

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 140001-EI

FUEL AND PURCHASED POWER COST
RECOVERY CLAUSE WITH GENERATING
PERFORMANCE INCENTIVE FACTOR.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 3

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

DATE: Thursday, December 18, 2014

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

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
State of Florida at Large

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

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

2 CHAIRMAN GRAHAM: As we said, Item Number 14
3 has been withdrawn, so we will go back to the top
4 of the list and take up Item Number 3.

5 MR. MAUREY: Good morning, Chairman,
6 Commissioners. Andrew Maurey, Commission staff.

7 On June 25th of this year, FPL petitioned the
8 Commission for a determination that it's prudent
9 for FPL to acquire an interest in a natural gas
10 reserve project, the Woodford Project, and that the
11 revenue requirement associated with investing in
12 and operating the gas reserve project is eligible
13 for recovery through the Fuel Clause.

14 FPL further requested that the Commission
15 establish guidelines under which FPL could
16 participate in future gas reserve projects without
17 prior commission approval and recover the costs
18 through the Fuel Clause subject to the Commission's
19 established process for reviewing fuel related
20 transactions in the fuel cost proceedings.

21 A hearing was held on December 1st and 2nd, at
22 which FPL, the Office of Public Counsel, Florida
23 Industrial Power Users Group and the Florida Retail
24 Federation all participated. Due to the time
25 sensitive nature of the investment in the Woodford

1 Project, FPL requested that the Commission render a
2 decision on this specific project before the end of
3 this year.

4 At the end of the hearing held earlier this
5 month, it was determined that the parties would
6 brief issues one, two, three, six and eight related
7 to the Woodford Project, and the Commission would
8 address these issues at today's Commission
9 Conference. The remaining issues related to the
10 proposed guidelines were deferred for Commission
11 consideration at a future Commission Conference.

12 Briefs were filed by the parties on
13 December 1st. Staff is before you today to
14 facilitate a discussion of the aforementioned
15 issues related to the Woodford Project. This is a
16 post-hearing matter and discussion is limited to
17 Commissioners and staff. Staff is prepared to go
18 issue by issue. We would, however, respectfully
19 suggest that Issue 6 be taken up first and the
20 remainder of the issues follow in order.

21 Staff is available for questions.

22 CHAIRMAN GRAHAM: Thank you, staff.

23 Commissioners, I agree with staff
24 recommendation. I think we should start with Issue
25 Number 6, so teeing that up, we will start with

1 Commissioner Balbis.

2 COMMISSIONER BALBIS: Thank you, Mr. Chairman.
3 Bear with me one moment.

4 I would like to make a few comments and offer
5 some suggestions that I believe would add
6 additional protections and address some of the
7 intervenor concerns, and all of that will lead to,
8 hopefully, the resolution of Issue 6. So if that's
9 the pleasure of the Chairman and Commission.

10 CHAIRMAN GRAHAM: Sure.

11 COMMISSIONER BALBIS: As everyone knows, we
12 had a very thorough and detailed hearing that went
13 very late into the night on at least one occasion
14 to discuss all the issues associated with this
15 contract, and clearly, in my opinion, this contract
16 is an effective form of hedging, in that it reduces
17 volatility, which is one of the clear purposes of a
18 hedging program. And these hedging costs have
19 consistently been passed through through the Fuel
20 Clause.

21 Now, some say that the hedging programs are
22 more of a fixed cost as compared to this, but I
23 just want to make sure that everyone understands
24 what we approve and how we review the hedging
25 programs.

1 The hedging programs are different terms,
2 several weeks, all the way up to two years, and at
3 the end of the year, the actual costs associated
4 with those are passed on to customers. That is not
5 dissimilar to what this project and what this
6 contract is doing. There are estimates of what the
7 costs would be, and at the end of the day, the
8 actual costs will be the ones that are passed on to
9 customers.

10 Through the same Fuel Clause, we have also had
11 returns on investment that are passed on to
12 customers. Every purchase power agreement, every
13 cost associated with that includes some component
14 of a return on investment that customers pay for.
15 Again, not dissimilar to what this contract would
16 do.

17 My office, and I am sure other offices have
18 received lots of e-mails, lots of correspondence
19 with the concerns about fracking and this contract
20 being associated with fracking. But a witness
21 testified that 70 percent of the gas that customers
22 currently purchase are from unconventional or
23 fracked wells. And, frankly, I believe the
24 customers, if they are going to be paying for gas
25 that comes from unconventional sources, they should

1 get it cheaper.

2 In 2002, we had 250 percent of our portfolio
3 generated with natural gas, now we are up to
4 65 percent. Due to EPA regulations, it's unlikely
5 we will have coal generation move forward. We have
6 very few options to have the fuel diversity that we
7 must consider. We have to look at different ways
8 to hedge the cost of natural gas and protect
9 customers from price fluctuations, I think this
10 contract does so.

11 With EPA 111(d), the use of natural gas is
12 just going to increase nationwide.

13 The hedging programs that we approve, by their
14 definition, the companies pay a premium to lock in
15 that price, so day one the customers are paying
16 more than the current price of gas. This contract
17 does the opposite. Day one, customers would pay
18 less, and there is just an argument as to how much
19 customers will save.

20 For four years, we have been dealing with, at
21 lease I have, the issues of fuel diversity. I have
22 been a proponent of doing what we can to protect
23 against supply interruptions. I believe we have
24 done so with approving the third pipeline, and we
25 need to look at ways to protect customers.

1 So I think this is a good contract. I think
2 there are ways we can tweak it to alleviate some of
3 the concerns. And if you would like, I could go
4 through some of those recommendations now.

5 There was a concern about the accounting
6 systems in place, of using the oil and gas system
7 of accounts and how that translate into the FERC
8 system of accounts. And I believe that if we
9 require that the company have subcategories of the
10 FERC system of accounts to closely align with the
11 oil and gas system of accounts, that that will
12 alleviate some of the audit concerns that are
13 there.

14 I also think that some of the concerns that
15 intervenors and even staff brought up is the audit
16 function, and how -- whether or not we have the
17 access to the audit information of the third-party.

18 When companies build multi-billion dollar
19 power plants, we do not have the capability to
20 audit the contractor's performing the work. In
21 this case, the company will be able to audit the
22 other company. And I believe that if we require
23 them to have an outside auditor and not use their
24 own internal auditing capabilities, it will add
25 additional transparency and additional protections

1 to customers.

2 And lastly, there was a lot of concern of what
3 happens if the price of gassings down. What it the
4 effective price of this contract is greater than
5 that? And I think that if we require that the
6 company not continue with incremental drilling if
7 the price of gas goes below the effective price, it
8 will mitigate some of those concerns.

9 So those are just a few of the recommendations
10 that I would have in order to make this contract
11 even more of a benefit to customers, and I look
12 forward to hearing other comments from my fellow
13 Commissioners.

14 CHAIRMAN GRAHAM: I am not sure which light
15 came on first, so we will go with Madame President,
16 Lisa Edgar.

17 COMMISSIONER EDGAR: Thank you, Mr. Chairman.

18 Commissioner Balbis, since the Chairman said
19 we are starting with Issue 6, may I infer from your
20 comments that you think the answer to Issue 6 is
21 no?

22 COMMISSIONER BALBIS: Yes. I want to be very
23 careful here. My recommendation is that we find
24 that for Issue 6 that the answer is no.

25 COMMISSIONER EDGAR: Okay. Thank you. This

1 is my last meeting. I mean, I am not going to get
2 the chance to do that again, so -- well, maybe in a
3 few minutes, we will see.

4 Seriously, though, you did suggest that we
5 start with Issue 6, and I met with staff numerous
6 times over the last few weeks, and I agree that
7 that's a good way to approach it; because as I
8 understand it, if the majority of Commissioners
9 believe from a legal perspective that we are
10 precluded by the terms of this settlement and
11 stipulation that we have previously approved that
12 then we are pretty much done on this issue, and
13 would not even get to the possibility of additional
14 conditions and questions.

15 So I spent a lot of time with staff, and thank
16 you for putting all the additional background
17 briefs and every -- the briefs and the orders from
18 the past together, it was very helpful to have it
19 all in one place. Thank you. And I know that was
20 a lot of additional work over the weekend and
21 everything, too, so I want to recognize that.

22 So having the opportunity to go back over a
23 number of the briefs, I also agree that the
24 stipulation does not preclude us from moving
25 actually to consideration of the petition and the

1 request that is before us. And the way I got to
2 that point is by recognizing that, in the past,
3 nonfuel items have been recovered through the Fuel
4 Clause if they are projected to result in fuel
5 sayings savings, and that is the case with the
6 matter before us.

7 And also that we have, over the years, a
8 Commission of different makeups, but over the
9 years, the Commission has also approached managing
10 fuel costs on a case-by-case basis, and I think
11 that applies here as well.

12 So the fact that this is a capital investment
13 that is projected to result in fuel cost savings by
14 paying production costs and paying for the fuel
15 that comes through that, I think, does put this in
16 the realm of our ability to consider it also in
17 keeping with the terms of the settlement and the
18 stipulation.

19 And so I welcome, of course, as Commissioner
20 Balbis has said, any further discussion on that
21 point, but at the appropriate time, I am glad to
22 make the motion, or to support the motion that the
23 answer to Issue 6 is no, and then moving into the
24 discussion of the actual petition that is before
25 us.

