

P R O C E E D I N G S

1
2 **CHAIRMAN BRISÉ:** Moving on to Item Number 10.

3 FPL.

4 **MS. MATTHEWS:** Good morning, Commissioners.

5 My name is Traci Matthews with staff.

6 Item 10 is Florida Power & Light's petition
7 for determination that its decision to enter into
8 contracts for new firm natural gas transmission capacity
9 is prudent and that the costs associated with those
10 contracts are eligible for recovery in the fuel and
11 purchased power recovery clause. The contracts at issue
12 are the result of an RFP process initiated by FPL at the
13 Commission's direction in the 2009 Florida EnergySecure
14 Pipeline docket to develop necessary new natural gas
15 transmission capacity.

16 Unlike the 2009 case in which a need
17 determination was required, the current docket is a
18 request for the Commission's approval due to the capital
19 intensive nature of the projects. Both new pipelines
20 will be regulated by FERC as, as open access natural gas
21 pipelines with all transactions -- and all transactions
22 will be made in accordance with FPL's cost allocation
23 manual in exactly the same manner as other companies
24 from which it purchases firm transmission. Staff's
25 analysis has determined that the selected projects are

1 the most cost-effective options and staff is
2 recommending approval of FPL's petition.

3 **CHAIRMAN BRISÉ:** All right. Thank you very
4 much.

5 Commissioner Balbis.

6 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
7 I have a quick question for staff and would like to make
8 a comment.

9 **MS. MATTHEWS:** I'm sorry, Commissioners. I
10 forgot to mention that we do have an oral modification.

11 One of the data requests that FPL responded to
12 us, they had transposed some data, and it impacts Figure
13 1 of the recommendation and also the text associated
14 with that figure. It's a graph of the summer peak
15 demand forecasts from now until -- oh, I'm sorry. It's
16 on page 7 of the recommendation. I'm sorry.

17 **COMMISSIONER BALBIS:** And what is that
18 modification?

19 **MS. MATTHEWS:** I'm sorry?

20 **COMMISSIONER BALBIS:** What is the
21 modification?

22 **MS. MATTHEWS:** It changes -- all it changes is
23 the graph of the summer demand. They had transposed
24 some numbers. So the risk-adjusted forecast is actually
25 moved up in the figure to where it's pretty much in line

1 with the Florida EnergySecure numbers that, that they
2 had previously submitted.

3 In 2017 the summer peak demand is actually
4 3.7% lower than what it was in the FESL, the Florida
5 EnergySecure Line, instead of 7.4%. Wait a minute. I
6 have that backwards.

7 Okay. The base forecast instead of 25.5% is
8 3.7% lower than the Florida EnergySecure forecast. And
9 then in '40, in 2040 the gap from, between the
10 risk-adjusted and the base, it moves just 6.3, and
11 previously we had 28.4%. So it doesn't really impact
12 the recommendation at all. It just, it just changes
13 those numbers a little bit.

14 **COMMISSIONER BALBIS:** It just puts them more
15 in line with the FESL.

16 **MS. MATTHEWS:** Pretty much, yeah. Well, for
17 the risk-adjusted forecast.

18 **COMMISSIONER BALBIS:** Okay.

19 **MS. MATTHEWS:** Which is the higher, you know,
20 level of confidence.

21 **COMMISSIONER BALBIS:** Okay. Well, the
22 question I had is that in 2009 this Commission denied
23 this project and recommended some changes. Were those
24 changes made in this proposal?

25 **MS. MATTHEWS:** Yes. Well, in 2009 they had

1 actually requested that we approve a need determination
2 for them to build, operate, and own a new gas pipeline
3 and they were going to recover the cost in rate base.
4 And so now that's, it's a whole different thing, you
5 know. They're actually going to have someone else build
6 it and then they're just going to purchase the gas
7 transportation and the gas from that company.

8 **COMMISSIONER BALBIS:** Okay.

9 **MS. MATTHEWS:** So, so they're asking if, you
10 know, if they'll be allowed to ask for recovery in the
11 fuel docket.

