may provide meaningful
7 economic benefits if pending carbon legislation is
8 enacted; therefore, the Gainesville City
9 Commission's decision to pursue the GREC project
10 provides a hedging on future regulation of carbon
11 emissions and is a result of the Gainesville City
12 Commission's and the community's commitment to
13 renewable energy sources.

14 However, the decision to construct the
15 GREC project based on the strategic concerns
16 regarding fuel diversity and carbon mitigation does
17 not come without certain risks. The determination
18 of need for a power plant must be made several years
19 in advance and based on the facts as they exist at
20 the time of the need filing.

21 If conditions change from what was
22 presented at the need determination proceeding, then
23 a prudent utility would be expected to respond
24 accordingly. For an investor-owned utility, the
25 Commission must review the prudence of the utility

1 decisions between the time that a need determination
2 is granted and the unit is placed in service. Only
3 prudently incurred costs would be allowed to be
4 recovered through rates.

5 If after a review it were found that an
6 IOU should have stopped construction or pursued a
7 more cost-effective alternative, the Commission can
8 hold the utility and its stockholders accountable
9 and adjust the IOU's rates accordingly. However,
10 the Florida Public Service Commission does not have
11 final ratemaking authority over municipal utilities.
12 As such, it is the responsibility of the Gainesville
13 City Commission to monitor the continued prudence of
14 this project and determine its ultimate impact on
15 the rates charged to its citizens.

16 Staff is here for any questions you may
17 have.

18 **CHAIRMAN ARGENZIANO:** Commissioner Edgar.

19 **COMMISSIONER EDGAR:** Thank you, Madam Chair.

20 Great overview. Thank you. Just a couple
21 of questions. First of all, I'd like to, you know,
22 certainly commend the City of Gainesville for being
23 proactive, for making such a thorough effort to
24 respond to the needs and desires of their
25 constituents and also to try to be strategic and

1 forward-looking, which is something that, you know,
2 is not easy to do, certainly, so I think that is a
3 wonderful effort. But I also want to make sure that
4 I am clear on what my/our role is in this process
5 and in this project. So that's kind of what my
6 questions are geared to.

7 Is the staff recommendation in favor of
8 this proposal or recommending approval of the need
9 based on need?

10 **MR. ELLIS:** In this instance, yes. Of the
11 statutory criteria, all of them are various types of
12 need, so the need for fuel diversity could be one.
13 Historically, I believe, there was an example that was
14 used in the briefs of the oil back-out that increasing
15 fuel diversity has benefits, and it could be a variety
16 of need.

17 **COMMISSIONER EDGAR:** Is the recommendation in
18 favor of the proposal based on cost-effectiveness?

19 **MR. ELLIS:** In this instance, the
20 cost-effectiveness is conditional. Under current
21 conditions, it will have an increase in costs to
22 customers and will not show a significant benefit over
23 the life of the contract. However, if carbon
24 legislation occurs, it will show significant benefit.
25 So it is considered -- could easily be considered a

1 hedge against this future carbon regulation as GRU is a
2 very coal-heavy utility.

3 **COMMISSIONER EDGAR:** Recognizing that this
4 Commission voted to disapprove a need determination for
5 a large plant, and it's the Glades coal proposal that
6 I'm thinking of specifically a few years ago, primarily
7 based on the determination that the cost-effectiveness
8 had not been proven, how is this recommendation
9 consistent or inconsistent with that decision?

10 **MR. BALLINGER:** I'll answer that because
11 Phillip wasn't here on the Glades case. Tom Ballinger
12 with Commission staff.

13 **COMMISSIONER EDGAR:** Thank you.

14 **MR. BALLINGER:** In the Glades need
15 determination, that was for a coal plant from FPL,
16 that's slightly different from this one. In that case
17 there was a need for reliability as far as timing of
18 the capacity. FPL had demonstrated a need to add
19 additional capacity by year certain.

20 In this case, as Mr. Ellis said, there is
21 not a reliability need by 2013 for GRU. That
22 doesn't occur until 2023, so it's slightly
23 different. In the Glades case, the
24 cost-effectiveness of the coal unit wasn't crystal
25 clear. There was a multitude of scenarios run;

1 different fuel cost scenarios, different
2 environmental cost scenarios. And obviously, if you
3 have high environmental cost and low natural gas
4 cost, a coal plant is not going to be
5 cost-effective, and that was kind of what was shown
6 there. So it was kind of an even mix of under what
7 scenario it would be cost-effective, and it really
8 came down to what did you think fuel prices and
9 environmental costs were going to be in the future.

10 That's very similar to what we have here.
11 If you believe that the carbon legislation is going
12 to come to fruition, then this project looks like it
13 will have economic benefits. If you believe that
14 those forecasts are too speculative to make you
15 comfortable, then the project is not cost-effective.
16 And, quite frankly, if that's the belief, then I
17 would recommend probably not to approve the need of
18 this case, because it doesn't show any benefit. So
19 it comes down to how do you believe on the carbon
20 forecast.

21 The recommendation that staff made in
22 Glades is consistent, I would say, with this
23 recommendation. Where we recommended approval of
24 the plant with annual reporting from the IOU back to
25 us, and that is a difference that we don't have here

1 with Glades. To require additional reporting from a
2 muni on cost-effectiveness doesn't have any input
3 because it's the City Commission's duty to monitor
4 the cost-effectiveness of the project and ultimately
5 pass those rates on to its customers.

6 As you are aware, the Commission denied
7 staff saying that the costs were too speculative in
8 the Glades to approve it, and that's where we stand.

9 **COMMISSIONER EDGAR:** And I just have one or
10 two more, and --

11 **CHAIRMAN ARGENZIANO:** Go ahead.

12 **COMMISSIONER EDGAR:** Thank you.

13 So looking at cost-effectiveness, is our
14 role different under the statute -- and I'm not even
15 sure who to pose this to, so I'm just going to throw
16 it out there -- is our role different under the
17 statute looking at cost-effectiveness and the other
18 criteria for a municipal that we don't, as has been
19 mentioned, have rate regulation authority over? How
20 is that different for an IOU than it is for a
21 municipal, realizing that for an IOU we would
22 continue to have additional on-going authority and
23 provide that level of protection in the future to
24 ratepayers.

25 **MR. BALLINGER:** I'll take a shot. I think

1 the overall purpose is the same. The way we analyze
2 the data provided to us in the hearing. We look at the
3 forecasts, we looked at them for reasonableness, we
4 test the assumptions with different sensitivities to
5 see is the project cost-effective. Even if it was a
6 municipality, if it came back that under a majority of
7 the scenarios it was not cost-effective, I think staff
8 would recommend denial of the plant. So I think from
9 that standpoint our duties are the same versus an IOU
10 versus a muni.

11 Where they differ is if we see something
12 that is speculative in nature for an IOU, we have
13 continuing monitoring and we can require some
14 additional conditions, if you will, on that to test
15 the cost-effectiveness. Also you have the threat of
16 disallowance at the tail end if a company did not
17 behave prudently and did not pursue other options as
18 the future unfolded, the Commission could take
19 action and affect rates that way.

20 But from the get-go at the need
21 determination, at least I direct my staff to look at
22 this the same as far as the dollars, where they
23 shake out. Then once you know the results, if it's
24 a muni or an IOU, you can add different conditions
25 as you see fit.

1 **COMMISSIONER EDGAR:** Thank you.

2 And, Madam Chair, thank you for the
3 opportunity for me to kind of put out there some of
4 the questions that I have been mulling over. I look
5 forward to more discussion, and I would just like to
6 say that it is obvious from the recommendation
7 before us and obviously from the presentation from
8 our staff today that they have spent lot of time on
9 this and it's very helpful. Thank you.

10 **COMMISSIONER KLEMENT:** Madam Chair.

11 **CHAIRMAN ARGENZIANO:** Commissioner Stevens,
12 and then Commission Klement, and then Commissioner
13 Skop.

14 **COMMISSIONER STEVENS:** Thank you, Madam
15 Chair.

16 I was not on board when these issues
17 began, but just to assure everyone, I have a large
18 binder up here where I went through the transcripts
19 with a highlighter and yellow stickies. And I had
20 several questions, and I appreciate Commissioner
21 Edgar bringing up a lot of those.

22 So I ran back to what am I supposed to do
23 here? And it's the determination of need, which is
24 the statute. And so we look at the criteria for
25 that. And how should I weigh each criteria and how

1 should I look at each criteria. And I've had a
2 tough time, and I've gone back and forth on this,
3 and I still want to hear from the rest of the
4 Commission. But in looking at the need for
5 reliability and integrity, you know, I can go back
6 and forth there. Adequate electricity at a
7 reasonable cost; nah, I don't think so. Fuel
8 diversity and supply reliability; probably. Whether
9 or not the plant is the most cost-effective
10 alternative available; that could be argued.

11 And I'm not going to go through the rest
12 of them. But this biomass facility, it's pretty
13 cool. I hope if it is approved that it works. I do
14 commend Gainesville for stepping out of the box and
15 pushing green alternatives and conservation, being
16 conservation-minded, and looking at alternative
17 sources for electricity.

18 I'm not positive about the woody biomass
19 and how that works in a 75-mile area, but I want to
20 listen up a little bit more before I make a
21 decision. And I also appreciate staff's time and
22 effort in this project.

23 Thank you, Madam Chair.

24 **CHAIRMAN ARGENZIANO:** Commissioner Klement.