1 CHAIRMAN GRAHAM: Commissioner Brown.

2 COMMISSIONER BROWN: Thank you. And both
3 Commissioner Balbis and Commissioner Edgar provided
4 an in-depth discourse discussion for the reasons
5 supporting Issue 6 with the answer of no.

6 As a lawyer, I have looked at this stipulation
7 and settlement agreement 100 times. I enjoy
8 reading it. I do. And I have read the orders, and
9 I do believe that Commissioner Edgar said it very
10 precisely, that there is evidence to support this,
11 and I would also second the motion when
12 Commissioner Edgar is prepared to make it on Issue
13 6.

14 CHAIRMAN GRAHAM: Okay. I don't see any more
15 lights on, so Commissioner Edgar, your motion.

16 COMMISSIONER EDGAR: Thank you, Mr. Chairman.

17 Then I move that we address Issue 6 in this
18 item with the answer of no, and if that carries,
19 then move into the remaining issues and discuss the
20 petition and its specifics in more detail.

21 CHAIRMAN GRAHAM: That's a motion that's been
22 seconded.

23 Any further discussion on the motion?

24 All in favor of the motion say aye.

25 (Chorus of ayes.)

1 CHAIRMAN GRAHAM: Those opposed, no.

2 COMMISSIONER BRISE: No.

3 CHAIRMAN GRAHAM: Okay. So the motion passes,
4 so we will move on to Issue Number 1.

5 Commissioner Brown.

6 COMMISSIONER BROWN: Okay. Let's start this
7 off, Mr. Maurey, with a couple of questions.

8 We discussed this in our briefing, and I
9 think, for purposes of this record, I would like
10 you go to through and talk about the savings and
11 the customer bill impact, and when all of that
12 would take effect under FPL's proposal.

13 MR. MAUREY: Under FPL's proposal, customers
14 are expected to receive fuel savings and reduced
15 price volatility for gas. In the proposal, it's
16 estimated that seven cents on a residential
17 thousand kilowatt bill in the first year and nine
18 cents on a thousand kilowatt residential bill in
19 2016.

20 COMMISSIONER BROWN: So that would be a
21 reduction in 2016?

22 MR. MAUREY: Yes. Let me clarify.

23 The fuel factors for 2015 will not be adjusted
24 for this proposal. FPL has proposed that the --
25 any change that would affect, if the Woodford

1 Project is approved, that that be taken up in the
2 normal course of the fuel true up and be reflected
3 in 2016 fuel factor.

4 COMMISSIONER BROWN: So what I am looking at
5 really is what would the actual customer bill
6 impact be in 2017 -- pardon me, 2016 with this
7 proposal?

8 MR. MAUREY: If it's permissible to add those
9 two, it would be 16 cents on a thousand kWh bill,
10 assuming all the assumptions come to fruition.

11 COMMISSIONER BROWN: Fruition, okay.

12 I am still looking for additional questions,
13 Mr. Chairman, in my notes, but please feel free to
14 move along.

15 CHAIRMAN GRAHAM: Nobody else's light is on,
16 so Commissioner Balbis.

17 COMMISSIONER BALBIS: This is my last chance,
18 right?

19 Mr. Maurey, during our extensive briefings,
20 there was a discussion -- and it's really Issue 8,
21 so we are kind of jumping around here, but I think
22 everything is kind of commingled, but can you
23 describe the adjustments to the GPIF factors if the
24 Commission approves this contract, and when it
25 would occur? Or maybe Mr. Ballinger would be

1 better suited to --

2 MR. MAUREY: I think you would appreciate his
3 response more.

4 CHAIRMAN GRAHAM: And I guess, because
5 Commissioner Balbis brought that up, I said we are
6 going back to Issue Number 1, but we are not
7 necessarily staying with Issue Number 1. I want to
8 answer the question of Issue Number 6 first, and
9 now we can just haphazardly take whatever issue up
10 that seems like it flows along to come to an
11 answer.

12 COMMISSIONER BALBIS: Okay. Thank you.

13 MR. BALLINGER: Commissioner Balbis, I believe
14 the answer to your question is both sets of targets
15 are in the record, in the current record for the
16 fuel adjustments clause. The -- so it really would
17 be no change. It would be at the true up portion.
18 When you look at actual results, you would compare
19 it to which set of target, whether you include the
20 Woodford Project or do not.

21 COMMISSIONER BALBIS: Okay. Because, in
22 essence, the cost to operate the plants would go
23 down with this project, correct?

24 MR. BALLINGER: It should, and it changed a
25 few targets for a couple of units. It wasn't

1 anything major in the changes to the targets. I
2 don't expect the end result to be significant at
3 all, actually.

4 COMMISSIONER BALBIS: Okay. And then both of
5 those, with and without, just to clarify, are
6 already in the record, so staff would be able to
7 almost as a fallout issue?

8 MR. BALLINGER: Yes, sir. When the rewards
9 and penalties are calculated in 2015, we would take
10 the appropriate targets to go with it.

11 COMMISSIONER BALBIS: Okay. Thank you.

12 CHAIRMAN GRAHAM: Commissioner Brown.

13 COMMISSIONER BROWN: A follow-up, Mr. Maurey,
14 not to that question, I am going back to Issue 1,
15 sorry, regarding the bill impact.

16 We discussed an actual reduction during my
17 briefing of six cents, so you are saying that that
18 has changed from our discussion?

19 MR. MAUREY: No. During your briefing,
20 staff -- that was in realtime calculating it based
21 on some estimates. But when we went back through
22 the record, we found the seven cents estimate and
23 the nine cents estimate for 2015 and 2016
24 respectively.

25 COMMISSIONER BROWN: Okay. And so then the

1 annual revenue requirement for 2015 and 2016 would
2 be what?

3 MR. MAUREY: The annual revenue requirement
4 for 2015 is 45 million. The annual revenue
5 requirement for 2016 confidential.

6 COMMISSIONER BROWN: Okay. That's all.

7 CHAIRMAN GRAHAM: Commissioner Brisé.

8 COMMISSIONER BRISÉ: Thank you.

9 Mr. Maurey, if -- there is a question that was
10 posed during the hearing on some of the documents
11 about movement of the price of gas, natural gas \$1
12 up or down. Could you talk to us about what impact
13 that could have on consumers if that -- if there
14 were a movement of \$1, either up or down, and the
15 impact on consumers?

16 MR. MAUREY: Yes, I can.

17 We prepared -- during the testimony there were
18 assumptions about the 600 billion cubic feet of
19 gas, and it would be an approximately \$6 impact on
20 the customer bill, but that example also assumed
21 that there were no hedges in place. There are
22 hedges in place. I can't tell you the percentages,
23 that's confidential, but there is a certain portion
24 in their fuel supply that's hedged and the other
25 piece that's unhedged.

1 And we used a hypothetical to roughly estimate
2 that, so that if there was a dollar movement,
3 either up or down, the bill impact would roughly be
4 270 million or \$2.70 on the customer bill per
5 dollar change up or down. And obviously, the
6 change in the bill would match the change in price
7 the same direction.

8 COMMISSIONER BRISÉ: All right. Thank you.

9 CHAIRMAN GRAHAM: Commissioner Balbis.

10 COMMISSIONER BALBIS: Thank you.

11 A few questions for Mr. Maurey, and just to
12 follow up on Commissioner Brisé' question.

13 So this contract represents, I believe it was
14 just under two-and-a-half percent of FPL's total --

15 MR. MAUREY: At the peak year, it would
16 represent 2.7 percent of their daily burn, but that
17 would decrease over time as depletion took place.

18 COMMISSIONER BALBIS: Okay. And then from how
19 this contract will function from a customer
20 standpoint and from our earning surveillance
21 activities, we are not going to adjust FPL's rate
22 base, correct?

23 MR. MAUREY: Well, there is a couple of
24 questions in that one question.

25 It will not affect the surveillance program.

1 This contract is going through the Fuel Clause, so
2 any investments, expenses associated with this
3 contract will not be captured in the surveillance
4 program.

5 Now, from -- that said, there is a revenue
6 requirement associated with this investment, and
7 that includes the O&M or production costs for the
8 well, depreciation on the investment and a return
9 on the investment, and that cost will be recovered
10 through the Fuel Clause.

11 Now, under the proposal, it's expected that
12 certain amount of fuel savings would be generated
13 that will more than offset that revenue
14 requirement, such that there is a net benefit to
15 customers, and the overall revenue requirement
16 covering through the Fuel Clause will be lower than
17 it would be otherwise absent the --

18 COMMISSIONER BALBIS: No, and I understand
19 that. I guess my question is the actual number
20 that is the rate base for FPL, would that be
21 adjusted?

22 MR. MAUREY: No, not on the base rate side.

23 COMMISSIONER BALBIS: Okay. Thank you.

24 CHAIRMAN GRAHAM: Commissioners? Commissioner
25 Edgar.

1 COMMISSIONER EDGAR: Thank you, Mr. Chairman.

2 I do have one or two more specific questions, and
3 then, at whatever point, some general comments, but
4 I am in no rush.

5 One -- and Commissioner Balbis raised this,
6 and it's also something that I discussed with
7 staff. We did have, as you pointed out, discussion
8 during the hearing on the record about different
9 components of the accounting tracking and the
10 accounting systems, and also of auditing going
11 forward, recognizing that there is other parties
12 that would be involved should this proposed
13 transaction move forward.

