BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. UNDOCKETED

REVIEW OF TEN-YEAR SITE
PLANS OF ELECTRIC UTILITIES.
_____/

PROCEEDINGS: WORKSHOP

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

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Hearing Room 148
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Tallahassee, Florida

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P R O C E E D I N G S

CHAIRMAN BRISÉ: Good afternoon.

Welcome to the Commission's workshop on the 2013 Ten-Year Site Plans for Florida's electric utilities. At this time I'm going to ask counsel to read the notice.

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

CHAIRMAN BRISÉ: Thank you.

The Florida Reliability Coordinating Council is here to summarize its 2013 regional load and resource plan. Following its presentation, we will have an opportunity for public comments. It is my understanding that the Sierra Club is here today as well as SACE to do a presentation for us this afternoon.

At this time I'm going to turn it over to staff, and they are going to sort of moderate the rest of the session.

MR. ELLIS: Good afternoon, Commissioners. Phillip Ellis with Commission staff.

Today's first speaker is Stacy Dochoda, President and CEO of the FRCC. Please feel free to ask any questions you may have after the presentation.

Ms. Dochoda.

MS. DOCHODA: Chairman, Commissioners, good afternoon. With me today to my left are Vince Ordax, our FRCC Director of Planning, and Denise Lam, Planning Engineering. And, again, I'm Stacy Dochoda, President and CEO of the Florida Reliability Coordinating Council. Today, I'll provide the results of our work, our analysis on the aggregation of the utilities' ten-year site plans.

For my presentation, first, I'll provide an executive summary, and then I have three major topic areas. I'll cover the load and resource plan, including the load forecast and our generation additions and reserve margins; I'll provide some work on our fuel reliability analysis where we have done some analysis about natural gas and its impact on fuel reliability and impacts to electric reliability; and then I'll cover our transmission planning in the region.

My company, the Florida Reliability Coordinating Council, has as our purpose to promote and enhance the reliability and adequacy of the bulk electricity supply in Florida now and into the future. And one of the ways that we do that is to perform this analysis each year where we look at the aggregation of

the utilities' ten-year site plans and perform analysis on that and then bring that to the Commission for this presentation.

To summarize the results of our work this year, our planned reserve margins are showing as greater than 20 percent throughout the ten-year horizon, although the resource mix is changing towards greater dependency on demand-side management resources, and that's illustrated by the next three points: Demand response reduces load at peak by 7 percent throughout the ten-year horizon, or approximately 3,600 megawatts by 2022; utility-sponsored energy efficiency and energy conversation are reducing peak by 2.8 percent by 2022, which is about 1,500 megawatts; and then there are additional energy efficiencies being delivered through codes and standards that account for almost 4 percent by 2022, or around 2,000 megawatts.

And then looking at supply, renewables we project to be just a little over 3,000 gigawatt hours of energy served by 2022. Energy production from natural gas, this we expect to increase by over 13 percent by 2022. And we will provide some information about gas pipeline capacity into Florida. As of 2017, 96 percent of the gas pipeline capacity into Florida is subscribed. And then last we'll look

at the impact of EPA regulations, particularly on transmission.

But first on the forecast side, I'll describe how the reciprocating internal combustion engine rule is projected to negatively impact certain commercial and industrial demand response. Then on the supply-side, I'll talk a little bit later about how the prospective retirements at Crystal River 1 and 2, if those retirements are in 2015 as may be required by MATS, I'll talk about the transmission impacts that that would cause on the state, and also will describe mitigation plans that are being developed.

So with that I'll move to the first major topic area, the load and resource plan. In looking at our load forecast, there are several factors that go into the load forecast. First of all, Florida unemployment continues to decrease. It was over 10 percent in 2010 and it has dropped now to 7 percent as of May of 2012, the last figures that we have.

Population count continues to pick up momentum from 18 million in 2010 to over 19 million in 2012, about a 2.4 percent increase in population count. However, the Florida gross state product levels are lower now than they were projected to be in 2011/'12, and our new projections do show a slightly slower

recovery. And so altogether those factors are going to show a forecasted energy sales and peak demand that are lower in the 2013 Ten-Year Site Plan compared to the 2012 plan.

And so this chart is one we have shown before. It provides the firm peak demand forecast for the summer. The red line on the bottom is the 2013 Ten-Year Site Plan forecast for peak demand. The gray line above was last year's forecast for peak demand. The 2013 forecast in average is about 1-1/2 percent less in this year's ten-year site plan than it was last year. And it is important for me to note that this is a firm peak demand forecast. It's done as a load forecast, assuming that we have exercised all demand response and also assuming that utility energy efficiency and energy conservation have taken place. So that's baked into these numbers.

This next chart on Slide 9 is similar, but is for the winter peak. And here, again, the 2013 forecast is less than the 2012. It's about .6 percent less on average.

Now we are switching from capacity to energy forecast. This shows the 2013 in the green on the bottom, and the 2012 Ten-Year Site Plan is the higher line, the gray above. And here we are, again, about

1-1/2 percent less in 2013 than we were projecting in 2012. And then this chart shows historical compound annual growth rate for load going back to 1991 to the present, and we show it both for the summer growth rate and the winter.

Now, what I'd note, it's no real surprise, but prior to 2009 the compound annual growth rate was generally above 2 percent. After 2009 the compound annual growth rate has generally been 1-1/2 percent or less. And for our 2013 Ten-Year Site Plan it's just under 1-1/2 percent.

This chart is the actual and forecasted peak demands. The black line going up to 2012 is the actual demands that have been experienced since 1990, and the green line that carries on is the 2013 forecasted peak demand. The dashed line represents what a linear regression would produce from the historical demand. And based on that linear trend, the latest summer peak demands that we have here are lagging about six to eight years what the linear regression would have predicted.

Now I'm going to shift gears to the supply-side of the equation. This chart shows total available capacity over the ten years of the site plan, and I'm going to describe what's in the chart. The

blue line, the blue stack on the bottom represents utility-owned capacity that's inside our region. It's about 47,000 megawatts of capacity that's existing in the region. The orange stack represents some utility-owned capacity that is outside our region. And then the green, or it sort of shows yellow on our screen today, is net changes or the additions in generation capacity over the ten-year site plan, just under 8,000 megawatts of additional generation that is planned in this ten-year site plan to come in by 2022. The purple stack shows firm nonutility purchases and the light blue are imports into the region.

