

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. UNDOCKETED

TEN YEAR SITE PLAN.  
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COMMISSION  
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COMMISSIONERS  
PARTICIPATING:

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COMMISSIONER ART GRAHAM  
COMMISSIONER EDUARDO E. BALBIS  
COMMISSIONER JULIE I. BROWN

DATE: Monday, August 13, 2012

TIME: Commenced at 9:30 a.m.  
Concluded at 10:32 a.m.

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

REPORTED BY: JANE FAUROT, RPR  
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## P R O C E E D I N G S

1  
2           **CHAIRMAN BRISÉ:** All right. We are going to  
3 go ahead and get started. Today is Monday, August 13th.  
4 It's about 9:33. Welcome to the Public Service  
5 Commission's workshop on Florida's Electric Utilities  
6 Ten-Year Site Plans. At this time, Counsel, could you  
7 please read the notice.

8           **MR. MURPHY:** Yes, sir. We're here pursuant to  
9 notice for a Commission workshop regarding the ten-year  
10 site plans of electric utilities.

11           **CHAIRMAN BRISÉ:** All right. Thank you.

12           The Florida Reliability Coordinating Council  
13 is here to summarize its 2012 Regional Load and Resource  
14 Plan. Following the presentations, Commissioners and  
15 our staff may ask questions on topics covered in the  
16 presentation as well as any subjects in the ten-year  
17 site plans or issues which affect the reliability of the  
18 electric systems in Florida.

19           There will be an opportunity for comments from  
20 other interested groups or persons. It is my  
21 understanding that the Sierra Club is represented here  
22 today by Earth Justice and will make a presentation a  
23 little bit later on.

24           Thank you. And at this time I will turn the  
25 workshop over to staff.

1           **MR. ELLIS:** Good morning, Commissioners.

2 Phillip Ellis with Commission Staff.

3           We'll be starting the presentations today with  
4 Mr. Gillette, President of Tampa Electric Company, who  
5 will introduce the speakers from the FRCC. Please feel  
6 free to ask questions at any time during the  
7 presentation. Staff may also ask questions during the  
8 presentations.

9           Welcome, Mr. Gillette.

10           **MR. GILLETTE:** Thank you, Commissioners. It  
11 is my pleasure to appear before you here today. I'm  
12 here today representing the Board of Directors of the  
13 Florida Reliability Coordinating Council, and I have  
14 been chairing this group since February of last year.

15           The board has 18 members from six different  
16 sectors, including non-IOU utility wholesale power  
17 providers, municipal and cooperative load serving  
18 entities, generating load serving entities,  
19 investor-owned utilities, suppliers, and a general  
20 sector. The FRCC is one of eight of the NERC Regions in  
21 North America.

22           In March, Sarah Rogers, who had done a great  
23 job at the FRCC serving as CEO and president, left the  
24 FRCC to pursue other interests. In May, after a  
25 nationwide search, Stacy Dochoda, who is to my right

1 here, started as the new president and CEO of the FRCC,  
2 and she is responsible for both the regional entity and  
3 the member services division, as well as the Florida  
4 Coordinating Group.

5 Most recently, Stacy was the general manager  
6 of the regional entity for the Southwest Power Pool  
7 based in Little Rock, Arkansas. There she reported to  
8 her own board, and was very involved in all matters of  
9 policy before NERC and FERC on behalf of the SPP Region.

10 Stacy has 25 years of experience in the  
11 electric utility industry. She served for many years  
12 primarily in the regulatory and legislative areas for  
13 Houston Light and Power and then for Reliant Energy, as  
14 the Vice-President of Regulatory Affairs.

15 Stacy has a Bachelor's degree in Industrial  
16 Engineering from the University of Houston and an MBA  
17 also from the University of Houston with a  
18 specialization in accounting. She is a registered  
19 certified public accountant in the State of Texas.

20 Commissioners, the board of the FRCC is very  
21 pleased to have Stacy as our new leader of the FRCC, and  
22 it is now my pleasure to present to you Stacy Dochoda  
23 along with her colleagues who will be presenting this  
24 morning.

25 Stacy.

1           **MS. DOCHODA:** Good morning, Commissioners. As  
2 Gordon said, my name is Stacy Dochoda. I thought I  
3 would give you a little help with my last name. The C  
4 in my last name is completely silent, just for  
5 pronunciation.

6           I am very pleased to be here this morning.  
7 Our presentation will provide an overview of the results  
8 that our company, the Florida Reliability Coordinating  
9 Council, has prepared based on the ten-year site plans  
10 from all the utilities in Florida.

11           For our agenda, I'll provide the executive  
12 summary summarizing the results of the work that we have  
13 performed, and then really the bulk of the presentation  
14 will be provided by John Odom, who is the FRCC Vice  
15 President of Planning and Operations. John will cover  
16 the details of the FRCC load and resource plan. He will  
17 also address several issues related to fuel reliability  
18 in Florida, and then he will close up with a discussion  
19 of transmission planning for the state.

20           The purpose of the Florida Reliability  
21 Coordinating Council is to promote and enhance the  
22 reliability and adequacy of the bulk electricity supply  
23 in Florida now and into the future, and this  
24 presentation and the work that underlies it, is one of  
25 the ways that FRCC achieves this mission.