12 **COMMISSIONER BALBIS:** Okay.

13 **MS. MATTHEWS:** Instead of in rate base it'll
14 be in the fuel clause.

15 **COMMISSIONER BALBIS:** Okay. Okay. Thank you.

16 **MS. MATTHEWS:** Uh-huh.

17 **COMMISSIONER BALBIS:** And, you know, I'm glad
18 those changes have been made because I believe this is,
19 I believe this is a good project. One thing that we're
20 charged with is fuel diversity. And the way I look at
21 fuel diversity is, you know, what are we trying to
22 accomplish? And I think it's mitigating against supply
23 interruptions and price fluctuations. And I think
24 adding this pipeline and having a third pipeline coming
25 into the state, we're going to continue to rely on

1 natural gas, that this achieves that mitigation against
2 supply interruptions. I'm glad to see that it's \$450
3 million cheaper than the other option, and I'm very glad
4 to see that over 6,600 jobs are going to be created for
5 this project. So I'm glad the changes have been made.
6 I fully support it. I think it's a good project for the
7 state and I fully support staff's recommendation on
8 this.

9 **CHAIRMAN BRISÉ:** Commissioner Brown.

10 **COMMISSIONER BROWN:** Thank you. I also have a
11 couple of questions to staff, but I do believe that the
12 need for this project is indisputable at this time and
13 will only enhance our state's reliability. It's a great
14 project. So I commend the parties all involved and all
15 the stakeholders and the folks that submitted the bids.
16 And with that being said, also I wanted to thank Gulf
17 and Florida Power & Light for being so patient at this
18 hour, sitting through our long water docket. So I would
19 be remiss if I didn't thank you all for your patience.

20 Ms. Matthews, with respect to the FGT and
21 Gulfstream contracts, in our briefing I don't believe
22 you had the answer for that. I was asking whether --
23 when those current contracts expire, and then if the
24 utility is still able to access, continue those
25 contracts.

1 **MS. MATTHEWS:** Yes, Commissioner Brown. The
2 utility will definitely still have those contracts in
3 place. And the dates actually vary because there's more
4 than one contract with each company. But the earliest
5 contract that they have with FGT actually began in 1989,
6 and the latest one that, you know, the latest date that
7 any of them actually expire is in 2036, the earliest
8 being, end date being 2021. So that would be the
9 earliest time that any of them would be looking at
10 extension.

11 **COMMISSIONER BROWN:** Okay. With respect to
12 the affiliated entities and those utilities that we do
13 regulate, can you kind of walk us through the checks and
14 balances and safeguards that we have here at the
15 Commission to make sure that all activities and expenses
16 are appropriately accounted for?

17 **MS. MATTHEWS:** Sure. Well, as I said earlier,
18 these contracts are going to be treated just like any
19 other firm transportation contracts that FPL has with
20 any company. They're going to be FERC regulated. So,
21 you know, the prices are capped by FERC and then, you
22 know, just like anything else that they do. And also
23 they're all done in accordance with FPL's cost
24 allocation manual just like the other --

25 **COMMISSIONER BROWN:** And we do have audit, we

1 do have auditing capabilities here?

2 **MS. MATTHEWS:** Yes. Yes. I mean, I'm not an
3 expert, but I'm sure there's somebody else here that can
4 give you details if you'd like details on how that's
5 done.

6 **COMMISSIONER BROWN:** No. Thank you.

7 **MS. MATTHEWS:** Thanks.

8 **CHAIRMAN BRISÉ:** Commissioners, any further
9 questions or comments?

10 Commissioner Balbis.

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

12 I move approval of staff's recommendation on
13 this project. I think it's a great project for the
14 state, and I think, you know, we have two existing
15 pipelines at or near capacity. This adds the third one.
16 And I think, I think that Florida Power & Light went
17 through the steps to make sure it's the most
18 cost-effective option and I fully support it.

19 **CHAIRMAN BRISÉ:** Okay. Just before we get to
20 the, the vote, I think OPC would like to be heard. So
21 Mr. Sayler.