And now combining the load forecast information and the projected capacity that would be available, we look at a planned reserve margin. And here we show the summer in the red each year and the winter in the blue. And you can see the red line that goes across as 20 percent, that represents the IOU stipulation with the PSC for a 20 percent reserve margin. The purple line at 15 represents the FRCC criteria for planned reserve margin. And, again, it's important to note that this planned reserve margin is calculated with the firm peak load, so it is assuming that the demand response and energy efficiency are available and can be put into place.

So looking at that with a little sensitivity analysis, this next chart on Slide 15 shows the planned reserve margin if we were not able to exercise demand response. And here we do show that over the ten-year site plan that we do start to fall below the 20 percent line in -- actually in 2014, and then below the 15 percent line out in 2020, if that demand response were not to be available.

So now this is a little bit more detail about those components of that demand forecast. The black line on the bottom is the same line that I showed you at the beginning of the presentation. It's the firm peak demand forecast. The purple line in the center is the forecast if demand response were not available. And then the blue line at the top represents the forecast if neither demand response nor the utility-sponsored energy efficiency programs were available.

So you can see that the demand response represents a difference of about 7 percent of the forecast and the energy efficiency programs are predicted to contribute another almost 3 percent by 2022.

This is another way to look at reserve margin. Here we have calculated the generation-only

reserve margin, so now we have done a sensitivity of what would the reserve margin be if we didn't have demand response and if the utility sponsored energy efficiency did not come into place. And here you can see that over the entire ten-year horizon we are below the 20 percent. We fall below the 15 percent in 2019.

And then just to do a comparison of where we stand in Florida compared to other parts of the country, this is a chart of demand response as a percentage of peak demand. And you can see that we have a very robust amount of demand response, a very healthy contribution there of almost 7 percent. We are really the second highest area of the country in terms of how we have attracted that demand response in the region. So I'd just summarize by saying on the reserve margin review that our planned reserve margins are expected to be greater than 20 percent over the ten-year horizon, but that is increasingly dependent on demand-side management.

So now I want to dive a little bit into the fuel mix that shows in our plan. The circle to the left is the 2013 fuel mix. This is in gigawatt hours. And the circle to the right is the end of the ten years at 2022. Largest by far is the production of electricity by natural gas at 59 percent currently.

With the forecasted increase demand, a lot of that increased demand will be met by additional gas generation. The plan shows over 16,000 gigawatt hours of additional gas generation by the time we get to 2022. We'll still be percentage-wise about 59 percent of the energy production. The other point that I would make from this chart is that the coal energy goes from 20 percent in 2013 down to 19 percent in 2022.

And now we'll look at a similar analysis, but this is in capacity, in installed capacity. So the gas here makes up 61 percent of the capacity mix that we have in 2013. It rises to 62 percent in 2022. And a couple of other changes that occur here; the coal is projected to go from 17 to 14 percent, and the nuclear from 7 to 8. The ten-year site plan does show a new nuclear unit at the very end of the ten years in 2022.

Now, this is looking strictly at the renewable resource capacity and the types of renewable that we have in the ten-year plan. Excuse me, this chart is existing, so this is in 2013, the existing mix.

The largest mix, the largest contributor we have is from municipal solid waste of 33 percent and biomass at 28. And then you can see like solar currently is about 13 percent. That's out of the total

currently of just a little bit over 1,300 megawatts that exist today.

The forecast would show additions of about 970 megawatts. The majority of this is projected to come from biomass and then solar photovoltaic. And then as to the nuclear contributions to the capacity, we have existing nuclear capacity at just about 3,500 megawatts. And in the ten-year site plans when they were filed there was the plan to uprate Turkey Point 4, that has been complete, that 120 megawatts. And then Turkey Point 6, as I mentioned, is shown as coming in in 2022 at the end of the ten-year site plan, so an addition projected of 1,200 megawatts of nuclear.

So, again, just to summarize, the overall look at the load and resource assessment. We do show that we have adequate total plan generation resources over the ten-year period, but greater dependence upon demand-side management resources, and we will be doing additional analysis at the FRCC.

So I'll move now to the fuel reliability analysis that we have performed. And I'll just describe -- we have within the FRCC a fuel reliability working group. This group was formed in 2007. The group is composed of member utilities and FRCC staff. They come together to look at the interdependencies of

fuel availability and electric generation. And then, in addition, in a more operational time frame, we also coordinate regional responses if we have fuel issues or fuel emergencies.

Now, this chart shows the history of the change in energy production from natural gas in Florida. You'll see in 1999 there was just under 40,000 gigawatt hours that were being produced by natural gas in the state. And now that's up to 140,000, so more than tripling of that amount, and we are projected to have that increase further.

And so we did do some look at what is the infrastructure that we have in the state to support this high level of natural gas production. And the chart that I have shown up here, first of all, it does show that out of the top ten largest states it shows how we rank in terms of certain infrastructure components. We do show up as the fourth largest state for natural gas consumption.

For natural gas consumption that is used to produce electricity, we are actually the second largest state just behind Texas. But then as you look across in the third column, we have essentially no gas production within our state. And then if you look to the fourth column in terms of miles of gas pipeline

that we have in the state, we are next to the lowest of miles of gas pipeline that we have compared to the ten largest states, and then we have no gas storage within the state.

And so one of the things that our fuel working group has done over this past several years is look at what other sorts of resiliency we have in the system if we were to suffer some sort of either shut-in where we didn't have gas availability or pipeline delivery issues. And we do have units in the state that are capable of burning dual fuel. And we have done some analysis with the utilities to determine that on average we have just under five days worth of dual fuel capability, if we were to suffer some sort of natural gas emergency.

And then this chart is looking a little bit more at the actual pipeline delivery capacity into our state. And you can see we really have four pipelines that do deliver into the state, but of those four there is only two that are of any sizeable nature. And that's the Florida Gas Transmission System that is listed at the top that comes into the state in the panhandle and the Gulfstream Natural Gas Pipeline that comes into the state across the Gulf and just south of the Tampa Bay area.