1           To begin with our executive summary, first,  
2 I'd start by talking about our planned reserve margin.  
3 The planned reserve margin is a measure of the amount of  
4 generating capacity that we have beyond the forecasted  
5 load. For the horizon that we have looked at, the  
6 ten-year horizon, we expect that the planned reserve  
7 margin will exceed 20 percent for all peak periods, both  
8 summer periods and winter periods, over those next ten  
9 years.

10           For demand-side management, where demand-side  
11 management includes load management and interruptible  
12 load, we expect that to reduce load by a relatively  
13 constant 7 percent throughout the ten-year horizon. On  
14 energy efficiency and energy conservation, we expect  
15 that to reduce load by an additional 4 percent between  
16 now and 2021, which represents approximately  
17 1200 megawatts.

18           Renewables are expected to supply  
19 approximately 3100 gigawatt hours of the total energy  
20 served by 2021, with the largest source of those coming  
21 from municipal solid waste and biomass.

22           And then turning to the impact of pending and  
23 proposed EPA regulations, based on the information that  
24 we have today, we looked at this from the short-term and  
25 the long-term. In the short-term, once utilities have

1 determined their plans for compliance with these  
2 regulations, what we will want to look at is in the  
3 aggregate, whether there are any issues that we would  
4 identify related to scheduling unit outages to perform  
5 the required retrofits and other modifications. In the  
6 long-term, based on the data that we have today, we do  
7 not expect any significant reliability impact in the  
8 state.

9 Moving on to fuel and fuel transportation.  
10 I'd note that our information indicates that our energy  
11 production in the state from natural gas is expected to  
12 remain near where it is today, approximately 60 percent,  
13 between now and 2021.

14 In the near term, FRCC does not anticipate  
15 that we have any issues that would affect our ability to  
16 serve load due to fuel transportation. And then finally  
17 on transmission planning, the planned transmission  
18 system within the FRCC region is expected to be adequate  
19 and reliable.

20 Now I'll turn the bulk of the presentation  
21 with the details over to John Odom. John is our  
22 Vice-President of Planning and Operations for the FRCC.

23 **MR. ODOM:** Good morning, Mr. Chairman,  
24 Commissioners, staff.

25 As Ms. Dochoda said, I'm going to provide some

1 specifics that led FRCC to the conclusions that were  
2 outlined in her presentation, but I want to begin with  
3 that each year FRCC compiles and reports on the load and  
4 resource plans based on the ten-year site plans that the  
5 utilities have provided us.

6 The first area that I'm going to cover is the  
7 load forecast. Of the factors that are considered when  
8 completing a load forecast, FRCC has a mix of positives  
9 and negatives during this time period. First, Florida's  
10 actual unemployment continues to decline. The  
11 population continues to pick up some momentum. However,  
12 the Florida production levels were lower than expected,  
13 and the new projections show a slower recovery than  
14 projected.

15 In 2010, extreme weather, cold winter and  
16 hotter than usual summer, masked the continued downward  
17 trend of energy consumption, and it has continued into  
18 2011. The forecasted energy sales in summer and winter  
19 peaks are lower in 2012 than they were projected to be  
20 in the 2011 Ten-Year Site Plan.

21 This is a graph that shows the summer peak  
22 demand. The red line is the newest forecast. As you  
23 notice, it has got a lower starting point, and it has a  
24 slightly lower growth rate throughout the study period.

25 The winter is very similar, again with a lower



1 starting point and a lower rate. At the end of the  
2 ten-year period it is expected about 2,000 megawatts  
3 lowered demand forecast than last year's forecast.

4 This chart is a chart that shows the  
5 compounded average annual growth rate for the FRCC  
6 region since 1991. In the mid-'90s, the growth rate was  
7 less than 2 percent per year compounded, and in 2005, it  
8 peaked to about 2-1/2, and as you can see from the last  
9 three years, it has been less than 1-1/2 percent per  
10 year for both the summer and the winter.

11 This is a chart of the summer peak demands.  
12 The black line is the actual summer demand and the green  
13 line is the projections that have been compiled. For  
14 reference, the dashed line is a straight line projection  
15 based off the actual demand. And you can see that the  
16 green does continue to show a lower growth rate than our  
17 historical average.

18 So now I will turn to the generation or  
19 capacity side. This chart is quite colorful. It shows  
20 the total FRCC resources. The blue on the bottom of the  
21 chart is our existing capacity. The green, light green  
22 are the additions that are planned by the utilities  
23 throughout the ten-year period. The purple on top of  
24 that is the purchases planned from independent power  
25 producers and non-utility sources. And then the top

1 two, the light blue and the orange are resources that  
2 are outside the FRCC region.

3 This is one of the first of my more  
4 complicated graphs, and it shows the impact that load  
5 management and energy conservation and efficiency has on  
6 the forecast. The bottom line on this graph, the solid  
7 red line shows the forecast that has been compiled that  
8 was provided by the utilities.

9 The next line-up, the long dashed line is what  
10 the forecast would be if there were no interruptible  
11 loads or load management, demand-side management. So  
12 that graph is considerably higher, or that line is  
13 considerably higher on the graph, and that's to  
14 demonstrate what effect those two components have on the  
15 load forecast.

