

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 110309-EI

PETITION TO DETERMINE NEED FOR  
MODERNIZATION OF PORT EVERGLADES  
PLANT, BY FLORIDA POWER & LIGHT  
COMPANY.

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PROCEEDINGS: COMMISSION CONFERENCE AGENDA  
ITEM NO. 5

COMMISSIONERS  
PARTICIPATING: CHAIRMAN RONALD A. BRISÉ  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER ART GRAHAM  
COMMISSIONER EDUARDO E. BALBIS  
COMMISSIONER JULIE I. BROWN

DATE: Tuesday, March 27, 2012

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

REPORTED BY: JANE FAUROT, RPR  
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DOCUMENT NUMBER DATE

01903 MAR 30 2012

FLORIDA PUBLIC SERVICE COMMISSION

FPSC-COMMISSION CLERK

## P R O C E E D I N G S

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2           **CHAIRMAN BRISÉ:** All right. Mr. Graves.

3           **MR. GRAVES:** Good morning, Commissioners.

4           Item 5 is staff's recommendation regarding  
5 Florida Power and Light's petition to determine the  
6 need for modernization of its Port Everglades plant, or  
7 PEEC as I will refer to it. PEEC involves the  
8 construction of a combined cycle power plant with a  
9 summer capacity of 1277 megawatts. PEEC is scheduled  
10 to go into service in June of 2016. The conversion  
11 will replace four 1960s era generating units at FPL's  
12 Port Everglades site in Broward County.

13           On February 13th, the Commission issued a  
14 prehearing order which contained a proposed stipulation  
15 for each issue addressed in staff's recommendation. On  
16 February 14th, the Florida Industrial Power Users Group  
17 intervened in this docket, and on February 20th the  
18 Commission held a public hearing. After giving  
19 consideration to all the evidence introduced, staff was  
20 not persuaded to move from the language contained in  
21 the proposed stipulation. As such, staff is  
22 recommending approval of FPL's petition. Staff is  
23 available for questions.

24           **CHAIRMAN BRISÉ:** Commissioner Balbis.

25           **COMMISSIONER BALBIS:** Thank you, Mr.

1 Chairman.

2 And I'd like to ask staff one or two  
3 questions and then kind of walk down how I addressed  
4 this issue, or the issues associated with this docket.

5 And for staff, other than the fact that FPL  
6 is decommissioning the existing facility which equals,  
7 you know, approximately 1300 megawatts, the need for  
8 this facility is primarily the expiration of two  
9 purchased power agreements, correct?

10 **MR. GRAVES:** That is a driver of the need is  
11 the expiration of those purchased power agreements.  
12 They are also entering into wholesale agreements and  
13 you also have load growth, as well, Commissioner.

14 **COMMISSIONER BALBIS:** Okay. So let's focus  
15 on the expiration of those agreements. One of them is,  
16 I believe, 931 megawatts purchased from Southern  
17 Company, and another 375 megawatts from JEA. And why  
18 wouldn't Florida Power and Light simply extend those  
19 agreements?

20 **MR. GRAVES:** Based on their response,  
21 extension of those agreements is no longer  
22 cost-effective for their customers. And two of those  
23 purchases are from natural gas plants located in  
24 Georgia, so you are essentially having gas generation  
25 being transmitted from Georgia to FPL's load center in

1 Broward, whereas the PEEC conversion project puts that  
2 generation right there in their load center.

3           **COMMISSIONER BALBIS:** Okay. So the extension  
4 of those contracts is not cost-effective, so now  
5 looking at -- and I guess this is more for my fellow  
6 Commissioners -- the other options that Florida Power  
7 and Light has had for this project has been addressed  
8 in their application, primarily looking at a greenfield  
9 combined cycle plant somewhere else, looking at a step  
10 increase in additional generation, which I believe  
11 FIPUG has proposed, and also returning the existing  
12 facility back to service.