Now, these two major gas pipelines do show as more than 96 percent subscribed in 2017. Now, there is a recently proposed third gas pipeline, a third major pipeline into the state that's proposed to be operational by 2017, and that pipeline would add additional capacity, of course, and it would also add geographical diversity to the pipeline capacity that we have and would enhance gas delivery reliability.

So the fuel reliability conclusions that I draw for us is, again, reminding us that we do have greater natural gas demand in all but four of the states in the nation, and greater natural gas demand to support electricity than all states but Texas. And we have minimal in-state production, no in-state storage, and less miles of pipeline within our state than all but one of the ten largest gas-consuming states.

As to dual fuel capability, we do have units that have that capability, so that does provide some operating flexibility in the case of an emergency. But if we had a disruption that lasted more than a few days, we could exceed the fuel supply that we have available. At the FRCC we do intend to continue our review of these issues and work with our entities on this.

Next, I would turn to the last major topic of

my presentation. This is about transmission planning in our region. At FRCC we promote the reliability of the bulk electric system through coordination of transmission planning activities with the utilities in the FRCC region. We do this by assessing the transmission adequacy and the resource deliverability of the aggregated transmission plans of the utilities. In our planning process each year we perform a long-range study, and we begin that study in the spring, and the study is completed and approved typically at the beginning of the next year.

So our most recent full long-range study is our 2012 study that was approved in February of this year. This study, the 2012 study, when it was performed, since it was based on data from last spring, it did show that Crystal River Units 1, 2, and 3 would be online beyond 2015. And with that assumption our studies did show that the grid would be reliable and secure for the ten-year horizon.

Subsequently, of course, we have the information that Crystal River 3 won't be running in 2015, and then there is the risk that Crystal River 1 and 2 will be retired. So we did a new analysis based on the 2012 study to model those assumptions, and when we did that we did identify that there are transmission

reliability issues that would impact multiple entities starting in 2015 that we do not have a transmission solution for in 2015. But there are MATS compliance options that are available and being studied that would allow Crystal River 1 and 2 to run for a limited period of time. And if that is done that would resolve the transmission issues that we have identified. And then in the longer term there are other transmission and generation alternatives that are under evaluation for 2016 and beyond.

Now, I'd just like to shift gears to provide you a little bit of information about the status of the compliance with FERC Order 1000. This order from FERC is an order that applies to the FERC jurisdictional utilities in the state. It expands FERC Order 890 with regard to regional and interregional planning and cost allocation. And for the regional planning part, the schedule was for the initial compliance filing by the jurisdictional utilities in October.

FERC did issue an order in June, and the utilities currently have the conforming compliance filing that's due in October of this year, although they have applied for an extension to that, a 90-day extension. And then as to the interregional transmission coordination part of this, there was a

compliance filing that was made by the utilities in July, and it's pending a FERC order now.

So then I'd just like to do an overall conclusion for you of the work that we have done this year on the ten-year site plan. Again, the planned reserve margins do show that they exceed the 20 percent for all peak periods. This is using the firm peak load forecast, so it is assuming that we have demand response and utility-sponsored energy efficiency available. The energy production from natural gas is expected to increase over 13 percent by 2022. Our pipeline capacity, the major pipeline capacity is 96 percent subscribed in 2017, so we will be reviewing with our entities these long-term gas transportation issues.

And then as to EPA regulations, on the forecast side, the RICE rule is projected to negatively impact demand response that would be available from commercial/industrial participants. And on the generation side, the prospective 2015 retirements at Crystal River 1 and 2 due to MATS would have transmission impacts, but mitigation plans are being studied and developed.

And with that I'll pause and see if you have any questions.

CHAIRMAN BRISÉ: Thank you for your presentation.

Commissioners, the floor is open for questions.

Commissioner Balbis.

COMMISSIONER BALBIS: Thank you. And thank you for your presentation. I have one or two questions.

On your last slide where you're talking about the RICE rule and projected to negatively impact the demand response, have you quantified that yet, because we rely so heavily on that to meet the reserve margin?

MS. DOCHODA: We don't have firm numbers on that yet, but the most recent estimates I have been given were just under 200 megawatts of impact.

COMMISSIONER BALBIS: Okay. And then in your table that lists the annual natural gas consumption, I believe on Page 29, and you've accurately reflected that we do not have gas storage or production, and that FRCC is going to continue to work with the utilities to look at that. What are some of the options, other than dual fuel capabilities and you mentioned the other option that I'm sure we can't talk about. What are some of the other alternatives?

MS. DOCHODA: Well, there's sort of two ways

we look at it. We look at it in both the planning horizon, which really the options you just mentioned are the main things you would look at. And then we also at the FRCC do look at it on an operational basis, so if we do have a fuel emergency arise that we can try to do as much coordination among the utilities as possible to mitigate those events.

COMMISSIONER BALBIS: Okay. And then lastly, you indicated the MATS rule and closing of Crystal River 1 and 2. What about the president's recent message on, you know, new coal plants, but then I guess June of next year the roll out, limitations on existing plants. Have you started to look at that potential impact?

MS. DOCHODA: That's not in this analysis. I believe the first part, though, is on new in terms of carbon sequestration is only applicable to new plants, and we don't have any new coal plants in the ten-year horizon.

COMMISSIONER BALBIS: Okay. Thank you.

MS. DOCHODA: Uh-huh.

CHAIRMAN BRISÉ: Commissioner Edgar?

COMMISSIONER EDGAR: Thank you for your presentation. I think two brief questions, the one is kind of a piggyback to Commissioner Balbis' question

about the potential retirements at Crystal River due to MATS.

The line here says transmission reliability issues impacting multiple entities starting in 2015. So I guess my question, 2015 isn't that far away, so could you elaborate a little bit more on the potential transmission impacts and what the next steps are.

MS. DOCHODA: Right. Sure. The analysis that we have done does show that if -- in essence, if there is not generation in that general location that we would have transmission impacts. And it is in such a near term that we don't have a ready solution for that in terms of transmission.

The different mitigation plans that are being looked at, under MATS there is the possibility of an extension and so that could provide relief. There is also activities that the utility is exploring in terms of being able to work within MATS, but to still run those units. And so those studies are under way now, and hopefully they'll be productive.

COMMISSIONER EDGAR: And that MATS extension is for how long, potentially?