14 So I think one of the things that we
15 discussed, Mr. Maurey, is the possibility of an
16 additional independent audit, perhaps third-party,
17 but I am not an accountant and I am not an auditor,
18 so I would like to ask you to discuss a little bit
19 how that process would work as it is before us, and
20 if there are any concerns there, and then maybe
21 take it to the next step to see if there is a way
22 to address that.

23 MR. MAUREY: Well, fortunately, we have
24 someone from our audit department here with us, and
25 we can answer that.

1 I will initially start with, as it's proposed,
2 the audit would be conducted by FPL of the
3 transaction, and we would have access to that audit
4 report -- the Commission would have access to that
5 audit report. It's my understanding the Commission
6 would not have access to the actual invoices of
7 PetroQuest.

8 COMMISSIONER EDGAR: Is that -- and please,
9 Mr. Wright (sic), come forward.

10 From what you just said about not having
11 access to the invoices, is that different from the
12 way we review and process fuel purchases under the
13 Fuel Clause generally?

14 MR. MAUREY: I'm going to defer to --

15 COMMISSIONER EDGAR: Okay.

16 MR. MAILHOT: In terms of our audits, we
17 normally are able to see invoices that come from
18 the gas companies or from some independent source.
19 As I understand it here, we would see invoices that
20 come from PetroQuest. The issue would be is, since
21 FPL is in partnership with PetroQuest, is these
22 invoices from PetroQuest may not be as reliable as
23 from a totally independent third-party. And FPL,
24 as I understand it, intends to perform audits on
25 these invoices to ensure their accuracy.

1 We would feel a lot more comfortable if an
2 independent audit was performed on the invoices,
3 you know, by some outside auditor other than FPL,
4 or in addition to FPL. You know, we wouldn't
5 suggest that FPL could not do an audit, but we
6 would want an additional audit to help provide us
7 more assurance that these invoices are truly
8 accurate and, you know, meet our requirements, you
9 know, for costs.

10 COMMISSIONER EDGAR: And again, as a
11 non-auditor or accountant, that -- that idea of
12 perhaps more arm's-length third-party audit,
13 especially coming into this agency as the
14 regulatory authority seems very logical to me. Is
15 there precedent for at that?

16 MR. MAILHOT: I believe there have been other
17 cases where the Commission has had outside auditors
18 do audit work on utility companies. I am not sure,
19 I am thinking in the telephone industry it has
20 occurred.

21 COMMISSIONER EDGAR: It sounds like -- I feel
22 like somewhere back in the depths of my memory
23 there are some instances where we have, but I just
24 can't recall exactly. But it does sound, perhaps,
25 like a best practice type of approach that, should

1 we go forward, I would like to at least investigate
2 a little further.

3 Thank you.

4 CHAIRMAN GRAHAM: Commissioner Brown.

5 COMMISSIONER BROWN: Thank you.

6 And then would that, Mr. Mailhot -- or maybe
7 legal -- would that require an amendment to the
8 PetroQuest contract if that were something that
9 this commission were to move forward with this
10 matter?

11 MR. MAILHOT: I am not sure. That is -- I
12 think it's a legal question.

13 MR. BROWN: I think it's a legal question,
14 too.

15 MS. BARRERA: Yes. Commissioner, the
16 PetroQuest has certain provisions for auditing by
17 FP&L. I don't think it would be a bar to the --
18 who conducts the I don't believe would be a bar to
19 the contract. I think the utility would be more --
20 if you directed the utility to have an independent
21 audit, I don't believe it would kill the deal, so
22 to speak.

23 COMMISSIONER BROWN: Mary Anne.

24 MS. HELTON: As I understand this -- and I'm
25 probably the one that knows the least about it

1 sitting here at the table -- but as I understand
2 it, you are not being asked to approve the
3 contract, per se. In fact, there is not even an
4 executed contract.

5 COMMISSIONER BROWN: That's right.

6 MS. HELTON: If you were to impose additional
7 auditing provisions, I think that would just be a
8 condition of your approval of the project if you
9 were to go that way.

10 COMMISSIONER BROWN: Thank you. And that
11 helps a lot, especially Commissioner Balbis started
12 the discussion out right from the box with
13 additional concerns that you had with the contract
14 if we approve it, or if we approve the arrangement,
15 and so I do want to talk about that under this
16 Issue 1, about the additional customer protections.

17 Similar to your thought process, and taking my
18 personal beliefs on the environmental impact of
19 fracking aside, this is an innovative project. And
20 let's face the reality here, we are becoming more
21 and more dependent, like you said earlier, on
22 natural gas, and we will only continue to be more
23 dependent on natural gas in Florida in the future.
24 And the truth is, a great deal of the natural gas
25 that customers receive today is from fracking, so

1 that's just the reality. And, you know, we are in
2 a new age and a new trend has emerged. And I
3 appreciate the utility thinking outside the box and
4 coming up with innovative strategies to address the
5 dependence that we have on natural gas.

6 So similar to Commissioner Balbis, I do -- I
7 would have preferred to see additional customer
8 protections for the project. You have alluded to
9 some. I have some, too.

10 I do think a 30-year contract is somewhat long
11 to be locked into, especially with the speculative
12 nature of the savings. There are so many unknowns
13 that occur -- that can occur over that time, so I
14 would love to see in that contract some escape
15 clauses. For example, if the savings drop beneath
16 the actual costs, I would like to have an escape
17 clause for the utility to either -- I think was
18 Commissioner Edgar that alluded to, or maybe it was
19 Balbis, that said to not require incremental
20 drilling if the price of natural gas goes below. I
21 think that's a prudent idea. I think that furthers
22 the public interest.

23 So there was another issue that staff provided
24 in this pamphlet that they handed out to us on
25 liability, and I would like you to discuss it, if

1 you could, on the -- what the -- or what the
2 project would provide for in terms of liability
3 even for dry wells, for example, what is the
4 liability that's hanging out there?

5 MS. BARRERA: My understanding of the unsigned
6 contract is that --

7 COMMISSIONER BROWN: Well, it's a signed
8 contract with the affiliate, and it would be
9 assigned -- if it was approved by this commission,
10 it would be assigned in whole?

11 MS. BARRERA: In whole to the way that the
12 petition reads, the entire contract would be
13 assigned to the FP&L newly created affiliate. The
14 contract that is on record that I reviewed, my
15 understanding of it -- and, you know, it could be
16 wrong -- is that the utility, the affiliate, must
17 commit during 2015 to the drilling of 15 -- to
18 agree to participate in the drilling of 15 wells.
19 If there is more wells, the utility can actually
20 say that they are not going to commit to that. You
21 know, there is a nonconsent --

22 MR. BROWN: So there is discretion?

23 MS. BARRERA: So there is discretion other
24 than the 125 wells.

25 COMMISSIONER BROWN: That's the only requisite

1 mandatory amount?

2 MS. BARRERA: Mandatory amount is 15.

3 COMMISSIONER BROWN: Okay. Well, I think that
4 the -- I think Commissioner Edgar's discussion, and
5 Commissioner Balbis with Mr. Mailhot, about the
6 independent auditor is a good suggestion to address
7 those concerns. I don't know how to address the
8 concerns without modifying the arrangement on a
9 shorter contract period. But I do have concerns
10 about the long-term period of the agreement, and --
11 but the fact that Ms. Barrera said that the
12 requisite is just for 15 wells gives me a little
13 bit of more comfort, but again, it's a long-term
14 contract. Go ahead.

15 MS. BARRERA: I'm sorry, the 15 wells, I just
16 want to clarify, is during the 20 -- during the
17 year 2015. I am not sure what happens after that.

18 COMMISSIONER BROWN: Okay.

19 CHAIRMAN GRAHAM: Mary Anne, excuse me, I
20 guess my legal question. The concerns that
21 Commissioner Brown has mentioned, what is your
22 suggestion legally how to handle that to address
23 those concerns not having an executed contract in
24 front of us?

25 MS. HELTON: Well, it's a little bit tough

1 because we are not being asked to approve a
2 contract, per se. As I understand it, you are
3 being asked to say this is a prudent project for
4 Power & Light to enter into, and that it is
5 eligible for cost recovery through the Fuel Clause
6 for the terms of the project.

7 It seems to me that if you were to set a
8 condition and say, we will allow cost recovery for
9 X period, then you have set the parameters for when
10 you will allow cost recovery through the Fuel
11 Clause, and you could make it such that, at the end
12 of that period, you would look at it again and see
13 if it's eligible for cost recovery in your opinion
14 on a further going forward basis.

15 CHAIRMAN GRAHAM: Commissioner Balbis.

16 COMMISSIONER BALBIS: Thank you.

17 I just want to focus on that point, although I
18 had a couple of other questions.

19 My understanding of the contract, and of the
20 activities associated with the contract, is the
21 drilling is going to occur relatively quickly, and
22 that the 30-year contract duration is so that the
23 customers receive the benefit of the gas being
24 produced from those wells. It takes less than 30
25 days to drill these wells when they decide to move

1 forward.

2 So I would look at it kind of as the opposite,
3 that the longer the contract, the more the
4 customers can benefit, because the wells are
5 drilled, the wells are producing, and we want to
6 make sure that customers receive the longest
7 benefit and the most benefit as possible.

