

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** April 13, 2010  
**TO:** Ann Cole, Commission Clerk, Office of Commission Clerk  
**FROM:** Erik L. Saylor, Senior Attorney, Office of the General Counsel  
**RE:** Docket No. 090451-EM – In Re: Joint petition to determine need for Gainesville Renewable Energy Center in Alachua County, by Gainesville Regional Utilities and Gainesville Renewable Energy Center, LLC.

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RECEIVED-FPSC  
10 APR 13 AM 10:42  
COMMISSION  
CLERK

Please place into the Docket file GRU/GREC LLC's discovery responses and objections to Intervenor Stahmer and Deevey's discovery requests.

ELS/th  
Attachment

DOCUMENT NUMBER-DATE  
02761 APR 13 2  
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**Erik Sayler**

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**From:** Rhonda Dulgar [rdulgar@yvlaw.net]  
**Sent:** Monday, April 12, 2010 5:02 PM  
**To:** paulastahmer@aol.com; diandv@bellsouth.net; Raymond "Skip" Manasco; Erik Sayler; Martha Brown; Theresa Walsh; Schef Wright  
**Subject:** PSC Docket 090451-EM - Discovery Responses  
**Attachments:** 090451.Resp2Deevey2ndINT.4-12-10.pdf; 090451.Resp2Stahmer1stINT.4-12-10.pdf; 090451.Resp2Deevey2ndPOD.4-12-10.pdf; 090451.Resp2Stahmer1stPOD.4-12-10.pdf

Attached, please find electronic copies of GRU/GREC's discovery responses to Stahmer and Deevey's discovery requests.

Hard copies are being mailed to you today as well.

Thanks,

Rhonda Dulgar  
Secretary to Schef Wright  
850-222-7206

DOCUMENT NUMBER - DATE

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4/12/2010

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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

DOCKET NO. 090451-EM

DATED: APRIL 12, 2010

**PETITIONERS' OBJECTIONS AND RESPONSES TO INTERVENER STAHMER'S**

**FIRST SET OF INTERROGATORIES (#1-2)**

Gainesville Regional Utilities (GRU) and Gainesville Renewable Energy Center, LLC (GREC LLC), collectively "Petitioners," pursuant to Rule 28-106.206, Florida Administrative Code, Rule 1.340, Florida Rules of Civil Procedure, and the Revised Order Establishing Procedure in this matter, hereby respond to Intervenor Paula Stahmer's First Set of Interrogatories, Nos. 1 and 2.

The answers to Interrogatory Nos. 1 and 2 of Intervener Stahmer's First Set of Interrogatories have been provided by Edward Regan, Assistant General Manager for Strategic Planning, Gainesville Regional Utilities, 301 SE 4<sup>th</sup> Avenue, Gainesville, Florida 32601.

DOCUMENT NUMBER - DATE

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**RESPONSES**

1. On May 11, 2008, the Gainesville City Commission ranked three proposals for biomass-fired generators and authorized GRU to negotiate and sign a 20-year contract to build a generator and sell the energy it produced to GRU. Negotiations were to start with the top-ranked bidder (Nacogdoches, subsequently American Renewables, LLC) and the contract was expected to contain cost terms comparable to those in the proposal received in April 2008 from this company. Negotiations were conducted and a contract was signed on April 29, 2009.

One week after this contract was signed, GRU asked the City Commission in a public meeting to "ratify" two differences between the original bid and the signed contract: an increase in cost by an estimated 17.9% to 25.8 % per kWh, and an extension of the duration of the contract from 20 years to 30 years. GRU attributed these changes to the fact that steel costs had risen by 37% in the first six months of 2008, and contractors had reported increases of 30% to 100% in the cost of steel products. See Slides 11-14 of GRU PPT in File: "081036\_MOD\_Revised\_Biomass\_ppt\_20090507[1].pdf."

According to nationally respected steel indices, in May of 2009, steel costs were actually down by 50% from their May 2008 level. According to the same sources, steel costs had plunged after August 2008, and in February 2010, were still about 27% below their May 2008 level. (See Producer Price Index Series ID WPU 1017,

**Steel Mill Products, Bureau of Labor Statistics, United States Department of Labor).**

**OBJECTIONS**

Petitioners GRU and GREC LLC object to this interrogatory because many of the assertions contained in the foregoing 3-paragraph preamble to the actual interrogatory questions at best (a) mischaracterize the content of GRU's presentations to the City Commission and the City Commission's instructions to GRU staff, and (b) are otherwise misleading. Accordingly, the Petitioners' answers to the following specific questions cannot and may not be construed as agreement with, or acknowledgment of, any of the assertions contained in the foregoing, other than the facts that, on May 12, 2008, the Gainesville City Commission authorized the General Manager of GRU to negotiate and execute a contract with Nacogdoches Power, LLC, and on the same date, the City Commission also authorized the General Manager to proceed to negotiations with the next highest-ranked proposer if the negotiations with Nacogdoches were unsuccessful.