MS. DOCHODA: It's for one year.

COMMISSIONER EDGAR: A temporary remedy.

MS. DOCHODA: Right.

COMMISSIONER EDGAR: In the first part of your presentation and kind of a recurring theme, I think, throughout, is that the reserve margins are adequate and then some for the ten-year horizon, but also, as you mentioned a few times, that they are more dependent upon DSM. Is that by design?

MS. DOCHODA: I don't know if it's by design, but I think with the success that has occurred with the energy conservation programs that the utilities have carried out and success with demand response, it has been the outcome.

COMMISSIONER EDGAR: And from the perspective of the Reliability Council, you and yours are comfortable with that?

MS. DOCHODA: The reason that we highlight it is that -- let's take demand response, for example, the direct load control and interruptible. Those are very valuable components of the mix. However, they are not cast in stone, and so they could over time change, increase or decrease. And so because of, we think it's important to point out the variability in what occurs to the reserve margins if they were to not be available. There have been other areas of the country that have had large amounts of those resources, and then as supplies have tightened, they are no longer

available, and they have experienced challenges with their reserve margins.

COMMISSIONER EDGAR: Thank you.

CHAIRMAN BRISÉ: Okay. Commissioners, any further questions at this time?

Okay. Seeing none, thank you for your presentation.

MS. DOCHODA: Thank you.

CHAIRMAN BRISÉ: We are going to continue into public comment. At this time we have the Sierra Club.

MS. CSANK: Good afternoon Chairman and Commissioners. My name is Diana Csank, and I am here today representing the 27,000 Florida members of the Sierra Club. We appreciate this chance to continue our participation in the ten-year site planning process.

Last year Sierra Club and Earth Justice warned that significant coal-fired capacity was set for retirement in Florida. And since then the utilities have confirmed our predictions, and in their 2013 filings they are relying almost exclusively, as we have heard, on new gas-fired capacity to meet demand going forward. This conflicts with Florida's strategic concern about overreliance on natural gas and also planning precepts.

To use the Commission's words, ten-year site plans must provide sufficient information to assure the Commission that an adequate, reliable supply of electricity at the lowest cost possible is planned. And for planning purposes, costs should reflect the life of the investment, including risks that could materially affect the investment and benefit to customers.

And the legislature has been clear here, for example, in the state comprehensive plan, pointing to planning as the means by which the state can identify and manage risks such as energy supply disruptions and price shocks. And what the 2013 plans are missing is a real accounting for the risk involved in increasing Florida's position in natural gas. They don't include future portfolio scenarios, and they are missing lower cost, lower risk alternatives to new gas-fired capacity; namely, increasing energy efficiency and renewable sources like solar here in Florida.

And I won't go on at length about the relative merit of these, given the upcoming goal-setting process. But suffice it to say that the planning process and the goal-setting process can really re-enforce one another and give the Commission and the utilities a complete picture both on the

supply-side and on the demand-side how all sources and all technologies compare in terms of cost, including risk. And so we submit that now is an opportunity to defer the suitability determination and develop this missing comparative analysis and use it to put the Commission in a better position to complete its duty, which is to ensure the reliability of the electricity supply, but also to manage risk in the state's portfolio.

I'm skipping ahead a bit for time sake. The stakes are really high. Florida ranks among the nation's highest in terms of generating capacity investments. Expected here on a time horizon you'll see up to 2030, and the plans bear this out, it's where generating capacity investments are where the most dollars are on the line. And as we heard also, Florida's position in natural gas is currently already at 63 percent, and what the plans are showing is potentially exacerbating that reliance on risky natural gas and not fully yet accounting for these retirement decisions that are pending as we enter comments submitted in 2014 note that certain utilities, certain coal-fired plants, older units are slated for retirement and beg the question of whether even if more natural gas will be entering Florida's portfolio going

forward.

Florida ratepayers are already paying some of the nation's highest gas prices. But, moreover, one of the main points we are making today is that Florida's high gas dependence is risky. Risk comes from the supply-side. You have the Energy Information Administration in 2012 sharply revising downward its estimate of the domestic reserve by 40 percent and the Marcellus reserve by 66 percent.

On the demand-side, EIA predicts that combining this lower resource base with the rapid move to export the resource, to export natural gas could raise prices by as much as 54 percent by 2018. And so here you see a slew of projects pending approval or already approved to export natural gas. There are projects everywhere on the map, as you see, up to 60 billion cubic feet per day. And today Florida doesn't have to compete with other countries for natural gas, and that's about to change in a very rapid and dramatic fashion as you can see. And so it's easy to predict that that will put upward pressure on natural gas prices going forward.

And of all the things that I am putting on the board, perhaps this is the most important. You'll see the yellow line sloping downward represents the

levelized cost of solar energy today, and the lower dotted line represents natural gas levelized costs. And in 2013, today, those two source are head-to-head in terms of cost competitiveness. And the more important takeaway here is really the trend. So renewables are cheap and only getting cheaper. Natural gas, on the other hand, is plateauing. And as we have just discussed, there are upward trends on the price and ongoing volatility there. And so solar stands out for its hedge value against that natural gas price volatility going forward and should be given greater consideration in this planning process.

Energy efficiency, too, bears further attention. It is the lowest cost/lowest risk option, and Florida already has a positive track record on energy efficiency. The 2012 legislative study shows that energy efficiency in Florida is a cost-effective investment. It is yielding net benefits to customers, and nationwide there's increasing awareness that faced with the increasing reliance on natural gas there is a real opportunity to hedge against those risks from conventional sources by diversifying state energy portfolios.

There's a number of studies out there. We are highlighting one written by the former chair of the

Colorado Public Service Commission, and it's based on a detailed analysis of both the cost and the risk of a wide range of generation sources, and the findings are up there. Diversification is of paramount importance, and that includes a greater emphasis on energy efficiency and renewables, given that these are lower cost/lower risk resources.

And there are states that are already effectively deploying this strategy of diversification. For example, in Georgia, the Georgia Public Service Commission pushed Georgia Power to test the market for solar in that state today. And the 2013 RFP in Georgia yielded a positive response, a boon for Georgia of 210 megawatts of solar in the near term without increasing rates. And then you turn to Colorado, a state not particularly well known for its solar resource, and you have a filing just this month by Excel Energy proposing additional solar in that state because it is the most cost-effective and economic solution to add to that portfolio. It is beating out natural gas, and you can see that in the company's press release.