8 But I do understand, you know, the concerns
9 about the length of the contract, but, you know,
10 just thinking how it's going to occur with initial
11 drilling up front, the investment being made, and
12 now the benefits can happen over a long period of
13 time, I think the longer the better.

14 And, Mr. Mailhot, since you are here, I would
15 like to go over and kind of rehash the discussion
16 we had on the exhibit on the condensed chart of
17 accounts, because I know you had some concerns, and
18 even intervenors had concerns on going from the oil
19 and gas system of accounts to FERC. And could you
20 summarize the recommendations that would make you
21 feel more comfortable in how we adjust the FERC
22 system of accounts so it matches up?

23 MR. MAILHOT: Okay. In one of the exhibits
24 from the hearing, there is a chart of accounts that
25 has two columns on it. The first column, it says

1 the gas reserve company, and it shows their chart
2 of accounts, and the second column is the FERC
3 chart of accounts.

4 And quite simply, what it appears to me is
5 happening is we are going from maybe 50 accounts to
6 30 accounts. There is some condensation and loss
7 of detail in the translation of these accounts.
8 And alls we are suggest something that to help with
9 the efficiency of the audit and the accuracy of our
10 audit that we are doing, is if the company was
11 required to maintain the same level of detail
12 through subaccounts, through the use of subaccounts
13 in their FERC accounting system, that that would
14 assist us in our audits.

15 And so very simply, it's just they need to
16 maintain additional subaccounts to correspond with
17 the accounts that they had in the gas reserve
18 company.

19 COMMISSIONER BALBIS: And in your opinion,
20 that could be easily done?

21 MR. MAILHOT: I believe so. I believe the
22 company actually has thousands of subaccounts today
23 on their books, and so asking for a few additional
24 subaccounts I don't think is much of a burden.

25 COMMISSIONER BALBIS: Okay. Thank you.

1 CHAIRMAN GRAHAM: Commissioner Brisé.

2 COMMISSIONER BRISÉ: I have a question for
3 Mary Anne, so I guess I will wait until she comes
4 back.

5 CHAIRMAN GRAHAM: Okay. Any other
6 Commissioners? Commissioner Balbis.

7 COMMISSIONER BALBIS: Thank you. And.

8 Just to clarify what my thought process was on
9 having an outside independent auditor, is that FPL
10 testified, and the contract indicates, that FPL has
11 certain audit rights. And the way I see it working
12 is, instead of FPL performing -- using their own
13 staff to do it, to have their outside auditor
14 perform it, not us engaging in an auditor, but just
15 to have FPL exercise their audit rights of the
16 contract with an independent auditor so we can have
17 those additional protections that I know would make
18 me feel more comfortable.

19 So I think that bought us a few more moments
20 before Mary Anne gets back.

21 CHAIRMAN GRAHAM: Commissioner Brown.

22 COMMISSIONER BROWN: Thank you. And I can
23 fill the void right here.

24 So you were talking about earlier about other
25 concerns you had with the project at the beginning

1 of your dialogue, Commissioner Balbis, and you said
2 one of them was the audit rights; but you also
3 said -- was it you that said the incremental
4 drilling is -- okay, could you elaborate more on
5 that?

6 COMMISSIONER BALBIS: Sure. And there was a
7 lot of testimony in the record as to, you know,
8 what happens if the price of gas down. And it was
9 very clear that it is a good problem for customers
10 to have, because 97-and-a-half percent of their gas
11 is going to be much cheaper than they expected. So
12 there is going to be a windfall, if you will to
13 customers.

14 So I looked at a way to perhaps protect
15 customers even more, so that difference in price is
16 minimized. And my thought process is, is that in
17 the order, if we move forward with this, that we
18 require that prior to FPL doing any additional
19 drilling, if the Day Ahead or the Henry Hub price
20 is below that net effective price that they not do
21 any additional drilling.

22 I don't see that being likely. None of the
23 projections showed that. But I think that would
24 add just a little additional protection, in that
25 customers wouldn't have to pay for gas that is more

1 expensive.

2 MR. BROWN: I think it's a great idea.

3 CHAIRMAN GRAHAM: Commissioner Brisé.

4 COMMISSIONER BRISÉ: Thank you, Mr. Chairman.

5 Mary Anne, when you were answering a question
6 a little bit earlier, you delved into the prudence
7 as expect of it. Can you walk us through what -- I
8 mean, what an approval today means in terms of
9 prudence? And what -- where else do we have an
10 opportunity to address, if there are some
11 challenges down the line, if we have buyers remorse
12 for some reason?

13 MS. HELTON: Mr. Maurey and I have had a
14 conversation about this, and so if I -- if I am not
15 relaying our conversation correctly, I hope that he
16 will correct me.

17 As I understand it -- and let's go back and
18 look at the petition. I actually printed out the
19 petition last night. They are asking -- the Power
20 & Light is asking you in the petition for a
21 determination that their participation in the
22 Woodford Gas Reserves Project is prudent, and that
23 the costs associated with the Woodford Gas Reserves
24 Project are eligible for recovery through the Fuel
25 Clause.

1 So as I understand it, if they continue with
2 the activities that they have described in the
3 petition, and through the course of the hearing as
4 the evidence is laid out, that your discretion to
5 look at prudence is if they deviate from those
6 activities through the course of the years when
7 they are making the project happen. And this, as I
8 understand it, is a little bit different than how
9 the Fuel Clause normally operates.

10 Normally the Fuel Clause, you would -- costs
11 are recovered and trued up every year. And only
12 when there is an allegation that a certain activity
13 or a certain purchase may not be prudent do you go
14 in and do a prudence review. So that prudence has
15 the potential for always being a live issue.

16 Here, if they stay on track with the Woodford
17 Project, as I understand it, prudence would not be
18 a live issue.

19 COMMISSIONER BALBIS: And any review is -- I
20 mean, there isn't -- we are not looking at any
21 specific timeframe for review periods, I mean,
22 based upon what is before us?

23 MS. HELTON: I'm not sure if I understand your
24 question, Commissioner.

25 COMMISSIONER BRISÉ: So if we have a hedge, if

1 we are looking at a traditional hedge, it runs its
2 course, we take a look and continue to move
3 forward. Here, we don't have that explicit
4 opportunity the way the petition is laid out.

5 MS. HELTON: Well, just like in any other
6 decision that you make, if there is a determination
7 of fraud or if, you know -- I can't think of the
8 other word -- malfeasance, illegality, you can
9 always go back, I believe, and look at that.

10 If they are -- but if they are running true to
11 course with respect to what they have laid out here
12 during the course of the hearing, my understanding
13 of this project is that you can't go back.

14 COMMISSIONER BRISÉ: Okay. That's what I
15 needed to know. Thank you.

16 CHAIRMAN GRAHAM: Commissioner Brown.

17 COMMISSIONER BROWN: And Commissioner Brisé
18 hit it. That's my -- I know, Commissioner Balbis,
19 you said that the 30 years you would turn it around
20 and see that as an advantage. And it can be, it
21 certainly can be, 30 to 50, but I also -- you know,
22 you got to think about the potential liability.
23 With a contract duration of that long, so many
24 things could happen, and environmental laws could
25 change. There are just a lot of unknowns there.

1 I think this is a great project. I think it's
2 a great idea for fuel diversity when we are so
3 dependent on natural gas, but I think that the
4 duration of the contract, to me, is the concern
5 that I have.

6 CHAIRMAN GRAHAM: Commissioner Edgar.

7 COMMISSIONER EDGAR: Thanks, Mr. Chairman.

8 When we have, as we often do, items that are
9 very technical, and have lots of different moving
10 parts and moving pieces and, you know, often -- I
11 have been using this example way too much lately --
12 but kind of like a Rubik's Cube that you move one
13 it moves some others, you try to address one issue
14 and then that impacts others.

15 I find it helpful to come back to what is
16 actually before us, and the four corners of the
17 document and the wording of the issues. And as
18 with most complex items that come before us, a lot
19 of time went into it by our staff, technical and
20 legal, and all the parties and participants and
21 witnesses and others in crafting the issues that
22 are before us to try to best figure out how to
23 address.

24 So that's kind of my starting point. Now I am
25 going to back up from that a moment to get back to

1 it, which is, as is often the case with issues of
2 energy policy and others, there can be very strong
3 feelings, and passions can run high, which is part
4 of why it's so interesting, but when I sat down to
5 rethink, or kind of focus my thoughts on this after
6 my briefings with staff -- and I actually did this
7 very late last night and again very early this
8 morning -- which is to try to think of what this is
9 and what it is not. And there have been a variety
10 of characterizations, and some of that is in the
11 eye of the beholder. But also because of all the
12 factors I have just listed, out and about I think
13 there have been some kind of high spirited
14 rhetoric, and maybe some misunderstanding or
15 mischaracterization. So that's where I am going to
16 start from, which is, okay, what is before us and
17 what is not before us?

18 This item that we will continue to discuss,
19 and then ultimately vote on today, is not about
20 tracking in Florida. Fracking in Florida will be a
21 policy decision by the Legislature, and then
22 whatever other decisions, permitting by the
23 environmental protection agency and local
24 governments, et cetera. It's not about drilling
25 near the Everglades. A controversial issue over

1 the years, but nothing about that is before us.
2 It's not about increasing, decreasing or
3 subsidizing conservation or renewable energy. It's
4 not about drilling exploration in a greenfield
5 site. It's not about some sort of nebulous
6 possible request that might or might not come
7 before us by another company in the years ahead.