25 **COMMISSIONER KLEMENT:** Thank you, Madam

1 Chair.

2 I agree with Commissioner Edgar, and
3 commend Gainesville for looking forward regarding
4 diversity and capacity, future capacity. I just
5 want to be sure they are not looking too forward,
6 because looking on Page 7 of the staff
7 recommendation, the table, it shows that they are
8 well above their 15 percent reserve requirements
9 until the year '23. That is a key factor for us to
10 consider, I think.

11 And I want to ask staff, is that the
12 reason for that year that they're going, that's when
13 they are scheduled to phase out Deerfield, and it
14 will cost them 83 megawatts?

15 **MR. ELLIS:** I believe Deerhaven Unit 1 is
16 going off-line in 2023, and there are several other
17 retirements of combustion turbines and one other steam
18 unit between the in-service date of this and 2023.

19 **COMMISSIONER KLEMENT:** So they would fall
20 below -- I believe, about 40 megawatts below their
21 capacity need then, right?

22 **MR. BALLINGER:** Yes. On Page 7 it says about
23 48 megawatts they would be short.

24 **COMMISSIONER KLEMENT:** Then the next
25 important year is 2031, eight years later. They retire

1 the other Deerfield and lose another 223 megawatts?

2 **MR. ELLIS:** That would be correct.

3 **COMMISSIONER EDGAR:** Given those numbers, why
4 do you think they chose 100 megawatts for this plant,
5 if they only need 50 for at least 20 years?

6 **MR. ELLIS:** I believe in the testimony, or
7 the transcripts at the hearing they describe that there
8 were advantages to building the facility early. In
9 this case, to secure a larger fuel area before other
10 biomass units had a chance to come in, as well as the
11 reduced cost per kilowatt of the plant itself by
12 building a larger unit.

13 **COMMISSIONER KLEMENT:** I'm aware that the
14 same company, I believe, American Renewables is working
15 on a nearly identical project in Hamilton County now.

16 **MR. ELLIS:** That is correct. It is also
17 within the 75-mile radius.

18 **COMMISSIONER KLEMENT:** It's within the 75.
19 So they might be competing for the same trees?

20 **MR. ELLIS:** That is a possible eventuality.

21 **COMMISSIONER KLEMENT:** So they need to move
22 now to lock up the resource to run this plant probably.

23 **MR. ELLIS:** That is correct.

24 **COMMISSIONER KLEMENT:** And is there
25 an economy of scale in operating a 100 megawatt versus

1 a 50 that allows them to generate -- the economy of
2 scale makes 100 more economical in terms of manning and
3 so forth?

4 **MR. ELLIS:** I believe that is correct.
5 Witness Regan, I believe, testified that they also
6 proposed a 60-megawatt facility, possibly 50, and that
7 the Gainesville City Commission selected the 100
8 megawatt facility due to those efficiencies of scale.

9 **COMMISSIONER KLEMENT:** So the first in the
10 door kind of scenario, is that a legitimate reason for
11 the Commission to approve this now, even though they
12 won't -- they specifically don't need the capacity for
13 another 13 or 15 years?

14 **MR. ELLIS:** I believe the concern stated by
15 Witness Levine was that other biomass projects may move
16 into the area during this period of time. There is
17 also stimulus dollars attached possibly to this project
18 if they can meet certain construction deadlines.
19 That's also set out in the contract, and there actually
20 is a delay provision. But there is advantages to being
21 the first one in the door because you can secure those
22 contracts and perhaps discourage future competitors.

23 **COMMISSIONER KLEMENT:** I would also like to
24 question -- if I may, Madam Chair?

25 **CHAIRMAN ARGENZIANO:** Yes, please.

1 **COMMISSIONER KLEMENT:** -- the choice of
2 biomass in particular as its fuel. Why that? Don't
3 they have a stake in the Crystal River Nuclear to
4 supplement their generation?

5 **MR. ELLIS:** I believe they own approximately
6 slightly over one percent of the Crystal River 3
7 Nuclear Unit, and this forecast does include the
8 uprate. With the selection of biomass, it was part of
9 a multi-year process. They went through with, I
10 believe, 37 public hearings where they were going from
11 initially a coal unit they were discussing in 2003 that
12 was rejected, and they went through a variety of
13 renewable resources. They were specifically looking
14 for biomass due to its base load characteristics.
15 Another one that was considered but rejected was
16 municipal solid waste due to environmental concerns.

17 **COMMISSIONER KLEMENT:** And I was at the
18 hearing in Gainesville and heard the testimony. But
19 just for the record, can you talk about the -- you just
20 mentioned the number of public hearings that they held
21 in which they arrived at this decision.

22 **MR. ELLIS:** I'm uncertain as to the question.

23 **COMMISSIONER KLEMENT:** How well this was
24 presented to the customers, in effect, the citizens of
25 Gainesville who are customers of this utility.

1 **MR. ELLIS:** We did ask multiple
2 interrogatories relating to the customer hearings and
3 did receive through production of documents copies of
4 information relating to those as well as the public
5 hearing we held in Gainesville on --

6 **COMMISSIONER KLEMENT:** As I recall, I think
7 they mentioned something like 35 or 36 hearings.

8 **MR. BROWN:** Yes. Shevie Brown on behalf of
9 staff. Through the testimony we heard that there were
10 about 37 public hearings that the Gainesville City
11 Commission had. There were some advertisements that we
12 saw that was put in the Gainesville Sun newspaper to
13 make customers aware of the potential rate impact of
14 this particular project, as well. They also notified
15 customers of other -- different other meetings that
16 they were having as well through television, radio, and
17 newspaper ads, as well.

18 **COMMISSIONER KLEMENT:** Madam Chair, I would
19 just like to say, I can concur with the staff
20 recommendations on this, given all the factors that
21 we're considering, commending the utility and the
22 Commission for being forward-looking and balancing
23 these factors to look ahead to a renewable resource.
24 So I can support the recommendation.

25 **CHAIRMAN ARGENZIANO:** Thank you. I just have

1 a question, Commissioner Skop, before I go to you.
2 Again, remind me when the plant would actually be in
3 existence and going and up and running, or people would
4 be paying.

5 **MR. ELLIS:** Its current scheduled in-service
6 date is December 1, 2013.

7 **CHAIRMAN ARGENZIANO:** 2013?

8 **MR. ELLIS:** Yes, ma'am.

9 **CHAIRMAN ARGENZIANO:** And the need is not
10 there until 2023?

11 **MR. ELLIS:** That is correct, for reserve
12 margin reliability.

13 **CHAIRMAN ARGENZIANO:** And one other
14 question -- for reliability --

15 **MR. ELLIS:** Correct.

16 **CHAIRMAN ARGENZIANO:** -- is not until 2023.
17 So people would start being charged, which is not under
18 our jurisdiction, in 2013.

19 **MR. ELLIS:** That would be correct, yes,
20 ma'am.

21 **CHAIRMAN ARGENZIANO:** One other question. In
22 any of the service hearings, customer hearings, was
23 there any concern or anyone speaking to the fact of
24 sustainability of biomass? And as Commissioner Klement
25 talked about before, the Hamilton County's plant and

1 then you have paper mills that are in the same
2 business. And I understand this Commission had a
3 presentation when I first got here about the unreliable
4 prediction for biomass for these type -- and I'm all
5 for renewable energies. I love it and think it's
6 great, but I have a real concern about sustainability
7 especially with competition. What the heck is the
8 plant in Perry, the paper mill?

9 **MR. ELLIS:** I believe Buckeye.

10 **CHAIRMAN ARGENZIANO:** Buckeye; of course.
11 And Hamilton County and other facilities. So was there
12 anything brought up about sustainability? Because if
13 carbon credits are not something in the future, and
14 they probably are, but if they are not -- and even if
15 they are, I would believe that if you can't get the
16 biomass and you have to go farther and farther to get
17 it, the cost is going to increase tremendously. So I
18 need to know if there were any real -- any comments
19 about the sustainability of keeping that plant going.

20 **MR. ELLIS:** I believe there was at least one
21 customer witness who testified as to concerns regarding
22 sustainability. There were others who did testify that
23 there was sufficient biomass. There has also been
24 multiple studies conducted that show that there should
25 be sufficient biomass with reasonable levels of

1 competition.

2 **CHAIRMAN ARGENZIANO:** Do you have any of
3 those studies to show me? Because when I was chair of
4 ag, we had a real concern that biomass -- and we were
5 looking forward to biomass, but we had a real concern
6 for its sustainability, and the Senate found that it
7 may be a problem. My committee had found that it was a
8 problem. And I would love to have some of those
9 studies, because I am a supporter of renewable energy,
10 but I would love to know, though. In making a need
11 determination, it would be nice to know if it's just
12 hearsay or if we have some real good evidence that it
13 can be sustainable without putting other businesses out
14 of business also.

15 **MR. SAYLER:** Madam Chairman, Erik Sayler for
16 Commission legal staff. I know that studies were
17 referenced in both the public hearing in Gainesville
18 and also in public testimony here. But as far as I'm
19 aware, I do not believe any of those studies are in the
20 record. They were just referenced, but they were not
21 placed into the record of this particular need
22 determination.

23 **CHAIRMAN ARGENZIANO:** Let me ask you this
24 question. How do we make a determination on -- because
25 part of the criteria is sustainability, and that's a

1 big -- that, to me, is a big issue when it comes to one
2 that has been recognized as having maybe supply
3 reliability. And if we don't have that, what has staff
4 done to ensure or to make me feel better that that is
5 part of something I have to decide here that it would
6 be reliable?