16 And finally, the top line, the small dashed  
17 lines, that is the impact of the planned energy  
18 conservation and energy efficiency plans that the  
19 utilities have projected. And, again, that just shows  
20 that the demand would be even higher. We expect that  
21 the solid red line is the one that will be met, because  
22 we don't have any reason to believe that those things  
23 aren't going to happen, but we wanted to make sure that  
24 we pointed out how much of our projection is based on  
25 these components.

1           As Ms. Dochoda said, you know, we are looking  
2 at the reserve margins for the utilities. On this graph  
3 we have got the summer in the light green and the winter  
4 in the blue. And as you can see throughout the entire  
5 study period, both the summer and the winter are well  
6 above 15 percent in all areas; they are more than 20  
7 percent.

8           This chart again highlights what happens if  
9 the demand-side management and interruptible loads are  
10 not counted in the projections, if for some reason those  
11 programs diminished or went away totally in this chart.  
12 And as you can see, in the summer of 2020 and 2021 they  
13 drop below 15 percent for the summer periods.

14           And finally, this is a chart -- the red line  
15 is the FRCC composite, and we call it the generation  
16 only reserve. So if for some reason there was no load  
17 management or interruptible loads or the energy  
18 conservation and energy efficiency did not materialize,  
19 those savings or reductions in load did not materialize,  
20 this is what the chart would look like.

21           And so by 2021 the reserve margin from just  
22 generation on the ground would be below 10 percent. For  
23 reference, we added the FPL line as the largest utility.  
24 Theirs would be down to almost 5 percent.

25           The takeaway here is while we don't expect

1 those programs to go away or to be unsuccessful, we  
2 wanted to see what the numbers would look like without  
3 them. And so the FRCC will continue to keep their eye  
4 on what happens with those programs, with the load  
5 management and interruptible, as well as energy  
6 conservation and energy efficiency, to ensure that those  
7 programs remain successful and be able to report back  
8 annually to you as to the impact of those.

9 The next graph shows how FRCC is doing as it  
10 relates to the rest of the country for the dispatchable  
11 demand-side management, or load management. At  
12 7 percent, you can see that there is two parts of the  
13 country, the MISO, the Midwest ISO, and PJM, both of  
14 these are organized markets. They are higher than  
15 7 percent, but the amount of load management that  
16 Florida has is higher than the rest of the country  
17 except for those two areas that have markets. I should  
18 say organized markets.

19 So, finally, this is the conclusion. For the  
20 ten-year period, the region definitely meets the  
21 15 percent FRCC criteria, and the planned reserve  
22 margins exceed 20 percent for all peak periods  
23 throughout the ten-year plan.

24 The next area I want talk about is the fuel  
25 diversity. We have two charts that I wanted to discuss.

1 The first one is energy, the amount of energy that is  
2 produced from each of the types of fuels. The key  
3 points here is that gas this year is expected to be  
4 62 percent of the energy produced from gas with  
5 59 percent in 2021. The nuclear percentage is expected  
6 to go up to 14 percent with the planned uprates by 2021.

7 The next chart with fuel diversity shows the  
8 megawatts of resources that we have available. As you  
9 can see from this chart, oil makes up a much higher  
10 percentage, meaning that it runs during the peak periods  
11 and does not run as much. And the main point here is  
12 that the gas remains fairly constant throughout the  
13 ten-year period as the largest slice of the pie at  
14 approximately 60 percent.

15 I want talk for a couple of minutes about our  
16 renewable resource capacity in FRCC. This chart shows  
17 the components that make up the 1421 megawatts of  
18 renewable resources. The largest components are biomass  
19 at 32 percent and municipal solid waste at 33 percent,  
20 with solar, hydro, and heat recovery being smaller  
21 percentages.

22 Next we'll turn to the forecast for  
23 renewables. This chart has the planned renewable  
24 projects, the biomass or wood products at 334 megawatts,  
25 70 additional megawatts of municipal solid waste, solar

1 PV at 512 megawatts; other solar projects, such as water  
2 heaters and parabolic mirrors, at 41 percent. And at  
3 this time, we don't have any planned wind additions in  
4 the study period. However, FPL is pursuing local  
5 approval for a 13.8-megawatt wind project in St. Lucie  
6 County.

7 This graph shows the impact that conservation  
8 and energy efficiency has had on the load within FRCC.  
9 It's a little bit complicated, or the graph is a little  
10 bit hard to read, so I'll try to make it a little  
11 clearer as to what each one of the lines is. The amount  
12 of energy that has been saved and is projected is on the  
13 left axis, or the green line, and the demand in  
14 megawatts that have been reduced by conservation is the  
15 blue line on the right-hand side.

16 So the projection for the next ten years is  
17 that there will be approximately 1400 megawatts of  
18 future avoided generation in the FRCC region and about  
19 2500 gigawatt hours of energy throughout the ten-year  
20 period, based on the conservation measures that the  
21 utilities are undertaking.

22 This slide shows our existing nuclear capacity  
23 and the planned updates through the ten-year period. We  
24 see updates at St. Lucie, which the St. Lucie 1 has been  
25 completed, and then the second one planned this year for

1 St. Lucie, as well as two uprates at Turkey Point, and  
2 the planned uprate at Crystal River 3 for 2014.

3 This graph shows the actual energy production  
4 from natural gas as well as a forecast. As you can see  
5 from 2000, the percentage has continued to increase.  
6 And the main point that this graph shows that between  
7 last years ten-year site plan and this year's the amount  
8 of natural gas or energy that is produced from natural  
9 gas has increased significantly for 2012.