8 What is before us, now that we have moved
9 beyond Issue 6, is focusing very much on Issue 1,
10 because I do believe the other issues are fallout
11 and will flow from that, is a recognition of the
12 reality of much of the energy related decisions
13 that have come before this one at local, state and
14 federal levels.

15 So the reality, fracking is occurring in many
16 areas of the country, not Florida, but in many,
17 many areas of the country. And it's expected to
18 continue for many years ahead. And it has
19 radically altered the gas markets nationally and
20 internationally. And that factor right there, I
21 think, is a lot of what has brought this project
22 before us.

23 The reality that this state, and nationally,
24 we continue to grow the need for natural gas to
25 provide electricity as we move away from coal and

1 fuel oil -- again, in this state and nationally.
2 The recognition FPL purchases -- and I say that
3 particularly -- purchases more natural gas than any
4 other electric utility in the country. And that
5 much of the natural gas that's used to provide
6 electricity to Florida today, and in the future, to
7 Florida homes, to Florida businesses, is currently
8 coming from fracking areas across the country. And
9 if it's not coming onshore from fracking, it's
10 probably coming offshore from the Gulf of Mexico,
11 which can also be somewhat controversial.

12 So as with most things, when you look at
13 fracking and natural gas production, there are
14 opponents and there are supporters. But, again,
15 the reality is that a number of states in this
16 country that are sitting on large reserves --
17 examples, Texas, Oklahoma, Kansas, South Dakota,
18 North Dakota and others have chosen to develop with
19 a mature regulatory and environmental protection
20 process and programs for economic development and
21 other purposes to have fracking occur, and for the
22 natural gas produced by it to fuel our economy and
23 to fuel the provision of electricity across this
24 country.

25 I also think it's a reality that especially in

1 areas with a mature regulatory regime, which is
2 where fracking is today in this country, that
3 production costs are more stable than energy
4 markets. That's certainly been my experience over
5 the years.

6 And I also believe that it is reality that in
7 dozens of public meetings, and in many, many issued
8 final orders, that this commission, for many years,
9 has directed the utilities to take all efforts to
10 reduce fuel costs and to minimize volatility. And
11 I believe that that's what this project is intended
12 to do.

13 Now, none of us have the crystal ball. But we
14 also recognize that -- and Commissioner Balbis
15 asked this question -- but the natural gas that
16 will be provided for the benefit of providing
17 electricity to FPL customers is a small, small,
18 small portion of the natural gas that they will
19 need in order to continue to supply that
20 electricity.

21 So to me, the question comes down to, are
22 there enough protections for ratepayers in the
23 petition that's before us? Do our staff have the
24 tools that they need for the accounting and the
25 auditing requirements so that we can provide the

1 regulatory oversight that is necessary and is our
2 role?

3 And I think when we focus down precisely at
4 the issue that is before us, I believe that it's
5 our responsibility to encourage our regulated
6 utilities to find ways to recognize the reality of
7 the energy provision that exists in our state and
8 around us today, which is, as Commissioner Balbis
9 has pointed out, more and more and more of our
10 generation is provided by natural gas. More will
11 be probably, if the EPA Clean Power Plan continues
12 to move forward as it is. And when you look -- and
13 also the limited ability that we have in this
14 state, as I have pointed out at meetings before, to
15 produce power through hydropower and wind, which
16 are options in many other states.

17 So when you recognize that we are currently
18 dependent upon purchasing natural gas from other
19 states to have another tool to help stabilize and
20 reduce volatility for the natural gas that we are
21 required to have our utilities purchase every day,
22 I think it's our responsibility to look favorably
23 upon that, as long as we make sure, of course, that
24 the protections are in there, and, as I stated,
25 that our staff have the tools that they need to

1 perform the regulatory functions.

2 So, again, when I looked at all of it, that's
3 kind of where it seemed to come down for me. And I
4 am very interested in if we move forward in
5 pursuing this additional condition perhaps of a
6 third-party audit. I think that that does give our
7 staff more tools, and gives me more assurance on a
8 go-forward, and any other potential conditions that
9 you all would like to see if we can find the right
10 process to do.

11 CHAIRMAN GRAHAM: Commissioner Balbis.

12 COMMISSIONER BALBIS: Thank you,
13 Commissioner -- or Chairman Graham, and thank you,
14 Commissioner Edgar. I think I agree with
15 absolutely everything you said, which we have
16 finally come to that nexus on my last meeting. But
17 I think you said it very clearly, and I think it is
18 important to focus on what we have before us today.

19 There versus been allegations in media and
20 others that there is going to be -- FPL is
21 participating in wildcatting. That is not case.
22 These are proven reserves.

23 Testimony in the record, you know, it's just
24 arguing how much of a customer savings there will
25 be, but there will be savings on day one. No

1 return on investment, not having to wait 20, 30
2 years. Day one customers are going to see lower
3 bills.

4 I think we can add conditions to this process
5 that will make staff comfortable, will make me
6 comfortable. I reiterate, I think the length of
7 the contract is a benefit to customers, and I look
8 forward to any additional comments, but I agree
9 with Commissioner Edgar on all of her points.

10 CHAIRMAN GRAHAM: Commissioner Brisé.

11 COMMISSIONER BRISÉ: Thank you, Mr. Chairman.

12 And so I think my position was pretty clear on
13 the vote on Number 6 as to how I am approaching
14 this concept, and so notwithstanding my original
15 position on 6, where I believe that this is not
16 ordinary and it's not traditional. It falls
17 outside of those corners the way I perceive it.
18 But I have learned through my time in public
19 service, and in any group, that you -- you are
20 voting through a democratic process. The
21 democratic process says that once the majority
22 approves something, that's what it is, and so next
23 to God, the majority is God, right?

24 CHAIRMAN GRAHAM: Okay.

25 COMMISSIONER BRISÉ: So, I mean, that's the

1 reality in a democratic society.

2 COMMISSIONER EDGAR: There is the quote.

3 COMMISSIONER BRISÉ: So with that said, I do
4 agree. The question is not what you think about
5 fracking, what you think about all these other
6 things that have been talked about. I think the
7 question really boils down to, for me first, is a
8 policy hurdle. Do we want utilities to get into
9 the production business?

10 And so that's the first hurdle for me. What
11 risks and challenges are associated with that? And
12 so do we, as a commission, do we, as in what we do,
13 have the tools to look at that and ensure that our
14 customers would be getting the best deal all of the
15 time?

16 So if we can answer those questions on the
17 production side, I think we get halfway there.

18 In terms of looking at this particular
19 project, yes, this is one project. And so when we
20 look at this project, sure, it may be reasonable at
21 this time.

22 And so I am glad that we bifurcated the
23 process so that we can look at -- maybe look at
24 some of the experience that we may gain through
25 this, or depending on the timing of when we do it,

1 and look at the guidelines so that when we set the
2 broader process for this type of activity, if we
3 move forward in that direction, that that can be
4 instructive moving forward.

5 But the -- it really boils down to, if we are
6 going to move forward on this project, what can we
7 do with respect to this project to ensure that
8 consumers have all of the protections that are
9 equivalent to what they get with what they
10 currently have? And for me, if those who are
11 supporters at this point can convince me, you might
12 get me to support it.

13 CHAIRMAN GRAHAM: Commissioner Brisé, well,
14 you know, the beauty of this board, the beauty of
15 our commission is we tend to be a very, very, very
16 diverse commission. And I am not just talking
17 race. I am not just talking religion. I am not
18 just talking education. I mean across the board, I
19 mean, we really are such a diverse board. And
20 believe it or not, I actually enjoy when it gets
21 down to the pushing and pulling and the tugging,
22 because I think as you are pulling the layers of
23 that onion back, we are getting to -- we are
24 getting more laser focused to what specific issues
25 are and trying to come up with a better product for

1 the ratepayers for the state of Florida.

2 I think it's interesting -- I think it's
3 really interesting that the two people that, let's
4 just say have a bad taste in their mouth about this
5 project, are the two former legislators, one on the
6 state level and one on the county level. But it's
7 just -- it's just an interesting thing.

8 I -- once again, the great thing about our
9 board and our openness, and being a collegiate body
10 where we don't have to sit here and yell at each
11 other, but actually you have intelligent and
12 rational conversations so we can listen and we can
13 try to, as Commissioner Brisé said, get to the
14 point where it makes everybody comfortable. I
15 think this is a phenomenal process, and I am not
16 going to belabor any longer. Commissioner Edgar.

17 COMMISSIONER EDGAR: Thank you.

18 Just to follow up briefly, for the moment
19 anyway, on, Commissioner Brisé, a few of your
20 comments. And I meant to say this earlier, so
21 thank you for the opportunity to round out my
22 thoughts on this point.

23 I also was very pleased that we were able to
24 separate this into two items. It's something I
25 felt strongly about, and felt more strongly as the

1 hearing actually went on. And so I am very glad
2 that we have been able to do that. And I look
3 forward over the next few months, or whatever the
4 calendar timeframe will be on discussing --
5 learning more and discussing the possibility of
6 some of kind of some general principles.

7 With that said, I am not yet sold one way or
8 the other as to whether to it adopt some general
9 principles is the way I am going to think we should
10 or should not go. It's just too early in that
11 process from where I am.