Petitioners also object to these interrogatories to the extent that the answers are outside the scope of the supplemental hearing to be conducted in this docket on May 3, 2010.

Without waiving the foregoing objections, the Petitioners respond as follows.

**Response to Interrogatory No. 1**

This interrogatory incorrectly characterizes the representations made to the Gainesville City Commission on May 7, 2009. Slides 11 through 12 of the PowerPoint presentation identify 8 unprecedented events in the power industry indicating fundamental changes in the cost of new generation, only one factor of which was the cost of steel. Slide 13 from FERC illustrated how these changes were driving major cost increases in all generation technologies. The City Commission also experienced these changes directly during the

competitive process of obtaining air emission control equipment for Deerhaven 2. Furthermore the City Commission had the opportunity to observe the effects of these fundamental changes on other aspects of construction cost, which resulted in the cancellation of two major urban developments in or adjacent to downtown Gainesville.

Furthermore it was never stated that the revised costs for GREC were attributed to steel commodity prices. The cost of a power plant is the integrated effect of many different commodities and services. If one were to examine the U.S. Bureau of Labor Statistics, *Producer Price Indexes*, WPU114 series for general purpose machinery and equipment (major cost factors in power plants) the index will be seen to uniformly increase over the time in question. Slide 14 calls out that pricing between the execution of the contract until such time as construction commencement is subject to indexing.

**With regard to the foregoing, please address the following:**

- a) **What was the data source of information about steel costs relied upon by GRU for the May 2009 presentation to the City?**

**Response to Interrogatory No. 1a**

The information about steel costs was publicly available information from sources considered to be reliable.

- b) **What index or other documented cost information was consulted by GRU?**

**Response to Interrogatory No. 1b**

GRU retained an independent consultant to develop and compare various indexing schemes. The firm retained was Haddad Resource Management Inc. The principal of this firm has many years experience negotiating similar contracts on behalf of utilities and was hired to study a number of different alternatives. These included Bureau of Labor Statistics indices, market data, a variety of Handy-Whitman Indices, such as the total steam production cost, Euro to Dollar exchange rates (substantial pieces of equipment will be sourced from overseas), a variety of consumer price indices and weighting schemes, and Engineering News-Record construction indices. The evaluation was performed under three separate

task orders to reflect GRU's preferences and to further refine the final indices to be applied.

- c) **Was any such information or documentation provided to the City Commission?**

**Response to Interrogatory No. 1c**

Yes, the purpose and need for indexing was explained to the Gainesville City Commission at the May 7, 2009 public meeting.

- d) **Did American Renewables or GREC provide the information relied upon by GRU?**

**Response to Interrogatory No. 1d**

No, GRU did not rely on any information provided by GREC with regard to cost increases and indexing.

- e) **Why did GRU fail to point out the fact that, by May 2009, steel prices had dropped dramatically from the May 2008 level?**

**Objection and Response to Interrogatory No. 1e**

The Petitioners object to the attempt by Intervenor Stahmer to characterize GRU's presentation to the City Commission as being a "failure" in any way. GRU's presentation speaks for itself, and the public was provided the opportunity to address the matter.

The reason that steel pricing was not mentioned specifically at the May 7, 2009 City Commission meeting is that pricing in the PPA was under negotiation until the day GRU's General Manager signed the PPA, subject to the City Commission's final approval, and the movement in cost of many commodities and services in addition to steel affected both the negotiating process and the final, indexed pricing provided in the PPA.

- f) **What would the current contract have cost had the original terms in the bid submitted in April 2008 been incorporated into the contract?**

**Objection and Response to Interrogatory No. 1f**

The Petitioners object to this interrogatory on the ground that it is irrelevant to any issue in this docket, including the specific issues to be addressed in the supplemental hearing on May 3, 2010. The pricing, and the other terms and conditions, under the PPA are as negotiated between the parties and as approved by the Gainesville City Commission. The Petitioners also object to this interrogatory because it seeks a comparison of two potential "deals," the April 2008 proposal and the 2009 PPA, between which many of the terms and conditions are significantly different, which accordingly, are not directly comparable. Without waiving their objections, the Petitioners respond as follows.

The differences in term, structure of the pricing elements, and assignments of risk in the final contract are significantly different than originally proposed, as the final contract was negotiated to the mutual agreement of both parties. For example, the original proposal had a fixed \$/kilowatt-month that GRU would have had to pay regardless of unit availability. This does not exist in the final PPA. For these reasons a direct comparison would be inappropriate.