10 And the projection is that throughout the  
11 ten-year period that it is going to be essentially the  
12 same as it was before, a little bit higher, but  
13 essentially the projections show that we'll be burning  
14 approximately the same amount of natural gas that we  
15 thought we would be doing last year or producing energy  
16 at the same amount.

17 As you know, there are many federal  
18 environmental initiatives going on. The Florida  
19 utilities are following at least seven major federal  
20 rules and regulations. FRCC's role in this area is to  
21 monitor the potential reliability impacts that any of  
22 these changes could have on the Florida electric system.

23 In the short run, the utilities and FRCC will  
24 identify any issues that may arise from the scheduling  
25 of unit outages to make modifications and retrofits. So

1 the utilities will be responsible for developing their  
2 schedule and FRCC will look at those schedules for any  
3 changes that may be needed and make sure that the  
4 different utilities will still work with the existing  
5 transmission system in place to make sure that the grid  
6 reliability for Florida or for FRCC remains reliable.

7 Over the long-term, we are not expecting any  
8 significant long-term reliability impacts, given that  
9 the utilities will have time to work through any issues  
10 that may be caused by the regulations.

11 So our primary role is to make sure that as  
12 plants do have to come off-line to meet -- for  
13 modifications and retrofits to meet any future  
14 regulations that the transmission system is capable of  
15 delivering the generation that it remains on-line to the  
16 load. And so we are going to work with the utilities to  
17 make sure that the FRCC transmission grid is able to do  
18 that. So in conclusion, our resource adequacy review  
19 indicates that there will be adequate resources over the  
20 ten-year period to meet the forecasted load.

21 I want to talk a little bit more about  
22 FRCC fuel reliability. FRCC has a fuel reliability  
23 working group, the FRWG, that's made up of member  
24 representatives. This group reviews the  
25 interdependencies of fuel availability and electric



1 reliability. And also, FRCC coordinates regional  
2 responses to fuel issues and other related  
3 emergencies that may impact transmission and  
4 resource reliability.

5 One major area of focus for FRCC in the  
6 fuel reliability area is the natural gas supply and  
7 transportation reliability. Natural gas supplies  
8 for FRCC continue to grow. We continue to review  
9 and assess the current fuel supply infrastructure to  
10 determine potential impacts on generating capacity.  
11 We work closely with the gas pipelines and  
12 coordinate operations between the utilities and the  
13 pipeline operators during any fuel emergencies. Our  
14 studies have indicated that fuel oil backup is one  
15 of the keys to maintaining system reliability for  
16 catastrophic failures that may impact the  
17 deliverability of gas supplies.

18 To help FRCC and our utilities manage  
19 their generation fleet and their fuel supplies  
20 during emergencies or other periods of concern, we  
21 have the following three tools and plans. We have  
22 the generating capacity shortage plan. We have the  
23 FRCC hurricane manual to ensure communications, and  
24 then we have the communications protocols which  
25 includes the utilities and the gas transportation

1 providers. With these tools and plans, the  
2 generator operators and the pipeline operators can  
3 have effective communication to deal with any  
4 deliverability issues that may come up. So we're  
5 got these systems in place to try to make sure that  
6 the gas pipeline operators understand the issues  
7 that may impact generation resources within FRCC's  
8 region.

9 As you saw earlier, about 60 percent of  
10 FRCC's energy production is from natural gas, and  
11 that's the area that we have been focused on  
12 recently to try make sure that we understand any  
13 potential impacts that that may have on the FRCC  
14 capacity. So in the near term, FRCC is not  
15 anticipating any fuel transportation issues that  
16 will cause any reliability impacts. In the longer  
17 term, because of this 60 percent reliance on natural  
18 gas, the FRCC utilities and FRCC will continue to  
19 work on improving communications and coordination  
20 with the pipeline operators. They will continue to  
21 assess the gas infrastructure capabilities to make  
22 sure that there is enough pipeline capability. We  
23 will continue to evaluate the interdependencies  
24 between gas and electric generation. And finally,  
25 we'll evaluate the diversity of the gas pipeline

1 interconnects.

2           The last portion of my presentation is on  
3 transmission planning. Our transmission planning  
4 process promotes the reliability of the transmission  
5 system through coordination of our planning  
6 activities. We assess the transmission adequacy and  
7 ensure generation deliverability to make sure that,  
8 as I said before, that the resources that are  
9 planned to be operated can all deliver to the load.  
10 And this presentation is focused on the ten-year  
11 horizon, but FRCC also has the operations area where  
12 we're looking at the next season as well as next  
13 week and tomorrow.

14           And then, finally, we facilitate  
15 coordinated planning to develop a robust  
16 transmission network. One major item that we are  
17 continuing to follow is FERC Order 1000. This FERC  
18 order places an obligation on the FERC  
19 jurisdictional entities to expand on Order 890 in  
20 the areas of regional and interregional planning and  
21 cost allocation. The FERC jurisdictional entities  
22 are developing regional planning and cost allocation  
23 provisions. They have had many stakeholder  
24 meetings. Their next stakeholder meeting is  
25 scheduled for September 20th, and they have a

1 compliance filing due to the Federal Energy  
2 Regulatory Commission by October 11th of this year  
3 on the regional planning and cost allocation  
4 portion. They also have to address interregional  
5 transmission coordination procedures and address  
6 cost allocation, and that compliance filing is due  
7 April 11th of next year.