And so what does all of this mean for Florida? To recap, as we have heard, natural gas is a risky and a bad deal for Florida, and the current plans

do not adequately reflect and address the riskiness of this position. And, in fact, are proposing to further increase Florida's position in natural gas without a true accounting, a comparative analysis of what the other alternatives are for Florida.

And this isn't a heavy lift that we are asking for. You see the example of Georgia. This is doable. Moreover, you see in the filing at least one utility has a request ongoing for renewables. Progress Energy Florida, now Duke, at 321 in their filing state that they have this RFP out and got a robust response. They have 310 responses to that RFP, but nowhere do they analyze it. Nowhere do they compare that to this gas-fired capacity that they are, instead, putting on the table.

So to conclude, we respectively request that the suitability determination be deferred and that this really critical data, comparative analysis be developed to fully inform the Commission and the utilities about what options Florida can avail itself of to create -- to manage risk and to put together an energy portfolio going forward that really is the most cost-effective and least risky.

Thank you for your attention. I welcome your questions.

CHAIRMAN BRISÉ: Thank you. I have one question for you.

Georgia, what percentage of their total mix comes from renewables?

MS. CSANK: Unfortunately, I don't have that number for you, but I will gladly supplement.

CHAIRMAN BRISÉ: I think it's important to have that type of information, particularly when we throw out a 210-megawatt number out there.

MS. CSANK: Sure.

CHAIRMAN BRISÉ: Recognizing that our state is at currently 300-something in solar in particular. So I just wanted to see where we stand --

MS. CSANK: I'll gladly supplement.

CHAIRMAN BRISÉ: -- by comparison, even without going to those efforts.

MS. CSANK: Okay.

CHAIRMAN BRISÉ: Commissioner Balbis.

COMMISSIONER BALBIS: Thank you, Mr. Chairman. And thank you for your presentation. I have a couple of questions.

One, I'm glad you pointed out that we are going to go through the goal-setting process for the DSM programs. And I know we have effective programs in place and that process will be methodical and thorough,

so I'm glad you mentioned that, that it is coming up.

I want to talk a little bit about solar. And you made some pretty strong statements on what Florida does and doesn't do. Because in this state we require that all utilities during the need determination process go through an RFP to open it up to competitors. And since I have been here, and I don't believe ever have we had a solar facility compete with -- in the RFP process, which means that at least in Florida it's not cost-effective through that process. And then the other method that we can include renewables is through purchased power agreements where we have the two options of, you know, as-available energy and also the capacity payments. And, once again, we are not seeing these projects move forward, which tells me it's not cost-effective.

And this Commission isn't against it. We evaluate it. We have approved several hundred megawatts of projects that are biomass facilities or waste-to-energy facilities, which obviously do compete and do not provide or result in additional cost to customers. So why aren't we seeing these projects move forward in Florida?

MS. CSANK: I appreciate the question. I think that the -- to go back to the example that I did

put up, which is Progress Energy Florida's submission in its RFP, I'm merely making the point that the plan points out that there is a response to that. It points out that 310 responses actually have been submitted, but doesn't analyze or explain what's happening. And what the graph showed with the decline in -- the rapid decline in the cost of solar is that the market is changing very rapidly. And so figures in RFPs that were done even two years ago may not reflect the current state of the market. And so the main point that we are making here today is that there should be a greater push on the part of the utilities to really demonstrate what those request for proposals are yielding and to better understand today what solar availability there is in Florida.

COMMISSIONER BALBIS: Okay. Because I do think it's important that the public knows that we do have processes in place, and it's competitive. And, you know, the main requirement is that it is at avoided cost so that customers do not pay more. So we have the processes in place. I know almost every time we have an RFP that's issued, and very seldom do even other companies can compete with a large utility company can do, because of economies of scale, et cetera.

And then one of the other challenges that I

know you know that Florida has from a geographic standpoint with solar is we do not have the elevations to deal with pump storage or any other capability. So I don't think it's necessarily fair to compare us to states like Colorado that have the elevation to deal with pump storage and make solar more effective from a capacity factor standpoint. But, you know, I can assure you that we are approving projects that are cost-effective, and we just haven't seen them come forward.

So if the Sierra Club can identify, you know, changes that we need to make, then I'm sure we would be open to it. But I think a blanket statement that we are not issuing RFPs, I don't think it's fair.

MS. CSANK: I appreciate all of what you have said. I think the main point, though, is that there isn't a full accounting for what these RFPs today are yielding, and that is a shortcoming in the plans. And at a minimum the utility should be showing their math and showing what those RFPs -- how they compare to other alternatives that they are pushing forward. And ultimately it's not only the cost of solar, but the opportunity which a particular project proponent might not be seeing of the greater hedge value of increasing the solar position, right. And so it's something where

a statewide RFP that really focuses on renewables could garner greater market response.

COMMISSIONER BROWN: Okay. And one last question. I appreciate that information, but as far as the Sierra Club as a whole, you know, a lot of the reasons why we are in this position is the low price of natural gas. And also, you know, as we just heard from the FRCC, new regulations that are making coal less likely. What is the Sierra Club's position on coal, in general?

MS. CSANK: I think I'll defer to my more seasoned colleague.

MR. FABISH: Generally speaking, the Sierra Club's position is that coal tends to be a very pollutant intensive and going forward increasingly uneconomic resource. And further investments in coal-fired capacity are probably not in the best interests of either ratepayers or states or people who breathe.

And particularly from a climate change perspective, coal is a very greenhouse gas intensive resource. And for that reason I think that in looking at, you know, the energy future for both the nation and for individual states, coal is something that should certainly be playing an ever decreasing part of the

mix.

COMMISSIONER BALBIS: Okay. Thank you.

CHAIRMAN BRISÉ: Commissioner Brown.

COMMISSIONER BROWN: Thank you, Mr. Chairman. And I want to say I do appreciate the Sierra Club's position regarding having a diversified energy portfolio, but I also appreciate the need to have reliable baseload generation.

That being said, I'm just a little confused what you are asking for us today. Could you clarify what it is?