2. **Does the contract with GREC specify any ceiling on the cost of wood fuel? If so, identify the relevant contract provisions.**

**Response to Interrogatory No. 2**

While there is no ceiling on the cost of wood fuel in the contract with GREC LLC, the contract does provide a number of mechanisms that allow GRU to manage this cost and associated risks. These mechanisms include the ability to review and coordinate fuel supply contracts, dispatch of the unit, and take over fuel purchasing to the extent not previously committed by GREC LLC. Finally, the PPA's provision for the sharing of any increases or savings in such costs between GRU and GREC LLC help assure that both parties' interests are aligned.



RESPECTFULLY SUBMITTED this 12th day of April, 2010.

A handwritten signature in black ink, reading "Robert Scheffel Wright", written over a horizontal line.

Roy C. Young  
Florida Bar No. 098428  
Robert Scheffel Wright  
Florida Bar No. 966721  
John T. LaVia, III  
Florida Bar No. 853666  
Young van Assenderp, P.A.  
225 South Adams Street, Suite 200  
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Phone: 850/222-7206  
FAX: 850/561-6834

Attorneys for GREC LLC and GRU

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by electronic mail and hand delivery (\*) or U.S. Mail this 12th day April, 2010, on the following:

Erik Saylor/Martha Carter Brown\*  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Raymond O. Manasco, Jr.  
Gainesville Regional Utilities  
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Attorney


**AFFIDAVIT**


STATE OF FLORIDA)

COUNTY OF ALACHUA)

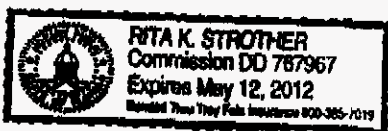
I hereby certify that on this 12<sup>th</sup> day of April, 2010, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Edward Regan, who is personally known to me, and he acknowledged before me that he provided the answers to interrogatory numbers 1 and 2 from INTERVENER STAHLER'S FIRST SET OF INTERROGATORIES (Nos. 1-2) in Docket No. 090451-EM, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 12th day of April, 2010.

  
Signature of Affiant



Notary Public  
State of Florida, at Large



My Commission Expires:

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

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.

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**DATE: April 12, 2010**

**PETITIONERS' RESPONSES TO INTERVENOR DEEVEY'S SECOND REQUEST FOR  
PRODUCTION OF DOCUMENTS (Nos. 12-16)**

Gainesville Regional Utilities (GRU) and Gainesville Renewable Energy Center, LLC (GREC LLC), pursuant to Rule 28-106.206, Florida Administrative Code, Rule 1.340, Florida Rules of Civil Procedure, the Order Establishing Procedure, and the First Revised Order Establishing Procedure in this matter, hereby respond to Intervenor Deevey's Second Request for Production of Documents (No. 12-16).

**DOCUMENTS REQUESTED**

12. Please provide a copy of the GDS report entitled "Peer Review of ICF Consultings' Draft Report to the City of Gainesville Electrical Supply Needs (RFP No. 2005-147)" submitted to GRU on February 28, 2006.

**Response**

A copy of the referenced GDS publication was provided as part of the Petitioners' Responses to Intervenor Deevey's Request for Production of Documents No. 1, as shown in Attachment DROG 1-2 of the Petitioners' Responses to Intervenor Deevey's Interrogatory No. 1.

DOCUMENT NUMBER-DATE

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13. Please provide revised copies of the Need Application Tables 5.1 and 5.2, using only the retail firm need for the period 2013 through 2043. Revise the chart on page 20 of exhibit 29 using only the retail demand plus 15% reserve after 2012.

**OBJECTION**

Petitioners object to this document production request to the extent that it asks GRU to perform additional analyses from information that is readily available to Intervenor Deevey, and to the extent that it asks for information that the Petitioners have already provided in response to discovery propounded by the Commission Staff. Without waiving the foregoing objections, and in the interest of being as cooperative as possible, the Petitioners respond as follows.

**Response**

Please see the information provided below, which presents GRU's projected wholesale loads by year, consistent with the information in Tables 5.1 and 5.2 of the Need Application, for the period 2012 through 2043.