8           Next I'd like to spend a couple of minutes  
9 talking about how we coordinate with other parts of  
10 the eastern interconnection, the whole eastern  
11 seaboard as one interconnected grid. FRCC and our  
12 utilities are continuing to coordinate with the rest  
13 of the utilities within this eastern  
14 interconnection. We coordinate models across the  
15 entire interconnection. We have a set of cases that  
16 we build -- models that we build of the electric  
17 system for the entire eastern interconnection. And  
18 those models include the proposed expansion plans,  
19 and then we and the rest of the regions in the  
20 eastern interconnection use those models as a basis  
21 for their reliability assessments.

22           Another major project being undertaken in  
23 the eastern interconnection is the Eastern  
24 Interconnection Planning Collaborative. This is  
25 quite a major undertaking where a group of utilities

1 have gotten together to evaluate what the future may  
2 look like for the entire eastern interconnection in  
3 the long run. Each individual utility and each  
4 individual region are looking at assessing the  
5 reliability through a ten-year period, but this  
6 group was put together to evaluate what could the  
7 grid look like if there were major policy changes,  
8 if the future looked different, much different than  
9 what we currently think it's going to look like  
10 today.

11 So they broke their work into two phases.  
12 Their first phase, which they have already  
13 completed, involved aggregating all the regional  
14 transmission plans into a roll-up report for the  
15 entire eastern seaboard. They performed  
16 interregional analysis. They looked across the  
17 different regions trying to identify were there any  
18 issues, if you were trying to move large amounts of  
19 power across from one part of the region to the  
20 other. And also they conducted macroeconomic  
21 analysis of eight different potential scenarios of  
22 how the world could change based on some federal  
23 policy issues, and the economy, and all the other  
24 types of things that we have to try to forecast.  
25 But this group was looking at some of the areas as

1 far as, like, renewable energy portfolio; what if  
2 there was a large federal initiative in that area?

3 Phase II is currently underway, and they  
4 expect to be completed next year, early next year.  
5 But they have looked at three of the more likely  
6 scenarios, and they've looked at the reliability  
7 impacts as well as production cost modeling of  
8 various alternative transmission options. These  
9 options are major transmission facilities that could  
10 be constructed. They weren't plans; they weren't to  
11 that level. They were options and things that we're  
12 trying to evaluate what kind of major projects would  
13 we need in the eastern interconnection, but they  
14 didn't get down to the level of defining what it  
15 would take to actually build those or develop any  
16 concrete plans for those projects.

17 So finally, to summarize once again what  
18 Ms. Dochoda said this morning, our reserve margin  
19 exceeds 20 percent for the peak periods. We'll  
20 continue to monitor the pending and proposed EPA  
21 regulations to ensure grid reliability. We don't  
22 anticipate fuel transportation issues impacting  
23 reliability. Our natural gas production remains  
24 about 20 percent, and our planned transmission  
25 system within the FRCC region is expected to be

1       adequate and reliable.

2               And that ends my prepared remarks.

3               **CHAIRMAN BRISÉ:** Thank you, Mr. Odom.

4               At this time, I don't know if we have any  
5       questions here from the Commission?

6               Commissioner Edgar.

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

8       And thank you for your presentation. A lot of really,  
9       really good information and very succinct and concise.

10              I did have one question regarding the comments  
11       and the points in the presentation on the pending and  
12       proposed EPA regulations you pointed out, which is on  
13       Page 4 and Page 26. You pointed out that long-term for  
14       Florida no significant reliability impacts are  
15       projected, which is consistent with, of course, with  
16       information that we have had presented to us before.

17              But I did have one question about the  
18       short-term. I recognize, as you have said, that the  
19       FRCC role is to monitor potential reliability impacts  
20       and identify issues, as you say, if any. So my first  
21       question is what are you using as short-term? I'm  
22       thinking maybe one to five years, but I would like you  
23       to tell me if I'm on point there. And then in addition  
24       to what is defined as short-term, are there any  
25       reliability impacts in the short-term that you all have

1 taken a look at, reviewed, analyzed, and in addition to  
2 looking at scheduled outages, does that also include the  
3 scheduling of potential construction issues, workforce  
4 issues with the retrofits themselves?

5 **MR. ODOM:** Yes, Commissioner Edgar, you did  
6 get the right definition of short-term is in the one to  
7 five-year time period. At this time we have not had any  
8 issues that have been identified. The utilities are  
9 working towards developing schedules and looking at what  
10 they may need to do, but at this point in time we  
11 haven't identified any reliability issues associated  
12 with that.

13 And then to your third point about the  
14 scheduling of resource and things, those  
15 responsibilities are on the individual utilities to  
16 schedule their resources, and then our role will be as  
17 those issues are initially defined, we will evaluate the  
18 reliability of the grid for that time period, and also  
19 we will continue to work with the utilities on a  
20 moving-forward basis to say is this still on schedule,  
21 do you expect any changes. So that's part of our  
22 operational time period that we need to look at.