13           So with all of those three other options, I  
14 believe the cost savings range from 425 million to  
15 \$838 million. So, you know, we have a need, we have  
16 other options that were looked at that were not  
17 cost-effective, and then I focused on, okay, well, are  
18 there other powers producers out there that can provide  
19 this service. And I mentioned this during the hearing  
20 in that -- I believe it was August we moved forward  
21 with a waiver of the RFP process that was not  
22 contested, there were no intervenors in the case, and  
23 since that time FPL has not received any offers to  
24 generate this power. So we have a clear need, we have  
25 different alternatives addressed and were determined

1 weren't as cost-effective as this project, and so now I  
2 looked at, well, what about looking at the reserve  
3 margin criteria. And looking closely at that, and I  
4 think there is a little bit of a misconception out  
5 there, and I talked to staff about this in the language  
6 of the recommendation on the reserve margin including,  
7 you know, primarily DSM with the reserve margin, but it  
8 actually is not only DSM, but interruptible load, or  
9 voluntary customers being put on a program where they  
10 can have their service terminated during peak demands.  
11 So I don't believe that relying on interruptible load  
12 as part of your reserve margin and lapsing and  
13 decreasing that reserve margin is appropriate at this  
14 time for this case.

15           So I just want to point out a couple of the  
16 thoughts I had on this project. I think that  
17 alternatives have been looked at. I think that this is  
18 the most cost-effective option, and I agree with  
19 staff's recommendation, but I look for other  
20 Commissioners' comments on this.

21           **CHAIRMAN BRISÉ:** Commissioner Brown.

22           **COMMISSIONER BROWN:** Thank you.

23           I have just one question for staff regarding  
24 what this Commission can do if the actual costs exceed  
25 the estimated costs for the project?

1           **MR. BALLINGER:** Commissioner Brown, that  
2 would come up at the time that FPL requests cost  
3 recovery, which would be at a rate case, or if there is  
4 another separate proceeding to look at possible  
5 recovery through a clause. At that juncture, the  
6 Commission actually can't deny any costs that were not  
7 prudently incurred. So even if the costs estimates  
8 were equal to what was here, if we found some  
9 imprudently incurred costs, let's say some contractor  
10 issues or something of that nature, or some  
11 expenditures rolled in that really weren't appropriate,  
12 they could be disallowed. So, again, it's a basic  
13 prudence review at the time of cost-recovery.

14           **COMMISSIONER BROWN:** And other than this  
15 annual report that FPL is going to submit to the  
16 Commission, how can we continue to monitor, I guess,  
17 the cost-effectiveness of the project?

18           **MR. GRAVES:** We would take that opportunity  
19 to do that through that report and we could issue  
20 discovery in the ten-year site plan, as well, in the  
21 ten-year site plan workshop.

22           **CHAIRMAN BRISÉ:** Thank you, Commissioner  
23 Brown.

24           One question. When this item originally came  
25 up it came up as a stipulation, and what difference is

1 there in the recommendation with respect to what was  
2 looked at within the stipulation, and what impact, if  
3 any, did the briefs from FIPUG have or change anything  
4 with respect to the recommendation that we have before  
5 us today?

6 **MR. GRAVES:** Our recommendation statement and  
7 our conclusions remain the same as what was in the  
8 stipulation. Most of FIPUG's arguments staff had  
9 already addressed through discovery, and you'll see  
10 that a lot on Page 21 where we ask for a lot of  
11 economic analyses to be performed by FPL. So the only  
12 difference is really the amount of analysis that went  
13 into our recommendation, but the statements and the  
14 conclusions remain the same.

15 **CHAIRMAN BRISÉ:** Okay. All right. At this  
16 time -- I'm trying to see if there's any further  
17 comments.

18 Commissioner Edgar.

19 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

20 I would just add to the discussion that  
21 having reviewed the material, the stipulation prior to,  
22 of course, the material during the hearing that we had,  
23 I am comfortable that this project represents benefits  
24 to the grid and to consumers and also has some  
25 indirect, perhaps, modernization and environmental

1 benefits, and I will be supporting the staff  
2 recommendation.

3 **CHAIRMAN BRISÉ:** Okay.

4 Commissioner Balbis.

5 **COMMISSIONER BALBIS:** Thank you, Mr.  
6 Chairman.

7 And if it's appropriate at this time I would  
8 move staff's recommendation on all issues for this  
9 docket.

10 **COMMISSIONER GRAHAM:** Second.

11 **CHAIRMAN BRISÉ:** All right. It has been  
12 moved and seconded. All in favor say aye.

13 (Vote taken.)

14 **CHAIRMAN BRISÉ:** All right. Seeing that  
15 positive outcome, we are moving on to Item Number 6.

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CERTIFICATE OF REPORTER

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 30th day of March, 2012.

  
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