**GRU Project Wholesale  
Loads for 2012-2043**

Calendar Year	GRU System MW	Clay (SEC) MW	Alachua MW	Resale MW
2009	441.316	18.504	26.741	45.244
2010	439.018	18.820	27.124	45.944
2011	440.524	19.273	27.683	46.957
2012	442.860	19.768	28.296	48.064
2013	445.318	20.247	28.889	49.136
2014	447.683	20.702	29.453	50.155
2015	450.056	21.133	29.989	51.122
2016	453.412	21.537	30.489	52.026
2017	456.608	21.920	30.965	52.885
2018	459.943	22.289	31.423	53.711
2019	462.703	22.651	31.871	54.522
2020	464.723	23.004	32.309	55.313
2021	466.308	23.355	32.742	56.097

2022	467.861	23.705	33.174	56.879
2023	469.449	24.064	33.619	57.683
2024	471.040	24.433	34.075	58.508
2025	472.861	24.815	34.547	59.362
2026	474.619	25.172	34.990	60.162
2027	476.345	25.516	35.415	60.931
2028	478.028	25.854	35.833	61.687
2029	479.627	26.185	36.244	62.429
2030	481.192	26.501	36.634	63.135
2031	482.779	26.846	37.016	63.862
2032	484.360	27.194	37.399	64.592
2033	485.808	27.544	37.781	65.325
2034	487.292	27.897	38.163	66.061
2035	488.767	28.253	38.545	66.799
2036	490.218	28.612	38.928	67.540
2037	491.847	28.973	39.310	68.283
2038	493.463	29.338	39.692	69.030
2039	494.835	29.705	40.081	69.786
2040	496.259	30.074	40.473	70.547
2041	497.739	30.447	40.867	71.314
2042	499.275	30.822	41.264	72.086
2043	500.871	31.201	41.664	72.864
2044	502.528	31.582	42.066	73.648

Notes: Clay contract runs through 31-Dec-2012.

Alachua contract runs through 31-Dec-2010.

14. Please provide a table listing the projected savings in kWh and demand for the interval 2012 through 2043, in units of MWh and MW, and also as a percent of the corresponding total net energy for load and firm demand in the year in question, using the load and demand estimates provided in the Need Application. Provide a second version of this table using only the retail load and demand.

## **OBJECTIONS**

Petitioners have requested clarification of this document production request. Petitioners object to this production request to the extent that it asks GRU to perform additional analyses from information that is readily available to Intervenor Deevey. Without waiving the foregoing objections, and in the interest of being as cooperative as possible, the Petitioners respond as follows.

### **Response**

Interpreting this production request to refer to savings from GRU's energy conservation programs, GRU is furnishing the table below, which lists GRU's total kW demand savings and total MWh energy savings from its energy conservation programs, by year, for the period. Other calculations desired by Intervenor Deevey can be made from this information.

#### **DEMAND-SIDE MANAGEMENT IMPACTS**

##### **Total Program Achievements**

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		<b>Summer</b>
<b><u>Year</u></b>	<b><u>MWh</u></b>	<b><u>kW</u></b>
1980	254	168
1981	575	370
1982	1,054	674
1983	2,356	1,212
1984	8,024	2,801
1985	16,315	4,619

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1986	25,416	7,018
1987	30,279	8,318
1988	34,922	9,539
1989	38,824	10,554
1990	43,661	11,753
1991	48,997	12,936
1992	54,898	14,317
1993	61,356	15,752
1994	66,725	16,871
1995	72,057	18,022
1996	75,894	18,577
1997	79,998	19,066
1998	84,017	19,541
1999	88,631	20,055
2000	93,132	20,654
2001	97,428	21,185
2002	102,159	21,720
2003	106,277	22,222
2004	109,441	22,676
2005	113,182	23,405
2006	116,544	24,078
2007	130,876	26,510
2008	151,356	30,138
2009	165,775	31,801



2010	178,075	36,401
2011	190,375	41,401
2012	202,675	46,801
2013	214,975	52,401
2014	227,275	58,101
2015	239,575	63,901
2016	251,920	68,201
2017	264,265	72,501
2018	276,611	76,801
2019	288,957	81,101
2020	301,303	85,401
2021	313,649	89,701
2022	325,995	94,001
2023	338,341	98,301
2024	350,687	102,601
2025	363,033	106,901
2026	375,379	111,201
2027	387,725	115,501
2028	400,071	119,801
2029	412,417	124,101
2030	424,763	128,401
2031	437,109	132,701
2032	449,455	137,001
2033	461,801	141,301
2034	474,147	145,601

2035	486,493	149,901
2036	498,839	154,201
2037	511,185	158,501
2038	523,531	162,801
2039	535,877	167,101
2040	548,223	171,401
2041	560,569	175,701
2042	572,915	180,001
2043	585,261	184,301
2044	597,607	188,601

15. According to the testimony of Regan and Hanrahan, GRU has been considering ways to increase its base capacity since 2002 (as discussed during the testimony of Mr. Regan during the evidentiary hearing held on December 16 and the pre-filed supplementary testimony of Ms. Hanrahan, page 8 line 7 through 12) and has regularly considered forecasts of firm demand during future 20-year intervals. These forecasts have changed over the years as a) the dates of the 20-year intervals changed, b) forecasts of DSM effects changed, or c) the changes in the projected increase in native load demand.