12 But what I do know and do feel also equally
13 strongly about, as I did the need to separate them,
14 is that for this project, and any projects that may
15 or may not come in the future, very similar or not
16 similar, that this commission has the authority and
17 the ability, and that we protect it fiercely to
18 review those on a case-by-case individual basis.

19 That point is something that is important in
20 my thought process at looking at this, and when we
21 do, down the road, maybe discuss some general
22 principles, I recognize the benefit of having some
23 general principles and perhaps statements of policy
24 as being beneficial to our staff as they review
25 things, and also as stakeholders consider whether

1 they are going to bring something before us.

2 But with that said, again, this is one project
3 that is before us, not any other that may or may
4 not come. And if we do, down the road, adopt some
5 principles, for that to still very clearly retain
6 this commission's authority and ability to look at
7 them one-by-one, case-by-case, is something that I
8 will certainly want to advocate for during that
9 time.

10 CHAIRMAN GRAHAM: Commissioner Balbis.

11 COMMISSIONER BALBIS: Thank you.

12 And to follow up as well on Commissioner
13 Brisé' overall policy discussion -- and that is one
14 of the first hurdles that I had to leap over, is is
15 this something that we want to encourage? And it's
16 something that, after struggling with a little bit,
17 I came to a very easy conclusion that we should.

18 And one of the things that it reminded me of
19 is one of the -- when I first -- when we first came
20 into office the first year, we had the benefit of
21 natural gas prices dropping significantly. And I
22 actually dusted off this hedging workshop that we
23 conducted. And I remember stating that I hated
24 workshops, but this is something that we needed to
25 look at because the hedging activities that the

1 companies engaged in, that this commission
2 encouraged, that this commission approved, actually
3 resulted in billions of dollars lost to customers.
4 And it was a heated discussion and a thorough
5 discussion of that. And this commission decided
6 that that reduction in volatility was worth that on
7 a much larger issue.

8 And here we are dealing with a small project
9 that will completely separate the gas prices from
10 market forces. Any type of hedging is still going
11 to be subject to those market conditions. Here, it
12 is solely on the operations and maintenance costs,
13 and it's solely on investment that's required, and
14 it is essentially fixed.

15 So this is, from a policy standpoint, I think
16 it's safer than some of the hedging practices that
17 we have taken place, because it fully decouples us
18 from those market forces. And, you know, again, as
19 Commissioner Edgar reminds us, what is before us?
20 Proven reserves. A small project. It's going to
21 result in savings long-term, and it's something
22 that I think that we need to have this tool in our
23 toolbox in order to mitigate against volatility.

24 CHAIRMAN GRAHAM: Okay. The clock in the back
25 of the room says it's eleven o'clock. I think this

1 is a good time to take a break so the
2 commissioners, my fellow commissioners here, can
3 kind of organize their thoughts, organize the
4 things that they have heard, meet with their staff,
5 and I guess we can come back and entertain a motion
6 for Issue Number 1 and continue on with the other
7 issues.

8 So it's eleven o'clock back there. Let's come
9 back here about five minutes, 10 minutes -- 10
10 minutes. So at 10 minutes after 11:00 by that
11 clock back there.

12 (Brief recess.)

13 CHAIRMAN GRAHAM: Okay, let's take a vote.

14 COMMISSIONER EDGAR: I need more time.

15 CHAIRMAN GRAHAM: Commissioners, I literally
16 was kidding. I wasn't going to take a vote, but
17 hopefully you guys had enough time. If you need
18 more time, please let me know.

19 COMMISSIONER EDGAR: I need five minutes.

20 CHAIRMAN GRAHAM: You do need five minutes?

21 COMMISSIONER EDGAR: Well, I don't know. I
22 would prefer and appreciate and be forever
23 grateful.

24 CHAIRMAN GRAHAM: Okay. Let's take about five
25 more minutes.

1 COMMISSIONER EDGAR: Thank you.

2 (Brief recess.)

3 CHAIRMAN GRAHAM: Okay. Let's bring
4 everything back to order here.

5 Who wants to be the first one to take a crack?
6 Oh, I am sorry, Lisa Edgar said you had a question?

7 COMMISSIONER EDGAR: No, Mr. Chairman, that
8 was for discussion with my own private, personal,
9 longstanding adviser.

10 CHAIRMAN GRAHAM: Okay. Who might that be?
11 Okay, Commissioner Brisé.

12 COMMISSIONER BRISÉ: Thank you, Mr. Chairman.
13 I guess two things.

14 One, I would like to get some clarity on what
15 some of the modifications might be, if any. And,
16 two, I would like to understand why the Fuel Clause
17 is specifically and precisely the appropriate
18 clause for this and not something else, you know,
19 before I come to my position.

20 CHAIRMAN GRAHAM: It sounds like maybe we
21 should answer question two first, and that would be
22 staff, and then we will come back to your question
23 one.

24 COMMISSIONER BRISÉ: Yeah. I mean, it really
25 doesn't matter the order. I mean, I am interested

1 to hear from staff, but I am also interested to
2 hear more so from my fellow commissioners.

3 CHAIRMAN GRAHAM: Commissioner Edgar.

4 COMMISSIONER EDGAR: However you want to
5 proceed is fine with me. And, Commissioner, I am
6 not sure if those questions were posed to us. I am
7 glad to have staff jump in, but I will try to
8 respond a little bit from my perspective in
9 whichever order as to perhaps additional
10 conditions. There what have been a few that we
11 have talked about. I have, I think, already said
12 that to -- if we move forward with the majority
13 approving the petition that is before us, that
14 adding an additional condition regarding the
15 requirement of a third-party audit, and I think
16 that that could be accomplished through FPL's
17 current mechanisms, but that they would require and
18 make so a audit by a third-party arm's-length
19 entity. And if staff has additional specifics, I
20 am fine to hear those; although, I don't want to
21 overcomplicate it personally. So that's one.

22 And then the second, and I will, of course,
23 yield to Commissioner Balbis on this for more
24 detail, but the -- adding some additional detailed
25 gas subaccounts is, again, not my area of expertise

1 but is one of the conditions, or potential
2 conditions that I believe Commissioner Balbis
3 brought up and that our staff seemed to think might
4 be a good additional condition. And I do believe
5 there was discussion and testimony during the
6 hearing along those lines.

7 So those are the two that I have heard that I
8 would be interested in having as we move forward.

9 Now, the third that I think we have discussed,
10 although not by me, is the possibility of maybe
11 adding an additional condition along the lines of
12 no additional investment in incremental wells if
13 the market price falls below the production costs.
14 That is one I am glad to hear more discussion
15 about.

16 My concern with that one, speaking of course
17 just from myself, is that interplay between market
18 prices and production costs, and market prices and
19 demand is something that is, you know, long-term
20 and varies. And from my own perspective, I would
21 be a little concerned about the possibility of
22 unintended consequences with that condition. So I
23 am less sure that that one is the way to go, but
24 those are the three that I think I have heard.

25 So that's my response to one of the points

1 that you raised. Another point that you raised is
2 about the Fuel Clause. And, of course, as we all
3 know, there are a few other clauses and, of course,
4 there is the settlement that controls until
5 approximately 2017.

6 My approach, again, speaking only for myself,
7 looking at the information and discussions I have
8 had with staff is, again, this is -- let me go back
9 to my other notes -- that by paying production
10 costs, we are -- the project would pay for fuel,
11 that there is the assertion of fuel savings and
12 that, in the past, the Commission has, on a number
13 of different, case-by-case instances, approved the
14 recovery through the Fuel Clause because there was
15 the projection of fuel savings.

16 And the two examples that immediately come to
17 mind -- although, we all have lists of many
18 others -- some years back there were the railcars
19 transport issue. A different one that's a little
20 more unique -- and I don't remember if you were
21 here then or not -- but was after 9/11, when the
22 NRC applied additional requirements for security at
23 nuclear facilities, and this commission approved
24 those costs going through the Fuel Clause,
25 primarily -- the order speaks for itself -- but

1 primarily because the nuclear generation was a cost
2 savings overall, and therefore, to keep that
3 operating with the requirement of the additional
4 security, we decided was appropriate.

5 So that's my thinking.

6 COMMISSIONER BRISE: I think Commissioner
7 Brown had brought up something about some
8 savings -- savings costs, or something like that.
9 If you could walk me through your thought process
10 with that.

11 COMMISSIONER BROWN: Yes, but that doesn't
12 pertain to why it's underneath -- it is an element,
13 but that's not my rationale.

14 I looked at several orders, and I have a list
15 of them, Commissioner Edgar mentioned two. There
16 are a couple of other hedging orders that allow
17 cost recovery. This, to me, acts as a long-term
18 physical hedge, and as such, I think is more
19 appropriate under the Fuel Clause.

20 Talking about savings, I just want to go back
21 to a conversation we were having earlier.

22 COMMISSIONER BALBIS: Protections.

23 COMMISSIONER BROWN: Protections, savings
24 protections.

25 My opinion, my belief is that today, based on

1 the hearing, the testimony, everything we heard,
2 that this project today, in my opinion, is prudent
3 and is in the public interest for a variety of
4 reasons that have been mentioned already. But with
5 regard to certain conditions were to happen in the
6 future -- again, going back to the fact that it's a
7 30- to 50-year contract, so many things could
8 happen, including federal, state regulations that
9 would affect the production costs, that, to me,
10 causes some concern.