23 **COMMISSIONER EDGAR:** And with that interaction  
24 with the utilities, can you give me an idea of is that  
25 back and forth kind of discussion and sharing of



1 information on a once a year, once every six months,  
2 once a month, as far as those sorts of potential impacts  
3 on an updated basis?

4 **MR. ODOM:** At FRCC we have an operations  
5 planning coordinator position where we actually look at  
6 the next seven days, the next month, and seasonal  
7 assessments. So it's pretty much going to be a regular  
8 part of our business as we move forward through these  
9 next few years.

10 **COMMISSIONER EDGAR:** Just to change subjects  
11 briefly, and thank you for your answers. Again, lots of  
12 information, but I think there are some really important  
13 points that I want to make sure are highlighted. One of  
14 which is the chart that you gave us on Page 17 that  
15 talks about the demand-side management percentages  
16 during the peak periods, and the point you made about  
17 the FRCC region, you know, a large portion of one state  
18 being right there in keeping with those large regional  
19 entities as far as the use of DSM, I think, is really  
20 important and highlights the good work that this state  
21 has done. And then also the point about the reserve  
22 margin exceeding 20 percent for peak periods for over  
23 the next ten years, I, of course, want to give credit to  
24 everybody, because there was a lot of discussion about  
25 sometimes some of the gaps and ambiguities in energy

1 policy, but that point right there kind of says it all.  
2 So thank you for your presentation.

3 **CHAIRMAN BRISÉ:** Commissioner Balbis.

4 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

5 And thank you for your presentation. I  
6 thought it was very well put together. And I just  
7 wanted to follow up on a couple of comments. And  
8 focusing on the reserve margin -- and I appreciate, I  
9 think you added additional slides from last year that  
10 really point out or at least responded to some of the  
11 discussions we had last year, and that is -- the reserve  
12 margin, when you look at Slide 14, it kinds of jumps out  
13 that maybe we do have maybe excess capacity. But I  
14 appreciate the next slide which really takes out the  
15 load management and interruptible load, because a large  
16 portion of those programs are voluntary. And at any  
17 time these customers can get off of that program, and  
18 then we're back to the Slide 15 where it's a little more  
19 concerning.

20 So I appreciate that information. I think  
21 it's important to point out, because, again, the  
22 previous slide shows, you know, perhaps an over  
23 capacity, but then when you look a little deeper into  
24 it, it shows the true issue we are facing. So I just  
25 wanted to thank you for adding that information.

1           And then to go back to the EPA regulations,  
2 did you take into account some of the still outstanding  
3 questions that are out there about the implementation of  
4 these rules? For example, the cooling water intake  
5 structure rule where, you know, we had a presentation  
6 from the utilities that if they had to go to a cooling  
7 tower, you know, what the cost effects would be, what  
8 the -- you know, outage impacts. Was that taken into  
9 consideration for the short and the long-term impacts?

10           **MR. ODOM:** Commissioner, FRCC tries to remain  
11 focused on the reliability. And until the utilities  
12 determine what their plans are and how they are going to  
13 implement those plans, that's when we get involved. So  
14 at these early stages the utilities are responsible for  
15 trying to determine what the impacts of those are, but  
16 at this point we haven't seen anything that makes us  
17 believe that there is going to be reliability impacts  
18 associated with that.

19           **COMMISSIONER BALBIS:** Okay. And so I assume  
20 then, as we are still in a wait-and-see period, if  
21 things become clearer then the utilities would implement  
22 their plans and then coordinate with the FRCC to look at  
23 any potential impacts?

24           **MR. ODOM:** Yes, Commissioner, they would.  
25 Before they implement their plans, they will share those

1 plans with us, and then we will look at their plans and  
2 make sure that in aggregate that the FRCC remains  
3 reliable during all those periods.

4 **COMMISSIONER BALBIS:** Okay. Thank you.  
5 That's all I had.

6 **CHAIRMAN BRISÉ:** Thank you. Any further  
7 questions from Commissioners?

8 Well, Mr. Odom and Ms. Dochoda, thank you for  
9 your presentations this morning.

10 At this time we will hear from the Sierra  
11 Club.

12 **MS. COE:** Good morning, Mr. Chairman,  
13 Commissioners, and staff. My name is Alisa Coe. I'm an  
14 attorney with EarthJustice, and I represent the Sierra  
15 Club.

16 I'm here today to urge you to consider coal  
17 retirements in your planning process as it goes forward.  
18 There are several environmental regulations, as you have  
19 heard, that are moving down the track within the next  
20 ten years, and that they will have effects on the  
21 economic viability of several plants. And we think the  
22 time to start planning for that is right now and through  
23 this process.

24 I'm going try to this. All right. So in our  
25 first slide you can see that coal capacity is retiring

1 across the United States, and this is happening for a  
2 number of reasons, because of decreasing natural gas  
3 costs and renewable costs, but also because of  
4 increasing costs to comply with public and health  
5 requirements. Some of the coal plants actually have  
6 sort of old dirty technology and don't have scrubbers,  
7 for instance, for SO2 pollution which has effects on  
8 respiratory health. Crystal River and Lansing Smith are  
9 two such coal plants that have units like that. And  
10 just five minutes of exposure to SO2 can cause  
11 respiratory problems. In fact, EPA's scientific  
12 advisory board has called the link between SO2 pollution  
13 and asthma attacks and respiratory problems the  
14 strongest such link it can identify.