### **OBJECTIONS**

Petitioners object to this request for production of documents because it attempts to impose an undue burden on the Petitioners, and particularly on GRU, by asking them to perform additional analyses from information that is readily available to Intervenor Deevey. Without waiving the foregoing objections, the Petitioners respond as follows.

- a) Please list the forecast demand for the relevant 20-year interval and the reduction in demand from conservation, interruptible demand, and load management using the 10-column format used in Schedule 3.1 of the Ten-Year Site Plans submitted by large utilities to the Public Service Commission.

**Response**

The attached CD contains Schedules 3.1 through 3.3 from GRU's Ten-Year Site Plans from 2002 through 2010. Each schedule encompasses a twenty-year interval, including ten years of historical and ten years of projected values.

- b) Please add an 11<sup>th</sup> column to the table described above listing the firm demand shown in Column 10 plus a 15% reserve.

**Response**

The Petitioners are furnishing the relevant schedules from GRU's Ten-Year Site Plans from 2002 through 2010, from which this information can be calculated.

- c) Provide these lists for each of the dates of the 16 milestones listed in GREC's "Public Participation Timeline" (Table 8-1 on page 8-2), and in addition for June 10, 2007.

**Response**

The Petitioners are furnishing the relevant schedules from GRU's Ten-Year Site Plans from 2002 through 2010, from which this information can be calculated. For clarity, the applicable information as of each of the referenced milestone dates would be GRU's Ten-Year Site Plan published on April 1 immediately preceding each milestone date.

- d) If there was no change in the forecast between a pair of successive milestones, so indicate.

**Response**

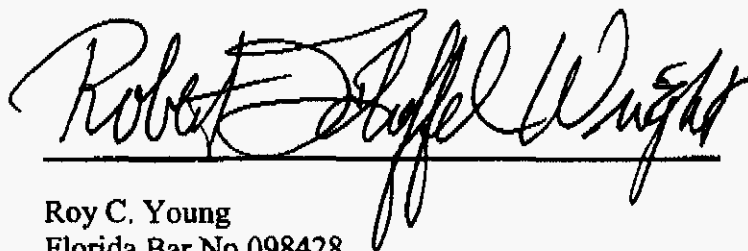
The Petitioners are furnishing copies of relevant schedules from GRU's Ten-Year Site Plans from 2002 through 2010, from which this information can be calculated. For clarity, the applicable information as of each of the referenced milestone dates would be GRU's Ten-Year Site Plan published on April 1 immediately preceding each milestone date.

16. Please provide copies of all contracts for wholesale power between GRU and the City of Alachua and Seminole Electric Cooperative that have been in effect during the last 10 years.

**Response**

The subject documents are being furnished in pdf format on the attached CD with these responses.

RESPECTFULLY SUBMITTED this 12th day of April, 2010.

A handwritten signature in black ink, reading "Robert Scheffel Wright", written over a horizontal line.

Roy C. Young  
Florida Bar No.098428  
Robert Scheffel Wright  
Florida Bar No. 966721  
John T. LaVia, III  
Florida Bar No. 853666  
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225 South Adams Street, Suite 200  
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Phone: 850/222-7206  
FAX: 850/561-6834

Attorneys for GREC LLC and GRU

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing has been served by electronic mail and hand delivery (\*) or U.S. Mail this 12th day April, 2010, on the following:

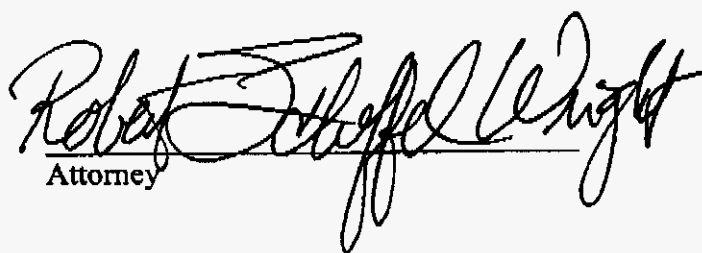
Erik Saylor/Martha Carter Brown\*  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Raymond O. Manasco, Jr.  
Gainesville Regional Utilities  
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J.R Kelly  
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diandv@bellsouth.net

  
Attorney

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 090451-EM

DATED: APRIL 12, 2010

**RESPONSES TO INTERVENER STAHMER'S FIRST REQUEST FOR  
PRODUCTION OF DOCUMENTS (No. 1) TO PETITIONERS GREC AND GRU**

Gainesville Regional Utilities (GRU) and Gainesville Renewable Energy Center, LLC (GREC LLC), pursuant to Rule 28-106.206, Florida Administrative Code, Rule 1.340, Florida Rules of Civil Procedure, the Order Establishing Procedure, and the First Revised Order Establishing Procedure in this matter, hereby respond to Intervener Stahmer's First Request for Production of Documents (No. 1).

