

VOTE SHEET

May 27, 2010

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.

Issue A: Interveners Joint Emergency motion to Reopen the Record and for Official Recognition of New Greenhouse Gas Emissions Rule Issued by the United States Environmental Protection Agency and Interveners Amended Joint Emergency Motion to Reopen the Record and for Official Recognition of New Greenhouse Gas Emissions Rule Issued by the United States Environmental Protection Agency.

Recommendation: Staff recommends denial of the Motion to Take Official Notice and denial of the Motion to Reopen the Record.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

David E. Klement
Isa Edy

[Signature]
[Signature]

REMARKS/DISSENTING COMMENTS:

Issues 2-8. Approved with the specific requirement that the express language, as amended in the Risk Management handout, be incorporated, verbatim, in the Final Order. (as attached) Chairman Regenziano and Commissioner Sterens dissented on Issues 2-8.

DOCUMENT NUMBER: 090451-EM

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FPSC-COMMISSION

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Issue 1: Are Gainesville Regional Utilities and Gainesville Renewable Energy Center, LLC proper applicants within the meaning of Section 403.519, F.S.?

Stipulation: At the December 16, 2009, hearing the Commission voted to approve the following stipulation:

Yes. Gainesville Regional Utilities (GRU) is a municipal electric, natural gas, water, wastewater, and telecommunications utility serving retail customers; it is owned and operated by the City of Gainesville in Alachua County, located in north-central Florida; and it is a valid applicant under the Florida Electrical Power Plant Siting Act (PPSA), Chapter 403, Part II, F.S.

Gainesville Renewable Energy Center, LLC (GREC LLC) is a private renewable power producer that will own, operate, and maintain the proposed Gainesville Renewable Energy Center biomass facility and sell 100 percent of the facility's electric power output to GRU under a 30-year power purchase agreement (PPA). GREC LLC is an appropriate joint applicant pursuant to the Commission's decisions and the Florida Supreme Court's decision in Nassau Power Corp. v. Deason, 641 So. 2d 396 (Fla. 1994).

STIPULATED

Issue 2: Is there a need for the Gainesville Renewable Energy Center, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, F.S.?

Recommendation: GRU's load forecast indicates that GRU does not have a reliability need for additional capacity until 2023, based on a 15 percent reserve margin criteria. However, the GREC Project would enhance the overall reliability of the GRU system.

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Issue 3: Is there a need for the Gainesville Renewable Energy Center, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, F.S.?

Recommendation: There is considerable uncertainty about the economics of this project. The GREC Project would result in a loss of approximately \$56 million based on a cumulative net present worth revenue requirement analysis using current environmental regulations, fuel forecasts, and market assumptions. However, the GREC Project could result in a savings of approximately \$448 million if pending environmental regulations are enacted, and GRU resells half of the capacity at full contract price. Therefore, the GREC Project acts as a hedge against potential cost increases associated with future regulation of carbon emissions and renewable energy.

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Issue 4: Is there a need for the Gainesville Renewable Energy Center, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519, F.S.?

Recommendation: Yes. The GREC Project would add a sustainable biomass fuel source that would significantly reduce coal and natural gas usage on the GRU System. The contract between the Joint Petitioners contains some protections for GRU in the event that the GREC Project is unable to procure sufficient biomass or experiences high fuel costs.

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Issue 5: Are there any renewable energy sources and technologies, as well as conservation measures, taken by or reasonably available to Gainesville Regional Utilities which might mitigate the need for the proposed Gainesville Renewable Energy Center?

Recommendation: No. The GREC Project, as a renewable resource, enhances GRU's fuel diversity and acts as an economic hedge against future carbon and renewable regulations. The GREC Project supports the Legislature's intent to promote renewables by increasing Florida's renewable generating capacity. GRU has not evaluated whether there are any conservation measures that can mitigate the need for the GREC Project, as a capacity need for reserve margin criteria does not occur until 2023.

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Issue 6: Is the Gainesville Renewable Energy Center the most cost-effective alternative available, as this criterion is used in Section 403.519, F.S.?

Recommendation: There is considerable uncertainty about the economics of this project. The GREC Project would result in a loss of approximately \$56 million based on a CPWRR analysis using current environmental regulations, fuel forecasts, and market assumptions. However, the GREC Project could result in a savings of approximately \$448 million if pending environmental regulations are enacted and GRU resells half of the capacity at full contract price. Therefore, the GREC Project acts as a hedge against potential cost increases associated with future regulation of carbon emissions and renewable energy.

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Issue 7: Based on the resolution of the foregoing issues, should the Commission grant the petition to determine the need for the proposed Gainesville Renewable Energy Center?

Recommendation: Yes. GRU has made a strategic decision to contract with a biomass resource for additional baseload generation, which will enhance the overall reliability of the GRU system, and significantly increase the amount of renewable energy utilized on GRU's system. The updated values provided in Issue 6 show that the GREC Project with market resale is estimated to have a cumulative net present value cost of \$56 million without carbon regulation. However, the GREC Project shows a cumulative present worth savings of approximately \$448 million under the Regulated CO₂ Case with resale at full contract price. The GREC Project could act as a hedge against future regulations on carbon emissions or renewables. As a municipal utility, the Gainesville City Commission would ultimately be responsible for mitigating any potential rate impacts and continued overview of the cost-effectiveness of the GREC Project.

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Issue 8: Should this docket be closed?

Recommendation: Yes. Upon issuance of a final order addressing GRU and GREC LLC's joint petition to determine the need for the GREC Project, the docket should be closed when the time for filing an appeal has run.

APPROVED

Risk Management

As with most power generation projects, there are uncertainties about the economics of the proposed biomass project. Additionally, the Florida Public Service Commission does not regulate GRU electric rates. Furthermore, many of the financial, contractual, and environmental regulation aspects associated with the proposed biomass generating unit were not yet fully known or definitized at the time this case was decided.

Based on the above, it is incumbent upon GRU and the City of Gainesville to mitigate the ratepayer impact associated with the proposed biomass generating unit by considering, but not limited to, the following:

- The need to sell excess generation capacity from the proposed biomass unit at the contractual rate
- The need to continue to sell excess generating capacity associated with GRU's existing generating units on the wholesale market or through power purchase agreements
- The need to contractually source a long-term fuel supply for the proposed biomass generating unit at favorable pricing
- The need to continue to evaluate the financial viability of the proposed biomass generating unit in relation to pending environmental regulations

**Special Agenda*
Parties/Staff Handout-SK
Internal Affairs/Agenda
on 5/27/10
Item No. * 090457-EM