11 On the break, though, I did discuss with staff
12 that the 30-year period is the norm for the
13 production industry, so -- and obviously savings
14 would be lessened if we shortened the contract
15 term. So addressing -- and we certainly don't want
16 to lessen the savings that could be potentially
17 achieved but that period.

18 So what I asked our staff at the break with
19 regard to if the -- Ms. Helton, you said to
20 Commissioner Brisé earlier that the prudence is a
21 hot issue right now, but your understanding of the
22 petition is that prudence under future proceedings,
23 Fuel Clause proceedings, would not be a hot issue,
24 so that determination is being conducted today.

25 MS. HELTON: As long as Power & Light acts

1 under the terms that they have laid out through the
2 course of the proceeding. If they take some
3 activity, or take some action that is different
4 from what is laid out, then I think then you can
5 review that for prudence.

6 MR. BROWN: I think that you mentioned
7 earlier, though, that the standard would be, you
8 know, intentional -- you lay out -- but I think
9 that's --

10 MS. HELTON: Well, I guess administrative
11 finality will attach to the order. You can go
12 against administrative finality for any decision if
13 there is fraud, mistake, ill -- I am sorry, I am
14 having a hard time today -- illegal, malfeasance,
15 so that's true for any decision that you take. But
16 here, if there is some action that Florida Power &
17 Light takes to make the Woodford Project happen
18 that is different from how they have laid it out
19 here for you today, then that is free for you to
20 look at without having those other standards to
21 apply.

22 COMMISSIONER BROWN: Okay. So, for example --
23 again, this is just a hypothetical, but if state or
24 federal regulations were to be imposed in Oklahoma,
25 or on a federal level, that would increase the

1 costs exponentially for production, then would the
2 Commission during have an opportunity during its
3 annual Fuel Clause proceedings to then deem the
4 project no longer -- or the costs recovered under
5 the project no longer prudent or in the public
6 interest?

7 MS. HELTON: I don't know the answer to that
8 question.

9 COMMISSIONER BROWN: So what I was thinking
10 along this route, without lessening the 30-year
11 term, since that is the standard and the norm,
12 although, I am skeptical of long-term contracts
13 like that of this magnitude; but if we were able to
14 cap the recovery of the costs to the savings per
15 year, we have done that in different types of
16 proceedings, that would basically limit recovery
17 during that specific year to the amount of savings
18 that may be -- I am just throwing it out there. I
19 am not married to this idea. I am just trying to
20 find away to lessen the risk that is potentially
21 out there on a project that I believe is in the
22 public interest, but there are some unknowns during
23 the period of time of the extent of the contract.

24 MS. HELTON: Was that a question to me?

25 COMMISSIONER BROWN: No. Not a question. It

1 was just a statement to be thrown out for
2 discussion purposes to get those that aren't really
3 comfortable with the project, maybe some of my
4 colleagues to maybe entice them through that
5 proposal.

6 CHAIRMAN GRAHAM: Commissioner Balbis.

7 COMMISSIONER BALBIS: Thank you, Mr. Chairman.
8 And I guess to follow up a little bit on one of the
9 comments Commissioner Brown made as far as the
10 hypothetical situation if federal regulations or
11 state regulations in Oklahoma result in significant
12 additional costs. I mean, those are the types of
13 actions that would affect the entire industry, and
14 I think of all of the customers would be affected
15 much more greatly by that over the 97-and-a-half
16 percent of gas that's purchased that is not part of
17 this contract. So that hypothetical would affect
18 all Floridians greatly, regardless of this contract
19 being in place or not.

20 And to follow up Commissioner Brisé' question
21 as far as the appropriateness of the Fuel Clause, I
22 just wanted to add an in addition to the comments
23 from Commissioner Edgar and Brown is that, you
24 know, staff has compiled a list of 13 capital
25 projects that were recovered through the Fuel

1 Clause, ranging from fuel switching projects to
2 upgrades of units. In each one of those, there was
3 an expected or estimated savings associated with
4 that.

5 So clearly, this project is something that its
6 intent is to reduce the cost of fuel, and it is, in
7 my opinion, clearly appropriate to go through the
8 Fuel Clause.

9 COMMISSIONER BRISE: But to that point, I
10 think all of the projects that were laid out, there
11 was a very specific amount that we knew we were
12 going to recover, and so we were talking about
13 85 million -- \$85.5 million that was invested in
14 that total package, and the savings was 422.5
15 million.

16 So if you can tell me today that we are
17 investing -- or customers are going to invest
18 191 million, and they are going to gain equivalent
19 percentage, then I am all in.

20 COMMISSIONER BALBIS: No, and, Mr. Chairman.

21 CHAIRMAN GRAHAM: Please.

22 COMMISSIONER BALBIS: We are almost to that
23 nexus that I talked about where it's open dialogue,
24 which I think is healthy and important.

25 And I agree with you, Commissioner Brisé, on

1 that point. In those cases, there was a total cost
2 and an expected savings. But I think what you are
3 forgetting, or we need to remind ourselves, that
4 the purpose of this project, and the purpose of all
5 hedging activities, is to reviews volatility. It
6 isn't to outguess the market. It isn't to get, you
7 know, this expected savings, and that's a benefit.
8 But the real purpose is reducing that volatility,
9 which, you know, as a witness testified, each
10 dollar is \$600 million impact, or a \$6 impact, you
11 know, without hedging.

12 So this is a volatility reduction project that
13 happens to have savings that are expected. So
14 that's how it differs, but that's why it's
15 appropriate for the Fuel Clause.

16 COMMISSIONER BRISÉ: So I am going to put on
17 my former legislator hat for a second, okay. I
18 don't know how this reduces volatility, right, from
19 a policy perspective. I mean, if I am purchasing
20 from the market, and I have the ability if I am
21 purchasing from company X, and it's not -- there
22 are issues with company X, then I can manage my
23 load with company Y and sort of spread that across,
24 but now that I own it, how does that reduce my
25 risk?

1 COMMISSIONER BALBIS: Yeah. And I will take a
2 shot at that one, and I think I will adjust your
3 question on reducing your risk to reducing
4 volatility.

5 COMMISSIONER BRISE: Volatility is associated
6 with risk --

7 COMMISSIONER BALBIS: Sure.

8 COMMISSIONER BRISE: -- so I sort of perceive
9 them closely related that is.

10 COMMISSIONER BALBIS: Well, let's look at what
11 happens today with -- if we approve this project,
12 the 97-and-a-half percent almost a billion cubic
13 feet per day that FPL purchases. They purchase
14 their nominations on a Day Ahead basis for a large
15 portion of that. Those prices are -- they are
16 subject to market forces.

17 We saw the beginning of the first quarter of
18 this year the polar vortex and how that affected
19 nationwide prices. What this small portion of
20 their portfolio will do is extricate that from it.
21 Those costs will always be the investment costs,
22 the O&M costs, the return, period. That is a
23 reduction in volatility in any sense of the word.
24 It doesn't matter what happens in the northeast.
25 It doesn't matter what the price of gas is. It

1 doesn't matter if LNG projects explode throughout
2 the United States and the average price goes up,
3 the gas produced from this project will always be
4 based on that amount, and in my opinion, that is a
5 clear reduction in volatility.

6 COMMISSIONER BRISÉ: From that perspective,
7 right? But how do we address the potential
8 volatility that exists -- that could potentially
9 exist as a result of a regulatory space that we
10 have no control over with respect to something that
11 we own? When I say we own, in terms of that
12 arrangement that exists. And I recognize that the
13 percentage of -- that this project has on the
14 overall picture is small, and we know we are
15 dealing with one particular project. However, if
16 this project is successful, right? I suppose the
17 intent would be to do similar projects, right?
18 Maybe, maybe not, right?

19 So in the broader policy picture, am I willing
20 to walk down that path, considering the risks
21 associated with it?

22 COMMISSIONER BALBIS: And I think you bring up
23 a good point, and that is the next steps. And I,
24 too -- you know, at first, I was disappointed it
25 was bifurcated from it because I will not be in

1 office, but I do recognize that the broader
2 framework and policy does need to be vetted very
3 carefully. What's the appropriate percentage?
4 What additional protections need to be put in place
5 so that we are not doing it from the diocese like
6 in this case and adding these additional provisions
7 if perhaps the Commission decides to move forward
8 with the broader policy decision? Those are the
9 types of discussions that need to be had and I a
10 degree with you.

11 I think in this case, with this project, it
12 reduces volatility. There is customer savings.
13 It's appropriate for the Fuel Clause, and it's
14 something that we need to do because we really
15 don't have any other options to reduce our
16 susceptibility for price fluctuations.

17 CHAIRMAN GRAHAM: Well, there appears to be
18 several safeguards and, Lisa Edgar, Commissioner
19 Edgar spoke to some of them earlier, that
20 Commissioners want to see in this specific project,
21 and so we need to make sure whatever motion comes
22 forward, and with staff's legal advice, how we put
23 those safeguards into this specific project.

24 I do understand what Commissioner Brisé and
25 Commissioner Balbis were just speaking about the

1 bigger policy question, the bigger policy issue,
2 and that just -- that goes to the fact that if this
3 project that we are dealing with right now is
4 trying to put a square peg into a round hole, maybe
5 you can't get that peg into that hole and you deal
6 specifically more with the policy question and not
7 specifically this project that's in front of us. I
8 said that because there is no lights on in front of
9 me.