**RESPONSES TO DOCUMENT PRODUCTION REQUESTS**

1. Please provide copies of all documents referenced or discussed in your response Intervener Stahmer's First Set of Interrogatories (1).

**Response**

Responsive documents are being furnished with these responses, except that the confidential documents comprising part of the response will be made available for Intervenor Stahmer's review pursuant to the anticipated Non-Disclosure Agreement between Intervenor Stahmer and GREC LLC, once that Non-Disclosure Agreement has been executed.

DOCUMENT NUMBER-DATE

02761 APR 13 2010

FPSC-COMMISSION CLERK

RESPECTFULLY SUBMITTED this 12th day of April, 2010.

A handwritten signature in black ink that reads "Robert Scheffel Wright". The signature is written in a cursive style with a long horizontal line extending to the right.

Roy C. Young  
Florida Bar No. 098428  
Robert Scheffel Wright  
Florida Bar No. 966721  
225 South Adams Street- Suite 200  
P.O. Box 1833  
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(850) 222-7206  
(850) 561-6834 (fax)

Attorneys for GRU and GREC LLC

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by electronic mail and hand delivery (\*) or U.S. Mail this 12th day April, 2010, on the following:

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

Raymond O. Manasco, Jr.  
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1702 SW 35th Place  
Gainesville, Florida 32608  
diandv@bellsouth.net

  
Attorney



**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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

DOCKET NO. 090451-EM

DATED: APRIL 12, 2010

**OBJECTIONS AND RESPONSES TO INTERVENOR DEEVEY'S  
SECOND SET OF INTERROGATORIES (NOS. 15- 20)  
TO PETITIONERS GRU AND GREC LLC**

Gainesville Regional Utilities (GRU) and Gainesville Renewable Energy Center, LLC (GREC LLC), collectively "Petitioners," pursuant to Rule 28-106.206, Florida Administrative Code, Rule 1.340, Florida Rules of Civil Procedure, the Order Establishing Procedure, and the Revised Order Establishing Procedure in this docket, hereby respond to Intervenor Deevey's Second Set of Interrogatories (Nos. 15-20).

The answers to Interrogatories Nos. 15 through 20 of Intervenor Deevey's Second Set of Interrogatories (No. 15-20) are provided by Edward J. Regan, Assistant General Manager for Strategic Planning, Gainesville Regional Utilities, 301 SE 4<sup>th</sup> Avenue, Gainesville, Florida 32601.

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**15. Please discuss the wholesale contracts between GRU and the City of Alachua and Seminole Electric Cooperative, and address the following questions/subjects in your discussions:**

**a) How do you define the term "firm need" as used in your application in this proceeding?**

**Response to Interrogatory No 15a:**

Petitioners performed a word search of the Need for Power Application and did not find the term "firm need".

**b) When do each of the current contracts with the City of Alachua and Seminole Electric Cooperative expire?**

**Response to Interrogatory No 15b:**

The contract with the City of Alachua expires 12/31/2010. The contract with Seminole Electric Cooperative expires 12/31/2012.

**c) Is GRU under any legal requirement to extend these contracts and continue to serve these customers beyond December 31, 2012?**

**Response to Interrogatory No 15c:**

No.

**d) The GREC Need Application contains forecasts of the net energy for load in Table 4.1 and of the seasonal peak demand in Table 4.2. Do the figures in these tables represent the sums of the retail forecasts plus the forecasts for Alachua and Seminole? Does the forecast demand listed in Need Application Tables 5.1 and 5.2**

**which show GRU's projected capacity requirements with and without GREC forecast capacity represent the forecast firm retail demand plus the demand contributed by Alachua and Seminole?**

**Response to Interrogatory No 15d:**

The answer to both of these questions is yes.

**e) If the net energy for load and the seasonal demands of Alachua and Seminole do not represent firm demand after 2012, please explain why their forecast needs after 2012 are included in Tables 4.1, 4.2, 5.1 and 5.2 and are included in the chart showing firm need plus 15% reserve on page 20 of Exhibit 29 (referred to by Commissioner Skop during the hearing on December 16, 2009 in 12177 12-16 Transcript 1-88).**

**Response to Interrogatory No 15e:**

The net energy for load and seasonal demands for Alachua and Seminole do represent firm demands. GRU treats these loads as firm loads for GRU's planning purposes for the following reasons.