7 **MR. BALLINGER:** Since this is a purchased
8 power agreement, really you're looking at it from the
9 contractual arrangements that are in the contract. And
10 if GREC does not get the biomass where it can produce
11 energy, then GRU can be relieved of the contract. So
12 they are not bound by -- unlike if it was an actual
13 utility ownership, then I think you would look at
14 sustainability.

15 **CHAIRMAN ARGENZIANO:** But that's after the
16 customers have already paid for a system that may not
17 function?

18 **MR. BALLINGER:** They are paying as the costs
19 are incurred, if you will. So it's unlike a utility
20 asset where the whole asset goes in base rates and you
21 start paying for it. Since this is a contract, it's a
22 year-by-year thing.

23 **CHAIRMAN ARGENZIANO:** Okay. So then if there
24 were -- well, obviously the plant would then be built,
25 and if there were problems with reliability or

1 sustainability, the plant would be rendered moot or it
2 would become more expensive to operate?

3 **MR. BALLINGER:** Correct. And I think then
4 you would see the parties go back together, probably
5 renegotiate a contract, try to work something out, of
6 that nature. So it's slightly different than a utility
7 ownership where you would look at a secure fuel supply.
8 Let's say like a natural gas plant, you would have to
9 look do they have long-term gas contracts or at least
10 letters of intent to get the gas supply reliability.
11 Also, since this plant is not being -- the need for it
12 is not for reliability need --

13 **CHAIRMAN ARGENZIANO:** Say that again.

14 **MR. BALLINGER:** We're using need, and it
15 covers many things. The primary purpose of this plant
16 is not for reliability needs.

17 **CHAIRMAN ARGENZIANO:** Well, part of the
18 criteria I have to look at is reliability.

19 **MR. BALLINGER:** Yes, ma'am.

20 **CHAIRMAN ARGENZIANO:** So then what you are
21 telling me, if the plant is not for reliability, and
22 you are saying there is no need for it right now, then
23 why am I even looking at it?

24 **MR. BALLINGER:** There's other needs. There's
25 fuel diversity needs, which are required under the

1 statute. There is the potential economic benefits,
2 which are required under the statute.

3 **CHAIRMAN ARGENZIANO:** But that's where the
4 other things come in, and fuel diversity and looking at
5 those things, which I approve of, I mean, I agree, but
6 those other things come into play. Sustainability of
7 diversity and other issues, so it is to be applied
8 here. It's not that it's not. You know, I think it
9 needs to be applied here. I'm just trying to find --
10 I've been looking at -- when I look at staff's, it
11 says, well, the company does not have a reliability
12 need, and you are saying it has other needs, other
13 criteria, and those other criteria and one of them are
14 the ones where I have a concern is the sustainability
15 and reliability.

16 So in making a determination, one I look
17 at is, well, there is no need for reliability now,
18 but there is a need for reliability if you're
19 picking diversity, if it's not sustainable.

20 **MR. BALLINGER:** And I don't know if this
21 helps or not. What we looked at in this case is in the
22 record there was testimony that there have been studies
23 done, multiple studies, University of Florida, other
24 outside interests have said that there is --

25 **CHAIRMAN ARGENZIANO:** Right. But that's

1 hearsay to me, I don't have any confidence in what the
2 record says. There have been studies on both sides.

3 **MR. BALLINGER:** I understand.

4 **CHAIRMAN ARGENZIANO:** Let me ask you this.
5 Let me ask you this. What is the primary source, is it
6 leaves and branches or something, the woody biomass
7 that's coming from a particular area?

8 **MR. BALLINGER:** I believe so. It's
9 potentially logging leftovers within the -- the bulk of
10 it is -- or another part is going to be mill residue,
11 old pallets from places could be -- tree trimmings that
12 utility crews do when they trim distribution lines,
13 they would buy those trimmings, as well.

14 **CHAIRMAN ARGENZIANO:** So, I mean, there are
15 some areas where other, maybe like Buckeye and other
16 plants, paper mills and so on that are not competing,
17 maybe, for the same exact source.

18 **MR. BALLINGER:** Yes.

19 **CHAIRMAN ARGENZIANO:** I mean, it's still
20 woody biomass, but maybe not the same --

21 **MR. BALLINGER:** My understanding is it's not
22 going to be whole trees harvested to fuel this plant,
23 it's going to be the stuff that is typically done after
24 logging operations that are left over that are either
25 burned out in the open or hauled to a landfill.

1 **CHAIRMAN ARGENZIANO:** And that helps. As we
2 have heard here before that there aren't enough trees
3 or acreage to go along. So when you think about it in
4 the long run, if it's products from those trees that
5 are going somewhere else, they may also dwindle away
6 with the trees.

7 All right. Thank you.

8 Commissioner Skop.

9 **COMMISSIONER SKOP:** Thank you, Madam Chair.

10 I have a few questions for staff, and then
11 I have a few of my own comments. And I greatly
12 appreciate the discussion from my colleagues. I
13 think everyone has raised some very excellent
14 points.

15 **CHAIRMAN ARGENZIANO:** You're recognized.

16 **COMMISSIONER SKOP:** I'm really impressed with
17 the discussion. To staff, on Page 23 of the staff
18 recommendation, in the first paragraph staff concludes
19 that the cumulative present worth analysis conducted by
20 GRU provided no clear answer to the economic viability
21 of the project. And staff noted briefly the following
22 concerns: The lack of filler units, the variability in
23 retirement dates, the high amount of market purchases,
24 and unusually high capacity factors for peaking
25 resources, and the fact that they are looking to

1 purchased power in the analysis that was done instead
2 of the next unit that they would build in sequence.

3 Can staff quantify what these variables
4 may do to the overall, you know, analysis that was
5 presented? I think that if things go right there
6 may be 400 million in cumulative net present value
7 revenue and 100 million to the down side if things
8 don't go right. So how would these intangibles --
9 well, actually they are not really intangibles.
10 They are actually really good questions, but how
11 would these influence that staff analysis to
12 determine whether the -- or impact the economic
13 viability of this project.

14 **MR. ELLIS:** I think what the concern is the
15 certainty of those numbers. The analysis done by GRU,
16 approximately by 2031 due to the retirement of
17 Deerhaven Unit 2, there is a large increase in market
18 power, which shifts the costs. In that year, there is
19 a significant change in the analysis, or it's steady up
20 to that point and then it has a sudden jump.

21 And as a result, the total values toward
22 the end may be different from the 100 and the 400
23 presented. In the carbon regulated scenarios, at
24 that point it's already showing significant savings
25 years before. Whereas in the without carbon

1 regulation scenarios it is still showing costs, and
2 actually even with this jump, it shows costs
3 until -- actually for the duration of the contract
4 without resale, and with resale only in the last
5 three years does it show a benefit.

6 **COMMISSIONER SKOP:** But typically if you had
7 a unit that would be retired, you would replace that
8 unit with your own either peaking, intermittent, or
9 base load generation as opposed to going out and
10 basically entering into a contract for purchased power
11 of a base load unit, is that --

12 **MR. ELLIS:** That would be correct.

13 **COMMISSIONER SKOP:** So, basically, the GRU
14 analysis has some atypical assumptions in it.

15 **MR. ELLIS:** That would be correct, yes.

16 **COMMISSIONER SKOP:** So that was yes?

17 **MR. ELLIS:** Yes.

18 **COMMISSIONER SKOP:** All right. The other
19 question I had is the likelihood of this project being
20 built in time to qualify for the investment tax credit.
21 And has staff quantified the impact of that as it
22 pertains to the present value analysis?

23 **MR. ELLIS:** Yes, Commissioner. If the
24 facility is unable to receive the investment tax
25 credit, according to the contract they will have to pay

1 approximately \$8.10 additional per megawatt hour. And
2 using GRU's discount rate, that produces approximately
3 \$88 million cumulative impact under the resale scenario
4 and \$112 million under the no resale scenario.

5 **COMMISSIONER SKOP:** Okay. So was that
6 factored when the -- under the scenario proposed rate
7 impacts, would that be in addition to those impacts
8 that you mentioned, so bills could even go higher than,
9 I believe, \$18.

10 **MR. ELLIS:** That would be in addition. I
11 believe the amount is approximately one dollar and a
12 quarter, and it decreases over time.

13 **CHAIRMAN ARGENZIANO:** Commissioner Skop,
14 could you do me a favor and ask that question again? I
15 didn't get the full question. I got the answer, but I
16 didn't get the full question.

17 **COMMISSIONER SKOP:** What I'm saying here is
18 essentially there seems to be -- in order to qualify
19 for the convertible investment tax credit and the
20 assumptions that are used, on Page 24 staff states --
21 actually where is -- okay, I think on Page 24 in the
22 first full paragraph it talks about the proposed rate
23 impact and, you know, if things go right, it's going to
24 be a low dollar a month, and if things go terribly
25 wrong and the assumptions don't hold true, then

1 ratepayers are going to see their bills go up by \$18 a
2 month beginning in, I believe, 2013 or 2014, is that
3 correct?

4 **MR. ELLIS:** 2014, correct.