10 Commissioner Edgar.

11 COMMISSIONER EDGAR: Thank you, Mr. Chairman.
12 And I am going to completely avoid that square peg,
13 round hole thing, because I just am not even sure
14 where to go with that, but I did have just one
15 comment, Commissioner Brisé, from the line of
16 discussion that y'all have had here.

17 I have said this many, many times, and you
18 will hear it again, but something that was very
19 educational for me and absolutely has had a strong
20 impact on the way I look at a variety of these
21 issues over the years was that I did not have the
22 good fortune that y'all did of having lower natural
23 gas prices happening when I came into this role.
24 In fact, it was just the opposite, and natural gas
25 prices were going up and up and up, and no end to

1 that trend was in immediate sight. And to have to
2 vote on those fuel increases was painful to say the
3 very least.

4 However, that year to year true up process is
5 the law, and it has been supported by the courts,
6 and it has many good policy reasons for that. But
7 because of that, and because, as we have laid out,
8 the fuel mix, the federal requirements, capital
9 investment in this state, and nationally, are
10 different than back in those eight to 10 years ago.

11 So I think, from my perspective, we want to at
12 least have the opportunity and not foreclose
13 utilizing the Fuel Clause with that year to year
14 true up process for not being just stagnate, this
15 is the way we have always done it. This is the
16 only thing that will work other than a rail car,
17 say.

18 I very much feel we have done it with the
19 environmental clause in the past. We will in the
20 future. We have done it with the GBRA, of looking
21 at the clauses, in keeping with the orders at that
22 have been issued, in keeping, of course, with the
23 rules and the statute, but taking into account the
24 evolving circumstances around us, and that's what I
25 think we are trying to do here.

1 CHAIRMAN GRAHAM: My old phone used to have a
2 sound that played cricket noises. There is no
3 lights on in front of me, is someone going to take
4 a swing at a motion? Should I -- Commissioner
5 Balbis.

6 COMMISSIONER BALBIS: Thank you.

7 And I guess before I do that -- I don't know
8 if there are any other lights on -- I just want to
9 make sure that we are clear on the additional
10 protections we have --

11 COMMISSIONER BROWN: No.

12 COMMISSIONER BALBIS: Okay. So if we can
13 spend some time kind of discussing that.

14 The two that I think are important in this
15 case, to make me comfortable with it and, really, I
16 believe addresses a lot of the concerns from the
17 intervenors is the accounting issues. And I think
18 that if we require them to add the subaccounts so
19 that it can easily translate between the two
20 systems of accounts, will allow audit staff, and in
21 speaking with Mr. Mailhot and his discussions
22 today, would make them more comfortable.

23 So that can one requirement that I would
24 support and make me comfortable. And the other is
25 when FPL exercises their audit rights per the

1 contract, that they utilize a third-party
2 independent auditor and work with staff to make
3 sure that provides information that is needed, that
4 would make me comfortable if we move forward with
5 this.

6 CHAIRMAN GRAHAM: Commissioner Edgar.

7 COMMISSIONER EDGAR: Just to say that those
8 are the two additional conditions that I also think
9 are appropriate and will give additional
10 protections, and, as I said earlier, additional --
11 or the necessary tools for our staff to continue as
12 we move forward, so thank you for articulating
13 those.

14 CHAIRMAN GRAHAM: Commissioner Brown.

15 COMMISSIONER BROWN: So you drop the other
16 one?

17 COMMISSIONER BALBIS: My thought with that is
18 that -- and I agreed with what Commissioner Edgar
19 said on unintended consequences, but then I looked
20 at it from the standpoint of when the drilling
21 activities would take place, and, you know, if a
22 lot of the drilling activities take place in the
23 first 18 to 24 months, as required by the contract,
24 I wouldn't expect to start to put together some
25 additional process on projections, et cetera. And

1 if it's year 18, there is not going to be a
2 savings, do we start kind of grinding to a halt
3 here on the entire process?

4 I think that because of the drilling
5 activities happening quickly, and all the
6 projections show there is going to be a savings in
7 each and every year, I am comfortable. But I
8 certainly think that moving forward with the
9 broader policy issues, if this is something that
10 the Commission wants to move forward with, those
11 are the types of discussions that need to be made,
12 so when a company does provide a petition that
13 shows projections, what savings is appropriate, a
14 dollar, 10 percent 20, percent, whatever.

15 So I feel comfortable that the Commission is
16 going to address moving forward, but in this case
17 it's not that necessary.

18 COMMISSIONER BROWN: Well, yes. I thank you
19 Commissioner Balbis. And, yes, we will look at
20 that as we move forward. And I think investing in
21 the actual source here provides customers with just
22 another avenue to reduce -- or to avoid the
23 fluctuating market prices.

24 As I said earlier this is -- as I said
25 earlier, this is an innovative project, and I do --

1 I commend FPL for bringing it to us and thinking
2 again outside the box and so I am ready to move
3 forward.

4 CHAIRMAN GRAHAM: Commissioner Balbis.

5 COMMISSIONER BALBIS: Thank you, Mr. Chairman.
6 If it's appropriate, I would like to move forward
7 with a motion, and I will try to hopefully get this
8 succinct.

9 On Issue 1, I move -- and this is an odd way
10 to do it, but I move that the answer to that
11 question is yes, provided there are additional
12 conditions in the order which require the company
13 to add the appropriate subaccounts to the FERC
14 system of accounting, and also utilize an
15 independent auditor in performing the audits and
16 working with staff to develop the scope of the
17 audit.

18 And then on Issue 3, I believe the answer to
19 that is, for the 2015 recovery factor, the answer
20 is no adjustment.

21 And then in Issue 8, that's a fallout issue
22 since staff does have the appropriate adjustments
23 to do GPIF factors with the contract in place.

24 CHAIRMAN GRAHAM: There is a motion on the
25 floor, is there a second?

1 COMMISSIONER EDGAR: Second.

2 CHAIRMAN GRAHAM: It's been moved and
3 seconded.

4 Further discussion on the Balbis motion?
5 Commissioner Brisé.

6 COMMISSIONER BRISÉ: Thank you, Mr. Chairman.
7 And I do want to express my appreciation to my
8 colleagues for their thoughtful -- for our
9 thoughtful consideration and discussion this
10 morning, and so my rationale on how I approach
11 voting on issues is really based upon two things.
12 One, are we doing the right thing, and are we
13 working in the public interest with respect to what
14 is before us?

15 And considering that on Issue 6, which I took
16 a pretty solid position there, so I lost that vote,
17 and recognizing that part of the input has made the
18 product better today, I am going to support my
19 colleagues, considering that we will have an
20 opportunity moving forward to address the broader
21 policy.

22 As I stated, this project in itself is small
23 and could potentially be used as a test product --
24 I mean, process, or so forth, to a certain degree,
25 even though time may not permit that, but it gives

1 us an opportunity to get some live experience with
2 it.

3 Not to say that I don't continue to have
4 certain concerns, but I think there are some of the
5 protections that we talked about, and moving
6 forward as we go through, whatever additional
7 process we are going to move forward with through
8 the guidelines, or whatnot, that we will work to
9 learn more and tighten it -- tighten that up as we
10 move forward.

11 CHAIRMAN GRAHAM: Any further discussion on
12 the motion?

13 Seeing none, all in favor say aye.

14 (Chorus of ayes.)

15 CHAIRMAN GRAHAM: Any opposed?

16 (No response.)

17 CHAIRMAN GRAHAM: No. By your action, the
18 motion carries.

19 Now we move on to item number --

20 MS. HELTON: Mr. Chairman.

21 CHAIRMAN GRAHAM: Oh, that's correct.

22 This is more informative than anything else.
23 When we ended the hearing, we were talking about
24 when briefs were due and when we were going to take
25 up the overall policy question, the guideline

1 question. Because I listened to Mr. Moyle cry
2 about his holidays, we are going to have briefs due
3 on January 12th. Staff recommendation will be out
4 February 19th, and we will take this up on the
5 March 3rd agenda, with a final order should come
6 out sometime around March 23rd.

7 Just so for your planning purse, for everybody
8 that has to continue this process moving forward,
9 those dates, once again, the briefs are due on
10 January 12th. Staff recommendation will be
11 February 19th. We will take it up on the March 3rd
12 agenda, and final order should come out sometime
13 around March 23rd.

14 MS. HELTON: And, Mr. Chairman, just so you
15 know, I think it's staff's intent that there will
16 be two final orders that are issued from the
17 record. I think the decision tracks that you are
18 taking are two, are severable such that you can
19 issue two separate final orders that will go on
20 separate tracks.

21 CHAIRMAN GRAHAM: Yeah, so this final order
22 will be issued?

23 MS. HELTON: I don't want to speak for Ms.
24 Barrera, but soon.

25 MS. BARRERA: So then we can't do July? It

1 will be 20 days from today, whatever date that is.

2 CHAIRMAN GRAHAM: Okay, so this final order
3 will be issued 20 days from today.

4 *****

5

6 (Agenda item concluded.)

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA R. KRICK, Professional Court
Reporter, 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 19th day of December, 2014.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #EE212307
EXPIRES JULY 13, 2016