Both of GRU's contracts with Seminole and Alachua are fully bundled, all-requirements contracts that include ancillary services as well as wholesale power. These ancillary services include carrying necessary spinning reserves and reserve margins to meet the obligations of these load-serving entities. These contracts are priced to reflect these services and the margins earned serve to reduce the rates for GRU's retail customers. The area served by Seminole is the western portion of the Gainesville urban area, and the City of Alachua is contiguous to GRU's service territory to the north. Residents of both of these areas frequently visit and work in Gainesville and utilize the urban services that are in part paid for by the General Fund Transfer from GRU's electric system. GRU has served Seminole for 35 years, and the City of Alachua for 25 years. If GRU does not serve these customers, other utilities in Florida will, and serving these customers benefits both the City of Gainesville and GRU's retail customers.

**f) Is GRU currently conducting negotiations with either the City of Alachua or  
Seminole Electric Cooperative to extend their current contracts?**

**Response to Interrogatory No 15f:**

Yes.

16. **With reference to the GDS report entitled: "Peer Review of ICF Consultings' Draft Report to the City of Gainesville Electrical Supply Needs (RFP No. 2005-147) and submitted to GRU on February 28, 2006, please discuss the GDS criticisms of the ICF report regarding the following, and indicate whether any action was taken by GRU or the City:**

**OBJECTIONS**

The Petitioners object to subparts a through d of this interrogatory on the grounds that they are outside the scope of the issues to be addressed in the supplemental hearing in this docket, and in that this interrogatory attempts to impose an undue burden on the Petitioners, particularly GRU, by asking that they either perform new work or recreate work that was done more than four years ago. The Intervenors have both the ICF study and the GDS study available to them. Without waiving the foregoing objections, the Petitioners respond as follows.

- a) **The failure by ICF to consider a number of efficiency and load management programs that would reduce demand and/or load on GRU's system, mentioned by GDS in a number of places in its report. These include the 2<sup>nd</sup> item on page 2, and the entire discussion of demand-side management beginning on page 8.**
- b) **The "maximum" DSM programs discussed by ICF achieve an estimated 4% reduction in load, while GDS finds that a reduction of 9% or more is feasible, and compares the recommendations of ICF with load and demand reduction achievements of other utilities.**

**c) The advantages of a scenario of capacity expansion that delays the expansion to the time at which the additional capacity is needed (Scenarios 4 and 5 on page 3 in GDS report) and allows the utility time to implement more effective demand and load reduction programs and to achieve major reductions in load and demand through elimination sales to Alachua and Seminole.**

**d) The GDS study was performed in early 2007, and its list of DSM programs not considered by ICF includes some that have since been adopted by GRU. List the ones that have not been adopted.**

**Responses to Interrogatories Nos. 16a-16d:**

GRU received the referenced report more than 4 years ago. GRU personnel reviewed and considered it at the time. GRU accepted and implemented GDS's principal recommendation, which was to issue an all-sources solicitation for baseload generation capacity, with an emphasis on clean or renewable technologies. GRU personnel have not reviewed this report recently and are unable to do so under the time constraints of this docket, and moreover are not required to do so.

**e) Does GRU anticipate adding any more DSM programs during the next 30 years?**

**Does GRU anticipate increasing its DSM programs to include options for load management (interruptible service or other demand response options)?**

**Response to Interrogatory No 16e:**

Yes. GRU has in place a curtailable service tariff and continues to evaluate load management, interruptible, and other demand response options.

17. With reference to the Gainesville's policy goals of reducing CO2 emissions, please address the following subjects:

a) GREC's need application and the supplemental testimony of Mayor Hanrahan and Ed Regan refer to Gainesville's policy goal of reducing CO2 emissions. The use of natural gas for heating, cooking, and other tasks releases far less CO2 to the atmosphere than the use of electricity that has been generated either from coal-fired or from gas-fired generators. List the programs of GRU that promote the use of natural gas for these tasks, identify the participants and the cost to the utility of implementing these programs.

**Response to Interrogatory No 17a:**

GRU's programs that promote natural gas usage include rebates for replacing electric appliances for space heating, cooking, water heating, and clothes drying with natural gas appliances, and rebates for builders to install gas delivery and piping into new construction. It is not practical to identify all of the participants in these programs. The actual expenses for these programs including rebates and administrative costs in fiscal year 2009 were \$225,000.

b) Has Gainesville implemented programs to reduce energy consumption in City owned buildings? How effective have they been?

**Response to Interrogatory No 17b:**

Yes. They have been very effective.

**18. GRU has provided estimates of the amount of CO<sub>2</sub>e released to the atmosphere by the utility and other greenhouse gas sources in the City and treats most of them as equivalent to an “offsets” credit that can compensate for current or future expected emissions from GRU or other sources. (Response to Staff’s Interrogatory 39, page 000043 in Exhibits document 00471-10). Please answer the following questions in connection with the estimates in the Table in this Interrogatory.**

**a) Does the methodology used by GRU to estimate its own emissions satisfy the requirements of the EPRI protocols or of other protocols (for example, the EPA Electric Utility Protocol for the 1605(b) Climate Partners Program, the widely-adopted protocol developed by the World Resources Institute, protocols under development in California or by RGGI states)?**

**Response to Interrogatory No 18a:**

The methodology used by GRU is the EPA Electric Utility Protocol for the 1605b Climate Partners Program.