5 **COMMISSIONER SKOP:** What I'm saying is there
6 is a piece that is kind of hidden behind the window on
7 this one and that involves the convertible investment
8 tax credit. And if the plant is not placed in service
9 in time to qualify for that, which is built into these
10 numbers, then these numbers may, in fact, go up because
11 the cost of the project is, I think staff mentioned, \$8
12 more than what is projected in these numbers.

13 **MR. ELLIS:** That would be correct.

14 **COMMISSIONER SKOP:** Does that help you,
15 Commissioner Argenziano?

16 **CHAIRMAN ARGENZIANO:** Yes.

17 **COMMISSIONER SKOP:** So there is a little bit
18 of an inherent risk there that's based on the
19 contractual language. It really isn't kind of fleshed
20 out, and I wanted to kind of hit on that. Because if I
21 understand the analysis is that we are dealing with the
22 ideal situation, but if something on that well-traveled
23 road goes wrong, we may be looking at a much bigger or
24 more pronounced rate impact on a monthly basis, is that
25 correct, staff?

1 **MR. ELLIS:** That is correct, sir.

2 **COMMISSIONER SKOP:** All right. I don't want
3 to belabor the point with staff's analysis. I think
4 that they raise some very good issues. I commend staff
5 for their work. I think that the result -- they used
6 their best judgment weighing the statutory criteria,
7 and they also, you know, articulated some of the many
8 risks that are inherent within this proposed need
9 determination.

10 I think some of the risks are understated,
11 and it's no fault of staff, but I think that in
12 terms of how the Commission approaches this, we need
13 to take a little bit more of a critical look at
14 that. And, so, Madam Chairman, I think that's the
15 only questions I had for staff, and I will proceed
16 with my comments.

17 But I would equally, as my colleagues
18 have, commend GRU, the City of Gainesville, and
19 Mayor Hanrahan for being very forward-looking and
20 pursuing renewable energy alternatives. I think in
21 this case sometimes you have to be candid and
22 critical and this is one of those times.

23 The approval of this project goes against
24 every aspect of my better judgment. And I think the
25 staff has noted that this Commission would not

1 approve this project for an investor-owned utility
2 based upon the record evidence. And, you know, in a
3 nutshell -- well, actually in the instant case, GRU
4 and the City of Gainesville are taking a huge risk
5 with the ratepayer money, and the risk as
6 articulated by staff throughout the staff
7 recommendation is you have a 66 percent reserve
8 margin currently when they are making this request.

9 And putting that into context for layman's
10 terms, that's like having six cars in your garage,
11 and you only drive one car every day, and then
12 wanting to go out and buy a brand new car that you
13 really don't need yet. So that's a problem in
14 itself. And that sole criteria, I think, would
15 factor prominently into why we would deny an
16 investor-owned utility's request on the same basis.

17 The other point that has been mentioned by
18 my colleagues, and I commend Commissioner Stevens,
19 Commissioner Klement, and others for making this
20 point. There is no need for additional base load
21 generation until 2023, and that's way out in the
22 future. So, again, I think that GRU and the City of
23 Gainesville may be getting -- wanting to do the
24 right thing, but I think they are getting way ahead
25 of themselves in terms of looking at this. On

1 page -- one of the pages of the staff
2 recommendation, the staff indicated that the city
3 had considered this fully, and they may have, but,
4 again, I think these risks are worth repeating and
5 making very prominent.

6 The size of the plant. I think
7 Commissioner Klement brought this up and Chairman
8 Argenziano. You know, is the size of the plant
9 appropriate? Could you have done it with a smaller
10 plant to help improve your fuel diversity and other
11 things? The status of carbon legislation. Again,
12 speculative at best. We don't know what's going to
13 happen there, neither does the City of Gainesville.
14 It's good to be forward-looking into the curve, but
15 you need to do that in the totality of all the
16 decisions that factor into this.

17 Deferral of the plant. Again, I would
18 feel more comfortable approving this project if
19 there were a demonstrated need for capacity in the
20 near future. There is none until 2023. It's way
21 out in the future. You know, one of the best
22 practices would have been perhaps deferring this
23 plant until you had a legitimate need, given the
24 huge surplus of reserve that you currently have of
25 generation.

1 You know, looking at other alternatives,
2 combined cycle, that may be more cost-effective on a
3 near-term basis over the long run, or plug-in for
4 intermittent power. You know, just as Commissioner
5 Stevens has mentioned, I think that he put it
6 probably better than I could. I'm struggling for
7 words here, but weighing the statutory criteria,
8 Commissioner Edgar mentioned this also, what are we
9 supposed to do as a Commission? This one is really
10 atypical because it involves a municipality and it
11 is not as clear-cut.

12 I do somewhat concur in the result of the
13 staff recommendation to grant approval of the need
14 determination based upon the GRU petition. But,
15 again, my reasoning in that, and it's a very
16 difficult decision, is weighing the statutory
17 criteria. It's a real stretch to get you there on
18 some of the criteria. I mean, Commissioner Stevens
19 hit that nail on the head. Some of the criteria you
20 just can't get there. It's basically fuel diversity
21 is the only thread to hang on.

22 The Commission, as properly noted by staff
23 at the bottom of Page 25, does not have rate-setting
24 authority over GRU, and any ultimate rate impact
25 would be the result of the City of Gainesville's --

1 the Commission's policy decisions in that regard.
2 Looking at this and trying to decide, you know, how
3 I feel about it, again, GRU and the City of
4 Gainesville obviously want to go down this path.
5 Some would say that this is a very imprudent path
6 for both the city and GRU. And the reason for that
7 is there is many assumptions here.

8 A lot of the contracts and some of the
9 aspects of this project are not fully definitized at
10 the present time. This project really still has a
11 lot of open ends to it. The risk is not fully
12 mitigated. And everything has to go perfect for
13 this project to be economically viable, otherwise
14 it's going to cost ratepayers at least \$100 million.

15 So at least from my perspective, it's not
16 for me to, you know, impart my judgment. I look at
17 the statutory criteria. It's not crystal clear
18 there. A lot of ambiguity, but at the end of the
19 day it is really not for me to tell the City of
20 Gainesville what they should do or what they should
21 not do. But, equally, I don't feel that the
22 Commission should take the blame if GRU and the City
23 of Gainesville fails to execute and fails to
24 mitigate all of this risk.

25 Again, they are taking a huge risk with

1 the ratepayers' money here. So I think that if the
2 Commission does decide to move forward with granting
3 approval of this need determination, that the
4 Commission should clearly distance itself from some
5 of the risk inherent with this project, and at a
6 minimum the Commission order should be written to
7 have a section entitled risk mitigation clearly
8 identifying the risks and clearly identifying why
9 it's incumbent not only upon GRU, but on the City of
10 Gainesville to take action to mitigate this risk
11 before they proceed with the construction of this
12 project.

13 I think the risk is substantial. And to
14 do so and to go on this path without mitigating that
15 risk is to be done at their own peril. And at the
16 end of the day if this project is approved and they
17 go forward with it, the City of Gainesville and GRU
18 would have no one but themselves to blame if things
19 go wrong. But, again, it is a real tough decision
20 for me.

21 **CHAIRMAN ARGENZIANO:** Commissioner Klement.

22 **COMMISSIONER KLEMENT:** Thank you, Madam
23 Chair.

24 Regarding risk, certainly there is risk,
25 and I believe that the Gainesville City Commission

1 and Mayor are aware of that and are aware that they
2 will pay for that risk if some of the scenarios
3 occur at the polling place, at reelection time.
4 They are staking, essentially staking their
5 political careers on this as they move forward
6 probably into the next term that any of them will
7 seek. And GRU and this Commission already has a
8 commendable record of taking risks with their
9 feed-in tariff on solar. They were the first in the
10 state and among the first in the country, if not the
11 first to go into this with a large commitment. And
12 as I understand it, it was over-subscribed within a
13 very short period. It is over-subscribed now.

14 I think this is a direction that I wish
15 that more utilities would go regarding solar. I
16 think that as far as the 50 percent -- 50 megawatts
17 versus 100, the fact that they are selling 50, or
18 they propose to sell 50 percent of it for the first
19 few years, it will take the place of those customers
20 of that purchased power buying power from another
21 utility that eliminates the need to consume that
22 fuel. So they are filling a nonrenewable resource,
23 perhaps, with a renewable resource generating
24 capacity.

25 **CHAIRMAN ARGENZIANO:** Commissioner Edgar

1 first and then Commissioner Skop.

2 **COMMISSIONER EDGAR:** Thank you, Madam Chair.

3 A couple of things to try to put some of
4 these comments into context in my own mind. The
5 first is Commissioner Klement earlier in the
6 discussion mentioned the need perhaps to lock up
7 contracts for the fuel resource for the proposed
8 facility. On the other side -- excuse me, on the
9 other side of the process, what is the status of
10 contracts in hand, or close to being in hand, or
11 being negotiated for use of the product when,
12 indeed, the plant is operational?

13 **MR. SAYLER:** Commissioner Edgar, my
14 understanding from the testimony is that they don't
15 have any signed contracts. Their testimony indicated
16 that they were in the posture of negotiating these
17 contracts, but hadn't inked them yet because they are
18 awaiting the outcome of this Commission's decision on
19 their determination of need, but they say they are
20 close.

21 **MR. BALLINGER:** And that's not unusual for a
22 power plant need determination. It is so many years in
23 advance that you will go through some of this
24 permitting first before you actually sign up fuel
25 contracts.