15           So as we move forward, we think it is  
16 imperative to consider the whole picture of what is  
17 going on in the regulatory framework in making these  
18 decisions. And what you see in our second slide in your  
19 book is a quote from an excellent study authored by Ron  
20 Binz, a former Colorado PSC chair, and he is urging just  
21 this sort of holistic look as part of responsible  
22 planning.

23           The Commission does, in fact, can have the  
24 regulatory authority to look at the whole picture and  
25 consider factors like retirements, and we believe it has

1 the responsibility to do so, as well. You will see in  
2 our third slide there some provisions in Florida law.

3 So what is coming down the pike? You can see  
4 from the next slide that there are mercury standards,  
5 there is SO<sub>2</sub>, national ambient air quality standards,  
6 regional haze standards, cooling water standards, ash  
7 standards, carbon standards, et cetera. We will get  
8 into a couple of those in more detail in a moment.

9 So retrofitting of the old plants really  
10 doesn't make sense when you look at it in light of the  
11 standards that are coming down our way. So what you're  
12 seeing here is the results of some modeling we  
13 conducted. It was done by Synapse Energy Economics.  
14 The solid black line that runs horizontal represents new  
15 gas combined cycle plants -- natural gas combined cycle  
16 plants, excuse me, and what this chart is doing is  
17 comparing that to what the retrofit costs would be at  
18 Crystal River and Lansing Smith.

19 So three of these regulations that are coming  
20 down the pipeline will require additional SO<sub>2</sub> controls  
21 of at least scrubbers or dry sorbent injection, and  
22 those are your red and green boxes. You can see that  
23 even if that is all that happens, those retrofits will  
24 render the plants noneconomical. If they are required  
25 to do more under additional regulations, which is sort

1 of the control measures in the light box, they diverge  
2 even further from those numbers. Even at their current  
3 operating costs, they are just marginally competitive.

4 So the numbers we use came from EIA and EPA,  
5 and this is a comparison of the numbers that Synapse  
6 came up with compared against numbers that the companies  
7 themselves provided to DEP as part of their regional  
8 haze analyses. And you can see that they are  
9 consistent. So, for instance, you know, for Crystal  
10 River, Progress thinks that the scrubber costs will be a  
11 little lower than we came up with, but they think that  
12 the baghouse costs will be a little higher, but they are  
13 within range. And you don't have to take our word for  
14 it that retrofits are not going to make more sense than  
15 retirement, you can look at filings from the companies  
16 themselves.

17 So the next slide you see is an excerpt from  
18 filings Progress Energy made with Florida DEP where they  
19 identified that Crystal River might have to be retired.  
20 The next one -- unfortunately, that admission was not  
21 made in their ten-year site plan.

22 This next one is from Gulf's ten-year site  
23 plan, which does include discussion of the possibility  
24 of retiring Lansing Smith. Unfortunately, then the  
25 analysis goes on to assume that coal will remain in

1 operation through 2021. And we think more is required.

2 So what should happen here? What we think is  
3 that in the face of these facts, the Commission should  
4 look and see, you know, given that retirement is very  
5 likely, can we plan now for additional capacity that we  
6 need through renewables, through efficiency measures, or  
7 through new plants? Let's get the data and let's start  
8 analyzing so that when they are ready to take these  
9 off-line, we don't have to start at that point. We can  
10 get sort of these polluting emissions off-line at  
11 probably a more reliable and economic state.

12 So let's look a little bit more at a couple of  
13 these compliance measures. The first one, if you'll  
14 flip a couple of slides through, is the mercury and air  
15 toxic standard. And EPA has set a threshold of two  
16 pounds SO<sub>2</sub> per million Btu as sort of that's going to be  
17 a facility that needs a scrubber. And you can see from  
18 the chart provided that Crystal River and Lansing Smith  
19 are in that range. Even if they don't have to do  
20 scrubbers, but had to do sort of the less protective dry  
21 sorbent injection, as we saw before from the chart, it  
22 is still not economical.

23 Another one coming through is the SO<sub>2</sub> NAAQS  
24 standard, and this is going to require -- the specific  
25 plans on this are going to be required by 2013, and we



1 are probably going to see implementation around 2015.  
2 So we had an engineering firm do some modeling of  
3 whether or not Crystal River and Lansing Smith would be  
4 in compliance with the new standard, and we modeled both  
5 their permitted amounts and also what their maximum  
6 emissions were from 2011. In both circumstances they  
7 were not in compliance. The charts you are seeing here  
8 are from their permitted amounts, and everything in  
9 color is above the NAAQS standard. In fact, some parts  
10 of -- it's sort of the purplish color there for Crystal  
11 River were about 460 percent above what the NAAQS  
12 standard will be. On Lansing Smith, the sort of  
13 purplish areas were more in the range of 400 percent  
14 above those safe levels. And even as you move out on  
15 the Lansing Smith diagram to sort of over downtown  
16 Panama City, you are still seeing levels above those  
17 standards. So it's clear they're going to need  
18 additional measures under this one.