MS. CSANK: Sure. So what we are asking for is for the Commission to request supplemental data of the utilities to better explicate, and I turn back again to the example of Duke's submission where they identify that they have significant market response to their request for proposals on renewables, and yet they don't identify the viability of those proposals. And so across the board, what we recommend the Commission ask for is the utilities to identify and better compare, complete these further portfolio scenarios factoring in whatever these request for proposals, whatever the market is putting forward, and explaining how on a cost basis and a risk basis they are selecting the overall mix for each utility and what that yields

for the state overall.

So whether you do it individually by further issuing utility-by-utility additional RFPs or do a statewide order by the Commission or issuing that kind of an RFP, we defer to you to make that decision. But the ultimate ask is for the plans to be supplemented with this type of comparative analysis as we see other states doing. And that study that was in one of my slides in particular creates a clear roadmap explaining how other states and regulated entities have done this.

COMMISSIONER BROWN: Okay. Thank you.

CHAIRMAN BRISÉ: Commissioner Graham.

COMMISSIONER GRAHAM: Thank you, Mr. Chairman.

I actually wasn't going to go down this path, but I hear all this conversation about showing your data, and I have a question about this slide here that you have.

MS. CSANK: Yes.

COMMISSIONER GRAHAM: I take it just from what it says, I don't know what page it's on, it's probably the second or third from the end. It says that it came from this report, is that correct?

MS. CSANK: The composite cost index does. The levelized cost, which is the right-hand portion of

that slide, is the Lazard 2013 numbers.

COMMISSIONER GRAHAM: But the risk data comes from this report?

MS. CSANK: Right.

COMMISSIONER GRAHAM: Do you have any more data? I guess this is an executive summary of this report. Because as I go through this report, basically it says the way the risk category is determined is somebody arbitrarily gives these different risks a rating from zero to four going from none at all to very high. And I don't know how they came around to -- how do you assign what's three and what's four and what's zero? It sounds pretty arbitrary to me, unless you have more data that explains it better than this thing does.

MS. CSANK: We'll gladly supplement our submissions on that point.

COMMISSIONER GRAHAM: Thank you.

CHAIRMAN BRISÉ: Okay. Any further questions or comments?

All right. Well, thank you for your presentation today.

At this time we will hear from SACE.

MR. LARSON: Good afternoon, Commissioners. My name is Tom Larson. I'm speaking on behalf of the

Southern Alliance for Clean Energy. Thank you for the opportunity again to address you today.

Many utilities throughout the country have been using demand response reliably for years. On hearing utility representatives bring attention to the rising contribution of demand response, I would note that these are the very measures that utilities have preferred over meaningful energy savings programs in past FEECA proceedings, arguing for the use of the RIM test to make the case such programs are more cost-effective than programs providing substantial and meaningful energy savings.

But if you are concerned about reliability, there is no more reliable resource at reducing consumption and reducing need for capacity than energy efficiency demand-side management. There are -- there's a history in Florida of substantial contributions to our state through the reduction of energy use. While some of the presentations today might provide comfort to the Commission that future demand for electricity can be met reliably, it should be noted, as the Sierra Club has, that projected demand could be met at lower risk and at lower cost to customers if more meaningful and substantial energy efficiency implementation was part of the mix.

Energy efficiency can meet demand reliably at a fraction of the cost of any new power plant. It lowers the utility's overall system costs and help customers reduce energy use and save money on their bills. Meaningful energy efficiency programs are not being implemented now by the state's largest utilities. For instance, Florida Power and Light is meeting a mere 2/10ths of one percent of annual energy demand through energy efficiency programs. Duke is not far behind.

Fortunately, some Florida utilities implement efficiency at a much higher level. Gulf Power and JEA are achieving for their customers three times the rate of annual energy savings attained by FPL.

What does real leadership on energy efficiency look like? Fourteen states have regulatory programs in place that are achieving 1 percent savings or more through their energy efficiency programs every year. That's five times the energy efficiency implementation of Florida's largest utilities.

Since reducing energy use and the need for capacity does not promote shareholder value for the investor-owned utilities, you can expect the big power companies to continue to resist more meaningful energy efficiency goals and to come in during the next FEECA proceeding and request a reduction of goals.

You do have the authority under statute to require the utilities to implement meaningful substantial conservation goals. We encourage you to use that authority to add more end-use energy efficiency into the resource mix.

Yes, there is a dependence on demand response in the Florida mix today. We could have a much greater dependence on that demand response and save money and still be reliable. Ultimately, the state must move to undertake a more integrated resource planning process. The closest semblance to an integrated resource plan, or IRP, in Florida is the requirement on a utility to file a ten-year site plan. The ten-year site plan is not in itself an IRP, but a medium range planning document that summarizes internal resource planning decisions made by the utility. Most other utilities are filing plans with commissions in other states that are 20, 25 years in term. This ten-year perspective we have in Florida may not be serving us.

You have no authority to change these plans. However, after statutory review you may suggest alternative to the utilities. Presently, the only meaningful way to explore internal utility resource planning assumptions at the utilities is for a stakeholder to formally intervene in the FEECA

conservation goal-setting process, or in a new power plant need determination, or site certification proceeding. Frankly, the disjointed nature of the current Florida process is not conducive to fair evaluation of all resources. Hence, lower cost/lower risk resource are being underutilized in the state.

Thank you very much.

CHAIRMAN BRISÉ: Thank you.

Commissioners? Commissioner Balbis.

COMMISSIONER BALBIS: Thank you.

I guess a similar statement. I appreciate you coming and providing your comments. I agree with a lot of the comments that you made, and I think that in the goal-setting process that we are going to undertake I think those are the exact discussions that need to happen as far as, you know, what -- you know, what test do you use, whether it's RIM or something else, or what are the appropriate goals. So hopefully you are participating in that process, as well, and we can talk about it at that time. But, thank you.

CHAIRMAN BRISÉ: Commissioner Graham?

COMMISSIONER GRAHAM: Ditto. I was going to say pretty much the same thing. I agree with a lot of the things that you are saying. And, you know, I think energy efficiency is still the low-hanging fruit that,

you know, we still need to reach up and start picking off.

And I think as our economy is coming back around and businesses are more stable, now is the time to -- as Commissioner Balbis was saying, as we go through this goal-setting process to make sure that we are ramping up with some further-reaching goals.