1 **COMMISSIONER EDGAR:** I guess from 2010 to
2 2013 doesn't necessarily strike me as so many years,
3 but just the comment that contracts for use of the
4 product prior to it being necessarily needed in the
5 area would also be an additional protection, I think,
6 to the ratepayers that would be contributing to the
7 facility in advance of its local need.

8 More general, and I really appreciate the
9 comments of Commissioner Skop as to what is -- my
10 words, what is our role, which is something that I
11 touched on when we started this discussion today,
12 and something that I am still grappling with. I do
13 believe that it is appropriate to give deference to
14 a local government who is obviously closer to the
15 people who will stand for election, as Commissioner
16 Klement has pointed out, who know the needs and
17 desires of their constituency.

18 But I also then come back to what is our
19 role? Is it to basically bless a request from a
20 municipal that comes before us because they are a
21 local government and have all of those aspects that
22 are different than an IOU, or is it to -- well, let
23 me just put it there. Is our role -- and I know we
24 have talked about this earlier, but I'm still
25 obviously grappling with it -- what is our role

1 vis-a-vis a municipal that is coming forward to us
2 for a need determination, and specifically, in this
3 instance, that the balancing is debatable?

4 **MR. SAYLER:** Commissioner Edgar, I'll take a
5 stab at this. My understanding is that whether it's a
6 muni or an IOU, we weigh all the factors similarly.
7 It's just when it comes to the assignment of risk,
8 which there is risk involved with this particular
9 purchased power agreement with the IOU, the Commission
10 has more power, or authority, or discretion to assign
11 risk to the shareholders, whereas in a municipal or an
12 electric cooperative the shareholders in that situation
13 are the customers themselves. So we don't have the
14 same ability to assign the risk. So in approving this
15 then, essentially, all the risk has then been assigned
16 to the customers of the utility.

17 Did that answer your question? But we try
18 to weigh them similarly, it's just with an IOU we
19 have more flexibility of what we can and cannot
20 require.

21 **COMMISSIONER EDGAR:** I guess I would put
22 forth, to state the obvious, perhaps, that that
23 balancing of circumstances and factors and criteria for
24 me, anyway, you know, may be different for a municipal
25 facility than it would for an investor-owned utility,

1 realizing that there is some ambiguity and room for
2 judgment within the statute. What precedent, if any,
3 would approval of this facility by this Commission
4 potentially be setting for the future?

5 That's okay. Take a moment.

6 **UNIDENTIFIED SPEAKER:** (Inaudible.)

7 **COMMISSIONER EDGAR:** I don't know who I'm
8 directing it to.

9 **MR. BALLINGER:** I don't know that it would
10 have a precedent. And let me also take this
11 opportunity to remind you that the need is only one
12 part of a three-stop process for ultimate
13 certification. It's always a balance between the
14 environmental impact of a proposed power plant, the
15 need, be it how it is defined here, all the way from
16 reliability need to fuel diversity needs, which is
17 ultimately weighed by the Governor and Cabinet.

18 **COMMISSIONER EDGAR:** Absolutely. But what
19 I'm trying to get at, again, is what is our role,
20 realizing that there are other forums.

21 **MR. BALLINGER:** Right. And I think our role
22 here, as Erik said, I think we evaluate it the same.
23 If this had been an IOU, I think our recommendation
24 would be different. It probably would still be to
25 approve it, but with certain conditions that would

1 shift the risk to the IOU's stockholders, because it is
2 taking a risk on certain things happening and doing it.
3 We don't have that luxury here with a muni.

4 **COMMISSIONER EDGAR:** Have we done that in the
5 past?

6 **MR. BALLINGER:** Yes, we have.

7 **COMMISSIONER EDGAR:** Can you give me an
8 example?

9 **MR. BALLINGER:** We have -- let's see, a need
10 determination. There was one case with TECO. It
11 wasn't in the need determination, but part of the
12 cost-effectiveness for their Big Bend unit was premised
13 on them selling some of the capacity for a few years to
14 other IOUs. That went into the cost-effectiveness, the
15 dollar amounts. The need was blessed by the Commission
16 and they went forward. When they came back to put the
17 plant in base rates, it was found that the contracts
18 didn't materialize. TECO had an excess amount of
19 capacity, so the Commission created an incentive
20 program that says we are going to remove some of the
21 asset from base rates and put it on your wholesale side
22 to give you an incentive to go market that power now on
23 the wholesale, and if you sell it you can keep more of
24 the profit. So the Commission had that authority to
25 kind of review how TECO managed the project as it went

1 along and took action on the back end.

2 **COMMISSIONER EDGAR:** Okay. And that decision
3 predates me, so it's not one that I'm very familiar
4 with. But, thank you.

5 **MR. BALLINGER:** It predated me, too.

6 **COMMISSIONER EDGAR:** But that is not -- is or
7 is not that protection or that additional step, again,
8 to give some additional protection, that is not
9 something that is available to us as a Commission,
10 realizing that this is a municipal.

11 **MR. BALLINGER:** Correct. I think
12 Commissioner Skop is exactly on point that GRU is
13 taking the risk and they bear the risk.

14 **COMMISSIONER EDGAR:** Thank you.

15 **CHAIRMAN ARGENZIANO:** Commissioner Skop.

16 **COMMISSIONER SKOP:** Thank you.

17 I just wanted to respond to Mr.
18 Ballinger's comment, and I think the same comment
19 was expressed by Mr. Sayler. You know, GRU is
20 taking the risk, but the Commission is equally
21 taking the risk without distancing itself from this
22 abundance of risk in terms of if the Commission were
23 to move forward with granting approval of the need
24 determination. I think that, as I have stated in my
25 comments, it would be incumbent upon the Commission,

1 I believe, to clearly outline in expressed language
2 the many risks associated with this project and how
3 the City of Gainesville, and city leaders, and GRU
4 need to be cognizant of that risk and actively
5 mitigate that risk on behalf of GRU's ratepayers.

6 I mean, I'm actually a GRU ratepayer. I
7 have previously self-disclosed that. But, again,
8 the rate impact here, if things go wrong, could be,
9 you know, \$18-plus to the average household. That's
10 a big impact.

11 So, again, that's a huge chunk of risk. I
12 would feel much for comfortable about this if GRU
13 had a near-term need for base load generation. I
14 don't think I would have any qualm in the world of
15 granting this need determination. It would promote
16 diversity, there would be not only a reliability
17 need, but a need based on generation. But here that
18 need is way in the distance future.

19 And I don't see things that would lead me
20 to believe that the city nor GRU has fully
21 appreciated the risk to the ratepayers, because if
22 that were the case, they would have already come to
23 the need determination with contracts in hand signed
24 and executed to purchase the power. They would have
25 already developed a plan to mitigate the risk by

1 entering into power purchase agreements for their
2 excess generation and capacity, and none of that has
3 been done. Those are still the intangibles that
4 have not been fully definitized and provide
5 substantial risk to the ratepayers and also to this
6 Commission by the situation we are being asked to
7 approve this project.

8 **COMMISSIONER KLEMENT:** Madam Chair.

9 **CHAIRMAN ARGENZIANO:** Commissioner Klement.

10 **COMMISSIONER KLEMENT:** I appreciate my
11 colleague's concern for the blame coming to us, but I
12 believe that customers of any utility understand where
13 their bills come from and who approved it. I don't
14 blame the PSC if my Tallahassee power bill is higher in
15 January. I blame Tallahassee or myself for turning the
16 heat up too high.

17 So I think that the Gainesville customers
18 will understand that if they do get in the position
19 that is possible that they will look to their city
20 commissioners and mayor and say why did you do this,
21 and they will have to defend it.

22 I don't know if it's necessary to read the
23 statute that spells out what our role is here. It's
24 403.519, it has been alluded to, but perhaps we
25 could read the whole thing or just state the basis.

1 In making its determination the Commission, that's
2 PSC, should take into account the need for electric
3 system reliability and integrity, the need for
4 adequate electricity at a reasonable cost, the need
5 for fuel diversity and supply reliability, whether
6 the proposed plant is the most cost-effective
7 alternative available, and whether the renewable
8 energy sources and technologies as well as
9 conservation measures are utilized to the extent
10 fully possible. I believe that balancing all of
11 these factors, this proposal is justified.

12 **CHAIRMAN ARGENZIANO:** Thank you. I'm going
13 to make a couple of comments, and then if any other
14 Commissioners want to, Commissioner Stevens,
15 Commissioner Edgar. You know, I commend GRU for trying
16 to, you know, go to more renewable sources. Their
17 existing sources are coal-fired, and they need to
18 reduce those emissions, so I commend that. My concern
19 is that it may be at a time that is just too far in
20 advance of any legislation that is passing for the
21 carbon reduction issues, number one. And in doing so,
22 I look at both sides of that. GRU is trying to hedge
23 against something in the future that could be very
24 beneficial if they are on target. But when I say if --
25 when I read through staff's recommendations and I read

1 through the statutes for the need determination, there
2 is an awful lot of ifs, and that is the scary part
3 because they need to move forward. And if they hedge
4 right, I mean, it could be a good -- it's like a
5 gamble.

6 My concern is maybe it should just wait
7 because when I look at is there a need for
8 reliability right now? No. Is there a need for
9 diversity? Yes. But is this the diversity that
10 would be most cost beneficial in the long run, and I
11 can't answer that now because there's too many ifs.
12 And given the risks, and just given the risks that
13 are here, I'm not sure I feel comfortable that it's
14 the right time.