22 **MR. SAYLER:** Yes, sir. Thank you, Mr.
23 Chairman.

24 Good afternoon, Commissioners. I'm Erik
25 Sayler with the Office of Public Counsel.

1 We're here today to say a few remarks about
2 this docket, Number 130198-EI, the petition for prudence
3 determination regarding new pipeline system by Florida
4 Power & Light Company, which, by the way, the docket
5 title implies that Florida Power & Light is constructing
6 this. In fact, Spectra Energy is constructing and
7 operating the Sabal Trail, the northern leg going from
8 Alabama to the Central Florida hub, and Florida
9 Southeast Connection, an FPL affiliate, is constructing
10 from Central Florida down to the Martin Clean Energy
11 Center.

12 Public Counsel agrees that there is a need for
13 price competition in natural gas shipping markets in
14 order to increase the supply capacity for natural gas to
15 Florida's customers at reasonable rates. We also
16 recognize that a large scale natural gas pipeline such
17 as this one has the potential to provide value to all
18 natural gas customers from the electric generating
19 utility to the residential end user. And we would also
20 like to thank FPL; we had numerous questions of FPL
21 regarding this petition, and they were very helpful in
22 helping us understand this.

23 On review before the Commission today is FPL's
24 petition. The petition starting on page 25 in the
25 wherefore paragraph, quote, FPL respectfully requests

1 that the Commission take final agency action by no later
2 than December 31st, 2013, to determine that entering
3 into definitive agreements for incremental natural gas
4 transportation capacity with Sabal Trail and Florida
5 Southeast Connection is prudent and that those charges
6 will be eligible for gas transportation on the -- excuse
7 me -- and that the charges FPL will pay for gas
8 transportation on those projects are eligible for
9 recovery through the fuel clause, end quote.

10 Public Counsel has reviewed the petition and
11 information provided by FP&L, not for whether there's a
12 need for additional natural gas supply, this Commission
13 decided that back in 2009 in the 09172-EI docket. But
14 we reviewed it whether these two definitive long-term
15 natural gas transportation agreements are reasonable and
16 cost-effective for FPL's customers.

17 And unlike -- the situation before us here is
18 different unlike other long-term natural gas
19 transportation contracts where a utility will seek
20 Commission approval at the time they're actually seeking
21 recovery for those through the fuel clause. Here
22 Florida Power & Light's petition is seeking Commission's
23 prudence review now, not in 2017 when they will start
24 shipping but now, and they're seeking to recover their
25 fixed natural gas transportation costs that are set

1 forth in their agreement. And this contract has the
2 potential to last at least 25 years to the next 40
3 years, and those shipping prices are specified in those
4 long-term contracts.

5 It is Public Counsel's understanding by FPL's
6 request or FPL's intent by this request that for at
7 least the next 25 years the volumes of capacity reserved
8 in these contracts and the fixed transportation costs
9 set forth in these agreements will not be really subject
10 to any further Commission prudence review. The costs
11 are what they are dictated by this contract. And as
12 Commissioner Brown noted, the Commission staff will
13 retain an auditing function to make sure that those
14 costs comport with these contracts.

15 Also, it's Public Counsel's understanding that
16 the Commission will retain prudence review over the
17 variable transportation costs, the cost of the natural
18 gas shipped across the pipeline, as well as jurisdiction
19 over the affiliate relationship between FP&L and Florida
20 Southeast Connection.

21 Now one concern that we have is with FPL's new
22 risk-adjusted forecast. Public Counsel doesn't see any
23 need or basis for really departing, for FPL departing
24 from its traditional base rate forecast that they use in
25 their ten-year site plan for summer peak demand, net

1 energy for load as an input for determining the
2 appropriate amount of pipeline capacity to reserve, to
3 discard that in favor of the risk-adjusted forecast.