MR. LARSON: If I may respond briefly. We, in Florida, look to a future of not as much demand as you may have seen portrayed on some of the charts today. These forecasts that are provided each year by the utilities and summarized by FRCC have not been realized serially for the last eight years, roughly, and they still keep showing growth as present in the future. But I would submit that with effective attention to demand-side management we can avoid the need to build any new power plants in Florida. We can replace the needs for retirement with new resources, but we shouldn't have to add to this Florida-based capacity for energy that we have today that's, you know, somewhere upward of 50,000 megawatts.

We should be able to transition from the current fossil fuel-based scenarios to a more modern and clean energy set, whether it's energy efficiency combined with good storage, combined with solar,

combined with other contributors to the fuel mix. But we face a big problem with 62, 63 percent natural gas-based fleet now. We need to be working on moving to solar energy and to better management of our system.

Thank you.

CHAIRMAN BRISÉ: Commissioner Edgar.

COMMISSIONER EDGAR: Thank you. I, too, have some concerns about the high percentage currently and projected for natural gas in our fuel portfolio. And as I'm sure we all know, projections are all over the board as far as supply, reliability, cost, upward pressure, downward pressure, all of that. And I wish I had that crystal ball, but I don't.

You mentioned transitioning for our energy policy and energy fuel mix. Do you view or your organization, however you choose to respond, do you view natural gas as a transition fuel?

MR. LARSON: In the long run, yes.

COMMISSIONER EDGAR: And you have mentioned that our ten-year process may not be the best planning horizon. When you say long run in that circumstance, 10 years, 25, 50, can you just give me a ballpark as to --

MR. LARSON: I do think that we need to engage in a much more transparent process of evaluation

of the costs and the risks across all of our options. And the way we are doing it in Florida today is not presenting all of the information to the many interests that have a great deal of exposure to the decisions that we make.

We ought to be looking at 25 years. We ought to be looking at a number of scenarios. We ought to be evaluating the risks of the different scenarios and how they might play out. And those states that have a more open integrated resource plan process are finding solution sets that are different than would have been customary some years ago.

COMMISSIONER EDGAR: Can you give me an example of, say, five states that you would put as those states who have a much superior process than to ours?

MR. LARSON: I can provide some information to you that would answer that question more carefully, but the northwest part of the United States has had a very detailed analysis, and they have looked at hundreds of different mix combinations to come up with a much lower risk, much lower cost set of options for them. But there are other state examples that I think would be instructive to us, as well.

COMMISSIONER EDGAR: I would be interested in

those examples. And I agree there are many good processes in all regions, really, that hopefully we can learn from and vice versa. But, of course, the fuel mix and the options and the risks are very different in the northwest than they are with our resource and supply situation.

Switching gears slightly, you mentioned earlier in your comments about Florida needing more end user efficiency, and commissioners and you and others have referred to the goal-setting process, and I look forward to that, as well.

If anyone were to actually look at my voting record, they would see that I have been on record many times for what I have termed at the time as stretch goals, and I still believe in that. But there's goal-setting and then there is actual end use efficiency.

What are some examples of some end use efficiency that you believe would be cost-effective for Florida customers that are not being utilized?

MR. LARSON: There are many good programs operating in the state, and there are programs that aren't as well known in the market place and don't have as much participation that they could have. And partially that's maybe the approach being taken by a

utility that doesn't necessarily have a high level of incentives to expand their program size.

We have the opportunity in Florida to engage in providing incentives to the utilities to exceed goals, and we could consider developing a slightly different regime where maybe it's not set up right in the statute today, maybe we should consider developing a way of providing a rate of return on energy savings that's reflective of the kind of return that a utility may make today on normal sales so that there is an incentive to expand energy efficiency.

Energy efficiency only costs 3 cents a kilowatt hour, where a power plant is going to run 6, 8, 12 cents, depending on the situation. So it makes sense to produce the megawatt, as some call it, and sell it -- and it has a cost that is less than the sale actually of utility. I'm not talking about change in lifestyle or change in people's experience. I'm talking about wiser choices, better access to information, more technology, better adoption rates of different kinds of measures that are available in the marketplace that have not necessarily been customarily widely appreciated and taken up. But we are seeing advances, we just could be advancing way more faster than we are today.

COMMISSIONER EDGAR: I also would like to thank you for your participation today. I love these issues, so thought provoking, challenging, I think, we all know. I hope you will continue, and I look forward to more discussion on all of it. Thank you.

CHAIRMAN BRISÉ: All right. Any further questions?

Commissioner Graham.

COMMISSIONER GRAHAM: Thank you.

And I don't mean to prolong this, but, Tom, let's go back to what Commissioner Edgar was saying.

One of the things I heard you say earlier was talking about incentives that allow for utilities to do this, and incentives that allow for utilities to do that. Every time you used the word incentive, somebody is paying for that. It's not free money. Someone has got to pay for that incentive, and that sometimes tends to be problematic.

And is it best to attack these things going through the utility that is providing electricity, or let's look from a different direction. Maybe we should start looking at houses being built right now. And those houses, rather than having the old light bulbs in there, they may have some LED light bulbs in there or some other light bulbs in there. So instantaneously,

as soon as he goes in and turns the power on, he is using, you know, a fifth of what it used to be. And so you are getting that instantaneously. And so rather than that coming through mine and your power bill to incentivize somebody else to start taking advantage of these things, it's there turnkey when they walk into their brand new home. I mean, maybe that's more of what we need to be attacking these things rather than coming through the back door and the utility companies.

MR. LARSON: Well, like many things in life, there's a lot of complexity. And there's a lot of opportunities that make up a range of things that we can do. You have heard the silver buckshot term used. You know, utility-sponsored energy efficiency is an important element of our communities access to energy -- developing energy efficiency throughout the economy. And it happens that the utilities are pretty expert in dealing with energy, and they have engineers and business people that know how to run that kind of business very well, and they know about the measures that can be undertaken.

You know, Aunt Bee, making it up, doesn't know about light bulbs necessarily. And, you know, if she has the opportunity through community channels to learn more about those things, she's going to be more

inclined to replace a light bulb with one she can get for basically the same price that lasts for 15 years instead of one that burns five times more power and lasts only one year.