19 And, finally, under the regional haze rule,  
20 which is meant to protect wilderness areas and national  
21 parks, you can see the picture there. You're probably  
22 familiar with it, St. Marks National Wildlife Refuge.  
23 One of the areas protected. Florida has to start  
24 cleaning up its haze problem between 2013 and 2018, and  
25 they have actually made a submittal to EPA that is

1 before the agency now. Progress has told DEP that it  
2 will consider shutting down Units 1 and 2 at Crystal  
3 River as part of this, and Gulf Power has said that they  
4 will be implementing dry sorbent injection at Lansing  
5 Smith, and those are part of draft permits right now  
6 before DEP.

7 So in conclusion, we think that including  
8 these analyses now at this time point, starting to plan  
9 for this will give a smart, cost-effective, reliable  
10 energy future to Florida. And I appreciate your time.

11 Do you have any questions?

12 **CHAIRMAN BRISÉ:** Thank you very much, Ms. Coe.

13 Are there any questions?

14 Commissioner Edgar.

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

16 I love planning.

17 Ms. Coe, thank you for your presentation. I  
18 am always particularly pleased when environmental  
19 organizations take an interest in the work that we do on  
20 our statutory issues, so thank you for your  
21 participation today and going forward.

22 I also have to comment I could not agree more  
23 with the slogan or catch line here for EarthJustice  
24 which says because the Earth needs a good lawyer. I  
25 couldn't agree more.

1 My question is with the analysis that the  
2 organizations you represent have done, have you looked  
3 at what the impact on fuel diversity in the Florida fuel  
4 portfolio would be with coal retirements as you are  
5 recommending? And, if so, how would you recommend that  
6 the state make up that generation capacity?

7 **MS. COE:** I don't think that we have gone  
8 through that analysis, but I think that kind of gets to  
9 the point of why I'm here. It's not just that I'm  
10 arguing coal should be retired. I think the economics  
11 mean it is going to be retired. And if that's true,  
12 let's have that discussion right now understanding,  
13 well, how are we going to make up the difference? What  
14 is this going to look like? I think that should be part  
15 of this analysis, because it seems from what the  
16 companies are communicating to DEP, that that is the  
17 direction they are heading in, and retrofits don't make  
18 economic sense.

19 **COMMISSIONER EDGAR:** Thank you.

20 **CHAIRMAN BRISÉ:** Thank you very much.

21 Mr. Murphy, are there any other scheduled  
22 speakers at this time?

23 **MR. MURPHY:** Not to my knowledge.

24 **CHAIRMAN BRISÉ:** All right.

25 Ms. Glickman.

1           **MS. GLICKMAN:** Good morning, Commissioners.  
2 Thank you. I'm Susan Glickman representing Southern  
3 Alliance for Clean Energy. And we just wanted to make a  
4 brief point that we think in this discussion of the  
5 ten-year site plans that it's important that we have a  
6 more open and transparent utility planning process. And  
7 the statute doesn't necessarily give you all the ability  
8 to do that. You obviously have some limitations, so  
9 maybe this should engender more of a discussion of the  
10 statutory changes that we need. But the Commission  
11 could only at this point make recommendations.

12           The current process is really disjointed and  
13 it only permits an opportunity to glimpse at the utility  
14 planning process through intervention in the FEECA  
15 proceeding and also in the need determination process.  
16 And the result has been, as we have seen today from the  
17 slides, excess capacity, and a really weak energy  
18 efficiency performance.

19           The benefits of energy efficiency are many. I  
20 think that was, in part, the response to the last  
21 question that Commissioner Edgar asked about how are we  
22 going to make up that need. I will mention very  
23 specifically in just a second. So, as I said, the  
24 ten-year site planning process lacks the real critical  
25 component of an integrated resource planning process.

1           Southern Alliance for Clean Energy has  
2 participated in resource planning with the Tennessee  
3 Valley Authority as well as in oversight dockets in  
4 North, Carolina, South Carolina, and Georgia. And with  
5 respect to the Tennessee Valley Authority, we found the  
6 process to be very effective at engaging a dialogue that  
7 resulted in a much improved resource planning process.

8           The Florida utility process is comprised of  
9 three of these disjointed components: The ten-year site  
10 plan, which we are talking about today; the Florida  
11 Energy Efficiency and Conservation Act, as well; and the  
12 determination of need for new power plants. And if we  
13 could pull these together and look at this in one  
14 planning process it would be much improved.

15           By contrast, in North Carolina the utility  
16 commission has a review planning process and they bring  
17 stakeholders to the table to review the IRP plans and  
18 present evidence on how to integrate the lowest cost  
19 options, which is what we need do here, and that's what  
20 reduces the risk to customers.

21           Unfortunately, we have no IRP process in place  
22 that considers both supply-side and demand-side on a  
23 level playing field, and we need to look at that in a  
24 more robust manner. And then the result ultimately is  
25 the required reserve margins by the state IOUs, and then

1 the weak energy efficiency. And we saw this in that  
2 slide. So I think that's something we need to be  
3 looking at. We need to be looking at it in the  
4 legislative arena as a real solution to this process so  
5 that we can do better and that you all can serve Florida  
6 customers better. Thank you.

7 **CHAIRMAN BRISÉ:** Thank you very much.

8 Any questions for Ms. Glickman? All right.  
9 Seeing none, thank you for your comments today.

10 All right. Are there any other public  
11 comments? Seeing none. We stand adjourned.

12 (The proceeding concluded at 10:32 a.m.)  
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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 17th day of September, 2012.

  
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