15 I commend GRU for thinking ahead of time,
16 but maybe they are too far ahead of time. Maybe
17 there needs to be more of either something passes at
18 our federal level that says this is the way to go,
19 or a different diversity, a different renewable
20 needs to be looked at in the interim that has less
21 risk. But it's a hard one because if the hedge is
22 right, and you have to want to understand how GRU
23 wants to be less dependent on those coal-fired.
24 And, of course, looking at the statute, the first
25 thing that comes to mind is there is no reliability

1 need. It's not there. Staff says it.

2 The diversity needs is there, I grant GRU
3 that, and want to see that diversity just as much as
4 most people do. But according to the statute also
5 with cost efficiencies, I'm not sure it answers or
6 meets that yet, so I have real concerns there.

7 **COMMISSIONER KLEMENT:** Madam Chair.

8 **CHAIRMAN ARGENZIANO:** Excuse me one second.
9 The risk is \$100 million. That part does belong to GRU
10 and those political -- I'm not looking at political,
11 because, you know, politicians come and go, and by the
12 time year 2023 is around those people won't be around
13 or probably won't be around to answer their
14 constituents. And that's their concern. I'm looking
15 at what I need to look at today. And in the statute,
16 while Commissioner Klement is right to some degree, it
17 also says cost efficiencies and it also says
18 reliability as far as sustainability to me of that
19 diversity. And I have just so many questions.

20 I think even though the staff recommends
21 yes, there's red flags all through staff's
22 recommendation, and I see it all through there. It
23 would be incumbent upon me to pay attention to those
24 red flags because they mean something. After all,
25 if they didn't mean something, even though we do not

1 regulate the rates of GRU, if they didn't mean
2 anything it wouldn't be here in front of us today.

3 So, I say, GRU, I commend you. I think
4 it's admirable. I'm just not sure that you're not
5 too far ahead of the game. And, you know, if the
6 hedge came out right, what a gamble, and what a
7 great, I think, ending it would be for those
8 customers of GRU's. So you can't say they are not
9 doing a good job by going ahead and looking at that
10 diversity and trying to remove their reliance on the
11 coal-fired plants.

12 But with the reasons that I stated and not
13 knowing where carbon legislation is at this point, I
14 just don't see that we meet the rest of the
15 definition in the statute as far as the need
16 determination. All the other things, that's not for
17 me as a Commissioner to look at. So that's where
18 I'm at.

19 Commissioner Klement, and then I think
20 Commissioner Edgar, and Commissioner Stevens.

21 **COMMISSIONER KLEMENT:** Thank you, Madam
22 Chair.

23 With all due respect to the Chair, what
24 renewable, what other renewable might they be,
25 consider in the future, if not but this biomass?

1 They already are doing a lot in solar, so we can
2 commend them and they'll probably expand that.

3 **CHAIRMAN ARGENZIANO:** Aha. Exactly. And I
4 agree and that's my point, they are doing other things
5 in diversity. So I can look at that and say they're
6 not doing -- not that they're not doing anything. And,
7 you know, there are all kinds of renewables out there.
8 And knowing what I know about biomass, it just makes me
9 feel -- I think it's a great way to go if you have the
10 answers there for me to look at too at the same time.

11 So while they're looking at -- and I
12 commend them again on the solar and other issues,
13 they're not like they're zero at diversity. They're
14 already diverse. I still go back to is there a need
15 for this now? And the risk doesn't outweigh the
16 answer that there's no need. I mean, the risk is a
17 hundred million dollars, and at this point I don't,
18 I just don't see it happening now.

19 **COMMISSIONER KLEMENT:** If the, excuse me, if
20 the -- if they're not, if they're not allowed to move
21 ahead with this, the resource might be gone. The, the
22 contracts for the wood pulp and the wood waste products
23 could be tied up by someone else and then this will not
24 be an option for them.

25 **CHAIRMAN ARGENZIANO:** I understand that,

1 Commissioner Klement. That may make my point even
2 further that there's not enough biomass out there for
3 everybody. And it's really not -- I don't think it's
4 up to me to look at other companies or other
5 competition for that biomass right now for other areas.
6 I just need to look at what's in front of me. I
7 understand what you're saying and that could happen. I
8 would hope that GRU does not -- depending on whatever
9 the outcome is, they may get this today, I don't know.
10 If they don't, I would hope they don't stop looking at
11 it because I'm not saying it's a bad project. I'm
12 saying it may be before its time and there may be too
13 many ifs to go ahead with it right now.

14 I hope that as things progress and as they
15 get closer maybe to making a decision at the federal
16 level on the carbon legislation as well as some
17 other things that GRU progressively moves forward.
18 If they should find that the Hamilton Counties and
19 other places have built plants, well, then that's
20 the way the cookie crumbles and there's, you know,
21 it's unfortunate. But I'm not going to base my
22 decision today on all the ifs and the risks involved
23 on the possibility of that biomass not being there
24 in the future.

25 I have a feeling that GRU will either move

1 forward with it, if they don't it get today, if it,
2 if there's the biomass out there -- if it's not out
3 there, then it's not the right thing for them to
4 do -- or move forward with other alternatives. I
5 have no doubt about that.

6 I wish it was the right time, but I
7 just -- and me, I just can't feel that right now it
8 is the right time. And I think -- I don't want to
9 make it look like bad GRU. I think it's wonderful
10 because the truth is if the hedge, and it does, it
11 comes -- I mean, that could be wonderful and it
12 could have been a very smart idea, but it's just too
13 heavy on this side right now. And the red flags
14 that I see throughout the recommendation of staff's
15 here just makes me take a step back.

16 **COMMISSIONER KLEMENT:** I respectfully again
17 disagree. I think it will send the, the wrong message
18 to other utilities and to the people themselves in
19 Florida about the PSC's commitment to renewables. And
20 even -- I mean especially for the fact that the
21 political price of this will be paid by the City
22 Commission and not this Commission if this proves to be
23 a bad decision.

24 **CHAIRMAN ARGENZIANO:** Well, Commissioner
25 Klement, I --

1 **COMMISSIONER KLEMENT:** And it will rectify
2 itself within that utility, not within the
3 investor-owned utility.

4 **CHAIRMAN ARGENZIANO:** And you are entitled to
5 your opinion. And I wholeheartedly disagree with the
6 fact that it sends a message that this Commission is
7 against renewables. We fought at this Commission for
8 the RPS, which included renewables. There is nothing I
9 want more for my children and their children and the
10 future of this country to see renewables integrated as
11 a personal opinion. But to say that it sends a
12 message, no, it doesn't. I understand where your
13 concern would be and I'd be concerned too, but there
14 are other mitigating factors that have to be looked at.
15 That's our job here.

16 And I, and I respectfully disagree with
17 you that just because we want renewables to move
18 forward doesn't mean that we just say, here, just
19 because you asked here it is. There are too many
20 other red flags that have me stopping right now. I
21 wish they weren't there because I really want to
22 move forward with renewables. I think the country
23 is way behind on renewables and I'm a strong
24 proponent of renewable energy. I just see too many
25 other problems associated with it that I can't find

1 answers to, and I wish they were here today. But I
2 respectfully agree with -- disagree with you, and
3 I'll move to Commissioner Edgar and then
4 Commissioner Stevens and then Commissioner Skop.
5 I'm sorry. And, Commissioner Klement, if you want
6 to continue, we'll go there.

7 **COMMISSIONER EDGAR:** Thank you, Madam Chair.

8 A couple of comments. The first is there
9 has, it has been pointed out to us and, as we are
10 all aware, under the statute there are additional
11 steps for this proposal if it goes forward from this
12 body, realizing that there's another sister agency
13 that will be looking at environmental
14 considerations, emissions, air quality and all of
15 that, and then certainly the ultimate, penultimate I
16 guess stop being the Governor and Cabinet for, for
17 their balancing and policy decisions.

18 But yet we -- my understanding is that
19 under the statute we have exclusive jurisdiction to
20 determine need under the criteria that is listed in,
21 in the statute and that is our responsibility. I
22 still come back in my own mind to how is that
23 responsibility the same or different for a municipal
24 versus IOU request for need determination, which I
25 have had more come before me? So that's just a

1 point.

2 There's also been some discussion about,
3 you know, distancing ourselves or recognizing that
4 it is ultimately city commissioners today and in the
5 future who will be directly accountable to their
6 constituents and their ratepayers. I have some
7 discomfort with any -- let me start that again.

8 From my perspective, it is neither a
9 consideration to forestall potential blame for a
10 decision or criticism, nor to seek accolades for a
11 decision. In all of the time that I've been
12 Commissioners, my personal experience is that any
13 one decision will be both criticized and applauded,
14 no matter, no matter.

15 Which brings me back to under the statute
16 and the balancing and the criteria, where does that
17 leave us? What is our role with a municipal
18 proposal? And I am still -- I am not 100 percent
19 yet in my own mind, so I'm glad to have the open
20 discussion, and I know that there will be other
21 comments and I may even have another one after I've
22 heard that.

23 Looking at the issue before us, Madam
24 Chair -- and this is neither a request nor a
25 recommendation because I'm not sure if it would be

1 helpful or not, but I'll just put it out there for
2 your consideration. We have had -- I think most of
3 our discussion so far this morning has really hinged
4 around Issue 7, which is ultimately the granting or
5 denial of the need determination, but yet the
6 issues, the six issues prior to that lead up to it.
7 Maybe it would help those of us who are still
8 weighing our thoughts on Issue 7 to go through those
9 issues individually. And, again, I'm not sure if
10 that would be helpful or not, so I'm not yet
11 requesting it, but I'm just pointing that out that
12 we have kind of jumped to Issue 7 and there are
13 these specifics that perhaps the staff would need
14 some direction for us on those individual issues,
15 whatever our decision is on 7.