4 We believe that the risk-adjusted -- or,
5 excuse me, the risk of reserving too much pipeline
6 capacity associated with using the risk-adjusted
7 forecast input should be borne by FP&L and not by FPL's
8 customers. Therefore, it's our position that the
9 Commission's prudence determination, should you give it
10 today, should be limited to the reserve capacity
11 resulting from the base case forecast, and the
12 Commission should not approve as prudent any terms in
13 these two long-term agreements that depart from FPL's
14 traditional base case forecast methodology.

15 In conclusion, Public Counsel again would like
16 to note for the record what FPL is requesting. FPL is
17 not seeking a prudence determination that the pipeline
18 should be built. That was already decided. FPL is
19 requesting that you take final agency action to
20 determine whether these two natural gas -- entering into
21 those contracts are prudent and that they could get
22 recovery for those costs in the future. And
23 acknowledged by staff's recommendation on page 3, these
24 agreements are governed by FERC and FPL doesn't really,
25 doesn't need the Commission's approval to enter into

1 these agreements because they are governed by FERC.
2 However, you, the Commission, do have authority to
3 condition your approval for future recovery, if you wish
4 to give such pre-approval, on FPL bringing back amended
5 long-term agreements for final agency action using the
6 base case forecast instead of the risk-adjusted
7 forecast.

8 Thank you for your time, and thank you for the
9 opportunity to, to raise our comments, and we are
10 available for any questions you may have.

11 **CHAIRMAN BRISÉ:** Thank you. Commissioners,
12 any further questions or comments? I don't know if FPL
13 wanted to respond.

14 **MR. BUTLER:** Just briefly respond. You know,
15 we are on the threshold of making commitments for the
16 full amount of the contract capacity that's, you know,
17 referenced in staff's recommendation. We will be, you
18 know, making that commitment, securing that capacity in
19 order to provide for our gas transportation
20 requirements, taking into account a contingency margin
21 that's pretty modest. The risk-adjusted forecast
22 amounts to about 6% at the beginning. It declines to
23 about 3% pretty quickly of our total gas transportation
24 requirements. So if you compared it to something like a
25 power plant reserve margin, it's small, you know, 6 to

1 3% versus 20%.

2 It would be a completely unacceptable and
3 unfair bargain to put the situation on FPL where if it
4 turns out we need that capacity and did the right thing,
5 then what we do is simply recover the cost of it. If
6 for some reason, you know, load isn't quite as high as
7 expected, that we would only recover some fraction of
8 what we were having to pay to the pipeline companies,
9 which I gather is Public Counsel's proposal.

10 So we fully support staff's recommendation.
11 We think it's reasonable. We think that what we have
12 put before the Commission is a very reasonable way of
13 meeting FPL's anticipated future needs for gas, as well
14 as helping to facilitate a pipeline that will serve the
15 needs for other gas users in Florida, and urge you to
16 support and, excuse me, approve staff's recommendation
17 as written.

18 **CHAIRMAN BRISÉ:** Okay. Commissioners?

19 All right. We do have a motion on the table.

20 **COMMISSIONER BROWN:** Second.

21 **CHAIRMAN BRISÉ:** It's been moved and seconded.

22 Any further discussion?

23 Okay. Seeing none, all in favor.

24 (Vote taken.)

25 Any opposed? Seeing none, thank you very

1 much. By your vote you have approved --

2 **MR. SAYLER:** Thank you.

3 **CHAIRMAN BRISÉ:** -- Item Number 10.

4 Thank you for your participation today.

5 **MR. BUTLER:** Thank you, Commissioners.

6 **CHAIRMAN BRISÉ:** All right. With that, we
7 will adjourn shortly. We are going to begin IA at 1:00.

8 What time is it? Oh, I'm sorry. We'll begin
9 IA at 2:00. I'm sorry. I misread the clock. We'll
10 begin IA at 2:00. And with that, we stand adjourned.

11 (Commission Conference adjourned at 12:50
12 p.m.)

1 STATE OF FLORIDA)
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.

13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED THIS 8th day of November,
19 2013.

20
21
22
23
24
25


LINDA BOLES, CRR, RPR
FPSC Official Commission Reporters
(850) 413-6734