These things do pay off. It's a matter of time. You have heard the payback discussion. And the incentive I'm talking about is really not going to cost us more. It's going to lead to lower bills. The rate may go up a scooch, or the way we pay the utility may shift so that instead of making so much of a percent on the kilowatt hour they sell, they make a percentage of some kind on the energy efficiency they deliver that year. And they may end up with a profit then, a profit scenario where they become indifferent to how they make their money. It may cost us all less in the long run. I would submit that it will.

COMMISSIONER GRAHAM: Well, let's go back to my house scenario. You build this house and it has got energy efficient air conditioning, and dishwasher, and light bulbs, and all that sort of stuff. And right off the bat, as soon as you walk in the door you're saving 20 percent right off the bat, maybe 50 percent if you are wise and you do weather stripping and all that sort of stuff in the very beginning. If you tie that into the cost of a house for a 30-year mortgage,

you're talking about pennies a month.

MR. LARSON: You're right.

COMMISSIONER GRAHAM: Where if you did it going back through the DSM process that we are doing right now you are talking about dollars per month.

MR. LARSON: We have quite a bit -- we have, you know, 8 million, 9 million consumer accounts in Florida. We are building in Florida each year a few hundred thousand houses. So each year you are getting an advance on the higher efficiency home. But we have a pretty deep investment in a housing stock already that can benefit from a lot of renovation and improved performance. Personally, I think it's pretty easy, but it has become my business to work on energy efficiency.

I have reduced my home's energy from the Florida average, 1,200 kilowatt hours a month, to about 700 kilowatt hours a month by doing some pretty simple things. And I try to tell my neighbors about it, but people are busy in different ways, and they don't all necessarily respond to the initial market opportunity. And that's where the program comes, the utilities fostering of such a program comes into play.

CHAIRMAN BRISÉ: That raises one of the questions that I have. And so I don't want to go too far down this road and get into, in essence, part of

the goal-setting process, but, you know, that raises one of the questions that -- or one of the challenges that exist.

I mean, if you have a personal contact with your neighbor, and you may not be able to convince your neighbor to do X, Y, or Z, and you may show your neighbor, you know, this is my personal impact. And that is a person-to-person contact versus how much does it cost to try to get someone to move, you know, in a commercial world. And so then the question becomes, you know, how much do we invest in attempting to do that? And then you back that up with a potential incentive program to manage the megawatt, as you would call it. So then at what point does the price get so that it continues to make sense? But that's going down the road, so we will deal with that.

MR. LARSON: I agree it's going down a road that I hope we have a good discussion on while we're taking that walk together. But if I may just briefly comment.

CHAIRMAN BRISÉ: Sure.

MR. LARSON: This is all part of the silver buckshot solution set where, you know, as a neighbor I may talk to my neighbor, but if they also get reinforcing inputs from a display at Home Depot, or a

message in their bill, or they hear about it at a public meeting, or somebody at church just talked about how they got the church to save $200 a month by getting an audit, or changing their air conditioning, or -- there's a lot of different ways that people start to believe what they are hearing and to accept it and try it out.

CHAIRMAN BRISÉ: Sure.

MR. LARSON: And I just would submit that a robust utility-based energy efficiency program is one of the strong channels in which we can deliver that kind of social change.

CHAIRMAN BRISÉ: Sure. And I don't think anyone would disagree with that. Just before I go to Commissioner Balbis, Commissioner Edgar asked you a question about naming five states or so forth, and I couldn't remember if you said northwest or northeast.

MR. LARSON: The northwest power area has done some very good work in designing a very -- a risk attentive analysis.

CHAIRMAN BRISÉ: Sure. Okay. I'm glad you didn't say northeast, because if you compare our prices we are, you know -- Commissioner Balbis.

COMMISSIONER BALBIS: Thank you, Mr. Chairman.

Just real quick and to get off of the goal-setting discussion. Just pulling the information from FRCC's executive summary where they indicate that the utility-sponsored energy efficiency measures they achieve -- I guess by 2022, 2.8 percent. And then the next item is energy efficiency delivered through mandated codes and standards, which is much higher than that at 3.7 percent.

Is SACE as involved in setting energy efficiency codes for appliances, et cetera, as strongly as you are through the goal-setting process here?

MR. LARSON: Actually, yes. I participated with the Florida Building Commission in its prior work on the energy code that was implemented, called the 2010 code. And the Commission just recently approved the next update that will take effect in December of 2014, and it didn't have the same sort of process this time around. It was almost as if the process had been preset, and it moved along. So Florida's building code is moving along with the national leading codes. And I stay directly involved with that through the staff at the building commission as well as the Florida Solar Energy Center, which is their principal consulting group.

But I would like to add one comment on the

building code arena. There's potential for lack of compliance. You may have a code and houses may get approved by a building official, but it may not all get built as planned. And there are issues across many states, it's not just Florida, where we may have a code that would say your home will be built to perform at a certain level, but they don't all get built that way. And so there is a current concern that in Florida we may need to beef up building code compliance. And this could be an area where the utilities could make some contributions to training building officials, to training the people who install measures at homes, whether it be replacement windows, or new building design, or making sure all the light bulbs are the cost-effective CFL or LED, depending on the situation. So there is an opportunity for the Commission to collaborate with the building commission to advance code and make it be better implemented.

COMMISSIONER BALBIS: Well, I appreciate that you're involved in the building code aspect of it, because I know this Commission in our annual reports to the legislature on FEECA we always state that, you know, the focus on energy efficient appliances, et cetera, may be a more cost-effective measure. So I appreciate your involvement with that.

CHAIRMAN BRISÉ: All right. Thank you very much. I think this closes our public comment, unless there was someone else that was wishing to make public comment.

All right. I'm not seeing any, and no one else was signed up, so this closes our public comment area.

Staff, is there anything else that we need to cover? Mr. Ellis.

MR. ELLIS: Not to my knowledge.

CHAIRMAN BRISÉ: Okay. Commissioners, was there anything else for the good of the order?

Seeing nothing else, we thank you for your participation this afternoon. At this time we are adjourned.

(The Commissioner Workshop concluded at 2:50 p.m.)

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 1st day of October, 2013.

JANE FAUROT, RPR
Official FPSC Hearings Reporter
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