16 And, again, I may have further comments
17 later, but I'd like to hear the response to my
18 comments. Thank you.

19 **CHAIRMAN ARGENZIANO:** Thank you.

20 Commissioner Stevens.

21 **COMMISSIONER STEVENS:** Thank you, Madam
22 Chair. And I appreciate the comments of my colleagues,
23 and I was hoping to get through the criteria and I'm
24 not getting there. There's too many ifs, there's too
25 many red flags, to borrow your term, you know, and I

1 have it highlighted and I keep looking at it. And I,
2 and I've heard the, the discussion that, you know, once
3 we make the need determination, it's not our
4 responsibility anymore. Our responsibility is need
5 determination and that's what we have to focus on, not
6 what happens after. Do we meet the criteria? And I'm
7 not there and that's where I am.

8 And if we need to go through the issues,
9 which is probably appropriate, I'll do it. But I
10 was hoping to get there and I was hoping that I
11 missed something, but I have not seen it yet. Thank
12 you.

13 **MR. SAYLER:** Madam Chairman.

14 **CHAIRMAN ARGENZIANO:** Thank you.

15 Commissioner Skop.

16 **COMMISSIONER SKOP:** Thank you, Madam Chair.

17 I've been listening to the discussion. I
18 thought it's been very thoughtful and articulate. I
19 think Chairman Argenziano hit the nail on the head
20 though. Basically this is the right idea, it should
21 be commended, but it's the wrong time based on the
22 fact pattern.

23 And, again, if I were GRU or a member of
24 the City of Gainesville, I would not be inclined to
25 approve this project at this time just on the fact

1 that I've got a 66 percent reserve margin. There's
2 no need, there's no inherent need for this project
3 other than maybe some fuel diversity that would come
4 from it. There's already fuel diversity by
5 reference to the other initiatives they're doing
6 with the feed-in tariff. You know, the size of the
7 plant is of concern. And looking at, as
8 Commissioner Stevens mentioned, the statutory
9 criteria, again, it's hard to get there. If you get
10 there, it's by a thread. And, again, that's where,
11 you know, should the Commission, if it grants a
12 request, be held accountable to all that inherent
13 risk?

14 And that's where, you know, my suggestion,
15 if the Commission were to move forward with
16 approving the proposed project, that I think we
17 need, would need to spell that out clearly the
18 substantial risk associated with this project and
19 basically say it's incumbent upon GRU and the City
20 of Gainesville to manage that risk. But
21 nevertheless again I do think there are too many red
22 flags here.

23 To Commissioner Edgar's point about how
24 did we get tied up in the need determination
25 pursuant to statute, we're, we have, we are the sole

1 exclusive forum for determination of need for plants
2 over 75 megawatts in size. So if we were to
3 disapprove the proposed need, that would not do
4 anything to prevent GRU from reducing the size of
5 the plant and going forward without our
6 determination and they wouldn't have to seek a need
7 determination and then, you know, it gets us out of
8 the mix on this one.

9 But on the statutory criteria, again I
10 commend what GRU is trying to do. I mean, it's,
11 it's the right idea, it's just the wrong time. If
12 they were trying to do this in 2020, absolutely,
13 because they'd have a need for the 100 megawatts of
14 additional baseload generation. They don't have
15 that need. They've got so many generating assets
16 that I'm surprised half of them aren't sitting idle
17 right now. So, again, there's too many red flags,
18 so I tend to agree with what I've heard from some of
19 my colleagues.

20 **COMMISSIONER KLEMENT:** Madam Chair.

21 **CHAIRMAN ARGENZIANO:** Commissioner Klement.

22 **COMMISSIONER KLEMENT:** I would like to ask
23 staff, what is the lead time for a nuclear, a proposed
24 new nuclear plant or say -- and what is it for a new
25 combined cycle plant or a conversion from a coal to

1 a -- what would that typically be?

2 **MR. BALLINGER:** A nuclear plant is probably
3 ten to 12 years in advance of in-service date; combined
4 cycle, probably four years in-service date; and a coal
5 unit, about seven to eight years.

6 **COMMISSIONER KLEMENT:** Uh-huh. Well, just
7 put those, put those numbers into this context, fellow
8 Commissioners, and, you know, that perhaps takes, puts
9 a different spin on the lead time here. You're talking
10 2023. But if you subtract some alternatives, it
11 doesn't make it look so far, far ahead if FPL is
12 looking ten to 12 years ahead for, for its nuclear
13 plants.

14 **CHAIRMAN ARGENZIANO:** Commissioner Klement, I
15 understand that, and I wish all those missing things
16 for me were here, and I'll repeat that again because I
17 am truly in support of, of renewables. But when I look
18 at the statute that you read and I read things like the
19 staff has in here, it says, "The enactment," this is on
20 Page 23, "The enactment of pending carbon legislation
21 will have the greatest impact, the greatest impact upon
22 the cost-effectiveness of the project." Now that's
23 something in the statute we're supposed to be looking
24 at.

25 So if there's a big giant question mark to

1 what that cost-effectiveness is, then I'm following
2 what the statute says, not what my heart says or
3 what my personal feelings are about the renewables.

4 And the same page, "While GRU's economic
5 analysis is based upon pending legislation, the
6 regulation of carbon emissions and federal renewable
7 portfolio standard are not guaranteed to remain in
8 its current draft form or be implemented into law."

9 And again down on the bottom of that page,
10 "As a result," the previous paragraph, "until
11 legislation is enacted, there will be some
12 uncertainty as to whether biomass facilities would
13 be considered fully carbon neutral, or partially so
14 dependent upon fuel source and transportation," as
15 well as, "The customer impact of the GREC Project is
16 affected greatly by the degree to which GRU is able
17 to resell capacity at or near the fuel contract
18 price, and whether pending carbon legislation is
19 enacted." That just gives me just too much
20 uncertainty as to answering the statute and what's
21 before us and what we are supposed to be doing in a
22 need determination. I can't get the answers.

23 And because I'm reading that from staff
24 and looking at the statute, I'm not looking at the
25 other, the political, as Commissioner Edgar said, I

1 don't care about who gets the blame, who gets this.
2 I just have -- we just have this box to work from.
3 As Commissioner Edgar said, no matter what we come
4 out, there's always going to be one side that says
5 you did it right, you did it wrong or whatever.

6 So to that point in reading some of that,
7 and it's just strewn about the whole recommendation,
8 that's why I say red flags, it just takes me back to
9 the words you read in the statute. And despite my
10 personal feelings of we're moving so slowly on
11 renewables -- and I don't want that to be a sign to
12 GRU, if we determine that, that they shouldn't be
13 doing that. It's the right thing. It's just the
14 statute gives us certain things, just as a mayor has
15 and just as a politician, a local politician has to
16 follow, and I'm trying to follow those without
17 personal feelings and so on interjected. And, you
18 know, that's basically where it's at for me.

19 Commissioner Klement.

20 **COMMISSIONER KLEMENT:** To staff, regarding
21 Commissioner Skop's point that they could come back, if
22 we deny, they could come back and put in a 50-megawatt
23 plant without our approval, I guess I referred to that
24 in the beginning about the reason they chose 100 versus
25 50 was an economy of scale. Could they reasonably

1 build a 50-megawatt plant now, and then in, when, as
2 they get closer to '23 add the other 50 to meet the
3 needs that will be there then? Is that a reasonable
4 assumption or idea?

5 **MR. BALLINGER:** That would be another
6 approach. You do lose some economies of scale scaling
7 a plant down, so the price per megawatt hour may go up
8 significantly for GRU. Again, that would be to the two
9 parties to negotiate.

10 **COMMISSIONER KLEMENT:** But as far as adding
11 50 megawatts in eight or nine years, is that, is that
12 economically practical?

13 **MR. BALLINGER:** That I don't know if it's
14 economically practical. It's physically practical that
15 you could do it. You could add 50 megawatts in 2013
16 and another 50 megawatts later on down the road. I
17 believe the site is there. You run into the excess
18 cost of remobilizing contractors and vendors, you don't
19 know what the price of steel is. There's a host of
20 things of doing it piecemeal that way. But physically
21 it can be done.

22 **COMMISSIONER KLEMENT:** Physically. Okay.
23 Thank you.

24 **COMMISSIONER EDGAR:** Just very quickly on
25 that very specific -- thank you.

1 **CHAIRMAN ARGENZIANO:** Commissioner Edgar and
2 then Commissioner Skop.

3 **COMMISSIONER EDGAR:** Thank you. Is that
4 information in the record?

5 **MR. BALLINGER:** The going to the lower size I
6 believe was. It was an economy of scale why they chose
7 the 100 megawatts. And again this was also in response
8 to an RFP that the city put out for biomass. They said
9 we want to buy some biomass, bring us your proposals,
10 and this was one of the proposals. And I think --

11 **COMMISSIONER EDGAR:** I guess more
12 specifically information as to the viability or not of
13 a smaller project.

14 **MR. BALLINGER:** That was discussed at the
15 hearing about the economies of scale, that that was one
16 reason to go to a larger size.

17 **COMMISSIONER EDGAR:** Thank you.

18 **CHAIRMAN ARGENZIANO:** Commissioner Skop.

19 **COMMISSIONER SKOP:** Thank you, Madam Chair.

20 Just two questions for staff. I guess one
21 of the more recent -- or in the record, and tell me
22 if it's not in the record, but was there a reason
23 why GRU chose to enter into a power purchase
24 agreement rather than building this themselves?

25 **MR. ELLIS:** I believe they comment in the

1 record that a private entity would have access to
2 certain tax benefits that they would not as a municipal
3 utility.

4 **COMMISSIONER SKOP:** Okay. All right. And
5 then with respect to -- I think previously staff
6 mentioned one of the existing units is supposed to be
7 decommissioned somewhere around 2023. Is that
8 Deerhaven 1 or --

9 **MR. ELLIS:** I believe it's Deerhaven Unit 1,
10 a --

11 **COMMISSIONER SKOP:** Steam generating unit?
12 Okay. Is there, is there anything in the record that
13 would have indicated GRU's consideration of, in lieu of
14 decommissioning that, taking part of that unit and then
15 adding a new biomass-fueled boiler to it to use
16 existing generation or anything like that, any other
17 alternatives that would have been considered? I don't
18 want to reopen the record, but I'm just asking to
19 refresh my memory.

20 **MR. BROWN:** I don't believe that was in the
21 record, Commissioner. There was talk though about
22 those units that are going to be decommissioned because
23 they have a 50-year life of the units that they would
24 hope to get a little bit more of life out of those
25 units over the 50 years.

1 **COMMISSIONER SKOP:** Okay. Just, Madam Chair,
2 again, I've listened to the discussion and, again,
3 approval of this project goes against every aspect of
4 my better judgment given the inherent risks that exist
5 and all the red flags. I just, I can't -- you know, I
6 commend GRU for their initiative. But, again, if they
7 were better situated in terms of needing baseload
8 generation, this would be more palatable. But when
9 you're asking me to approve something just because you
10 want to be green or you're worried about carbon
11 legislation but there's no real need for it because you
12 have so much excess generation to begin with, and
13 basically all that does is strand ratepayer investment
14 with the excess generation.

15 **CHAIRMAN ARGENZIANO:** Commissioner Edgar.

16 **COMMISSIONER EDGAR:** Madam Chair, I, I sense
17 that we are perhaps coming, coming close to a vote. I
18 am trying to think through some issues and in my own
19 mind with some decisions that we've made in the past.
20 Would it be possible to take a five-minute break? I'd
21 like to consult with staff just for my own -- would
22 that be possible before we --

23 **CHAIRMAN ARGENZIANO:** Sure. We're on a
24 five-minute break.

25 **COMMISSIONER EDGAR:** Thank you.

1 (Recess taken.)

2 **CHAIRMAN ARGENZIANO:** I'm going to go to our
3 General Counsel, Senator Kiser. Can you --

4 **COMMISSIONER EDGAR:** And I just wanted to say
5 thank you, Madam Chair. I appreciate the opportunity
6 to speak --

7 **COMMISSIONER ARGENZIANO:** Absolutely.

8 **MR. KISER:** Thank you, Madam Chairman.

9 The parties have come to me and requested
10 that, that you not vote today, that you defer the
11 matter, allow there to be a subsequent hearing
12 whereby they can provide some additional information
13 on the record that they feel will address many of
14 the Commission's questions that have been raised so
15 far, and that is a request by the party.

16 **CHAIRMAN ARGENZIANO:** I don't see any legal
17 problem in doing that. Is there any, any prohibition
18 or any reason why we can't do that?

19 **MR. KISER:** No. I think that's -- I don't
20 see --

21 **MR. SAYLER:** So long as they are waiving,
22 affirmatively waiving their statutory and rule-based
23 timing, then I don't see an issue with that as well.

24 **COMMISSIONER ARGENZIANO:**

25 **MR. SAYLER:** Okay. I'm -- Commissioners, I'm

1 very amenable to getting more information rather than
2 shutting things down today or whatever. And if it's
3 the will of the Commission, is that something we need
4 to, to vote on?

5 **MR. KISER:** Probably.

6 **CHAIRMAN ARGENZIANO:** Okay.

7 **COMMISSIONER EDGAR:** Madam Chair.

8 **CHAIRMAN ARGENZIANO:** Commissioner Edgar.

9 **COMMISSIONER EDGAR:** Thank you, Madam Chair.

10 I appreciate it.

11 I just wanted to say I hope it's evident
12 that I'm personally finding this one, this issue a
13 very, very difficult one, and that is partially
14 because of my very strong belief as a Commission and
15 as an individual Commissioner in our need to promote
16 renewables and the fact that we have said as a
17 Commission that we want to bring renewables into the
18 state. And so then to turn around and potentially
19 shut the door on a project that, that also has many,
20 many benefits along that line, it makes me very,
21 very uncomfortable.

22 I also, as I think, I hope I have made
23 evident, am trying to grapple with what our role is
24 under the statute. My -- if indeed we're going to
25 make a decision today, I will say that, that where I

1 am coming down is in, in my assessment and analysis
2 of the balance between the different criteria, that
3 the need for, in this state for additional
4 renewables and additional fuel diversity and a more
5 diverse fuel portfolio does balance or does outweigh
6 greatly some of my other concerns, and more so
7 perhaps than from what I've heard from some of my
8 colleagues.

9 I also have wanted to be consistent in my
10 own mind with other need determinations that I have
11 voted on, and I think that to approve this project
12 at this point for me I would be.

13 So with that said, the need for fuel
14 diversity to me is a very, very strong and probably
15 even more than a counterbalance to some of the very
16 strong concerns I have as an economic regulator.
17 But with that said, if there is the opportunity to
18 get additional information individually and
19 collectively, I would welcome that with open arms.
20 Thank you.

21 **CHAIRMAN ARGENZIANO:** Great. Commissioners,
22 I see no reason why we wouldn't ask for additional
23 information, as long as we understand that even when we
24 come back that we have a statutory requirement and we
25 stick to our statutory requirement despite other things

1 that we may feel. I think every one of us have
2 indicated our strong desire to see the state move
3 forward with renewables, but under the statute we have
4 to make sure it fits the criteria and I think that's
5 what we need to do. And I'd love to give GRU the
6 opportunity to come back and, and maybe tell us why
7 there's more information we need to consider.

8 So with that said, I guess we'd move -- I
9 need a motion. Commissioner Skop.

10 **COMMISSIONER SKOP:** Thank you, Madam Chair.
11 I'd move to defer this item to a subsequent point in
12 time where we can get additional record evidence and
13 then reach a basis for decision.

14 **COMMISSIONER STEVENS:** Second.

15 **CHAIRMAN ARGENZIANO:** All in favor, say aye.

16 (Simultaneous vote.)

17 Opposed, same sign. And that motion is adopted.

18 Thank you.

19 **MR. KISER:** With the understanding that we
20 aren't giving any time frames away, that they're
21 waiving that.

22 **CHAIRMAN ARGENZIANO:** Right. They waive that
23 time frame. Yes. Absolutely.

24 **COMMISSIONER EDGAR:** And, Madam Chair, if I
25 may, that is -- my understanding is that that motion is

1 with the understanding -- did we vote?

2 **CHAIRMAN ARGENZIANO:** Yes.

3 **COMMISSIONER EDGAR:** Okay. Is with the
4 understanding that our staff will get with the parties
5 and proceed with all thorough expeditiousness.

6 **MR. SAYLER:** Yes, Commissioner. We will get
7 with the parties. We will also look at the Commission
8 calendar for a possible date in the future to have just
9 a short limited proceeding where once they file
10 testimony and any additional reports or evidence, then
11 we can do, have some cross-examination on the
12 additional evidence and then just close the record at
13 that time and then come back with another
14 recommendation in the, in the future. But it just,
15 it's contingent upon where the Commission calendar is
16 and how much turnaround time. And we will work as
17 expeditiously as possible because they do have this
18 pending application before the DEP, so.

19 **CHAIRMAN ARGENZIANO:** Absolutely.
20 Absolutely. And I know this is going to sound almost
21 impossible, but maybe you can give us an update on
22 where the federal legislation is going. I know there's
23 several pieces out there. If it's due in a committee,
24 if it's -- I know you can't predict what they're going
25 to do. Who can? But --

1 **MR. SAYLER:** Certainly. I would expect the
2 utility to file some testimony on that in particular.
3 And we will also potentially, depending upon the
4 testimony filed, maybe ask additional discovery
5 questions as necessary.

6 **CHAIRMAN ARGENZIANO:** Okay. Great. Thank
7 you very much.

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STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

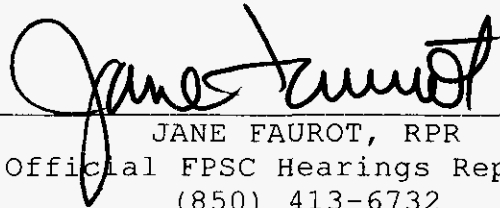
COUNTY OF LEON)

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 12th day of February, 2010.



JANE FAUROT, RPR
Official FPSC Hearings Reporter
(850) 413-6732

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STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

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 12th day of February, 2010.

Linda Boles
LINDA BOLES, RPR, CRR
FPSC Official Commission Reporter
(850) 413-6734