**b) Did GRU follow any forest protocols regarding “conservation” lands on Deerhaven property and if so are they equivalent to the Forestry Greenhouse Gas Accounting protocol developed by California for its Climate Action Registry Project, or an equivalent one developed elsewhere (WRI, RGGI states, etc.)?**

**Response to Interrogatory No 18b:**

Yes. The forests on the Deerhaven property have been certified under two programs, the Stewardship Forest Program administered by the Florida Division of Forestry, and the American Tree Farm System.



**c) Did GRU determine that none of the its claimed offsets violate the "additionality" requirement of all protocols listed above, and that none involve double counting of the effects of selected carbon emission-reduction programs on overall emissions?**

**Response to Interrogatory No 18c:**

The Petitioners are not aware of the term "additionality" in this context, and have accordingly asked for clarification of this interrogatory. Subject to their pending request for clarification, the Petitioners respond as follows.

None of GRU's emissions reduction measurements involve double counting. The EPA Electric Utility Protocol for the 1605b Climate Partners Program, which GRU uses for this purpose, is explicitly designed to avoid double-counting.

**d) Did GRU or the City estimate the carbon emissions from homes, auto and bus travel, clearing land for development, or other GHG sources?**

**Response to Interrogatory No 18d:**

Only the changes in carbon emissions from actions taken by GRU and the City of Gainesville's traffic signalization operations have been estimated.

**e) Has the Gainesville City Commission ever compared the per unit cost of reducing greenhouse gas emissions with GREC with other more efficient (less costly) options for reducing those emissions?**

**Response to Interrogatory No 18e:**

GRU staff has performed calculations of the unit costs for reducing greenhouse gas emissions for various alternatives from time to time. Because GREC is cost-effective strictly as an energy supply, it is a very low cost means of reducing carbon emissions.

**f) Has GRU ever considered co-firing biomass with coal in Deerhaven Unit 2 as an option for reducing carbon emissions much less expensively than by means of GREC?**

**Response to Interrogatory No 18f:**

No. Such an option is not practicable.

19. **How many of the sitting members of the City Commission will face re-election to the Commission after 2013, when GREC becomes operational?**

**Response to Interrogatory No 19:**

It is unknown how many of the sitting members of the City Commission will face re-election after 2013.

20. **In the event future increases in wood fuel costs cause electricity costs to ratepayers be higher than is acceptable to them, what options would GRU have to renegotiate its contract and reduce costs? What incentives would GREC have to be accommodating?**

**Response to Interrogatory No 20:**

GRU would have the opportunity to ask GREC LLC, in good faith, to renegotiate pricing under the PPA. With respect to the part of the question that asks about GRU's ability to reduce costs, GRU has the right to take over fuel procurement responsibilities if GRU believes that doing so would reduce costs.

The PPA was designed to be mutually beneficial to both GRU and GREC LLC. Both GRU and GREC LLC are incented to resolve any concerns between them in an amicable and mutually beneficial manner given that their relationship is intended to be a long-term one.

RESPECTFULLY SUBMITTED this 12th day of April, 2010.

A handwritten signature in black ink, appearing to read "Robert Scheffel Wright", written over a horizontal line.

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Attorneys for GREC LLC and GRU

**CERTIFICATE OF SERVICE**

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been served by electronic mail and hand delivery (\*) or U.S. Mail this 12th day April, 2010, on the following:

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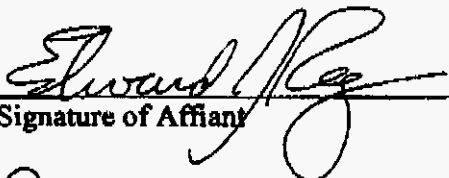
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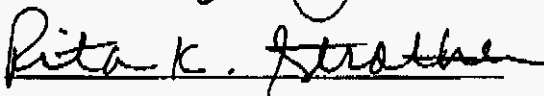
STATE OF FLORIDA)

COUNTY OF ALACHUA)

I hereby certify that on this 12th day of April, 2010, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Edward Regan, who is personally known to me, and he acknowledged before me that he provided the answers to interrogatory numbers 15 through 20 from INTERVENER DEEVEY'S SECOND SET OF INTERROGATORIES (Nos. 15- 20) in Docket No. 090451-EM, and that the responses are true and correct based on his personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 12th day of April, 2010.

  
Signature of Affiant





Notary Public  
State of Florida, at Large

My Commission Expires: