

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 150196-EI

PETITION FOR DETERMINATION OF
NEED FOR OKEECHOBEE CLEAN ENERGY
CENTER UNIT 1, BY FLORIDA POWER
& LIGHT COMPANY.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 5

COMMISSIONERS
PARTICIPATING: CHAIRMAN JULIE I. BROWN
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JIMMY PATRONIS

DATE: Tuesday, January 5, 2016

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

REPORTED BY: LINDA BOLES, CRR, RPR
Official FPSC Reporter
(850) 413-6734

P R O C E E D I N G S

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2 **CHAIRMAN BROWN:** Moving back to Item 5, which
3 is the petition for determination of need for Okeechobee
4 Clean Energy by Florida Power & Light. All staff that
5 are going to participate in the discussion, please come
6 to the table or right behind them. Thank you. Thank
7 you.

8 Mr. Graves.

9 **MR. GRAVES:** Good morning, Commissioners.
10 Robert Graves with Commission staff.

11 Item 5 is staff's recommendation regarding
12 Florida Power & Light's petition to determine the need
13 for a 1,633 megawatt natural gas-fired combined cycle
14 power plant.

15 As proposed, the plant will be constructed at
16 a greenfield site located in Okeechobee County and will
17 have an in-service date of June 2019. Staff is
18 recommending that the Commission approve FP&L's
19 petition. And if it is your desire, staff can proceed
20 through the recommendation issue by issue at this time.

21 **CHAIRMAN BROWN:** Commissioners, if it's your
22 pleasure, I'd like to go issue by issue. Obviously,
23 Issue 1 and Issue 5 are kind of the highlight issues, so
24 I'd like them to give an over-cap of Issue 1 and more
25 than a summary and provide more detail, if you could.

1 Starting with that, Mr. Graves.

2 **MR. GRAVES:** Yes, ma'am. Issue 1 contains
3 staff's review of the reliability need for the proposed
4 power plant. The Intervenor in this docket recommend
5 that the Commission evaluate FP&L's reliability based on
6 a 15 percent reserve margin criterion. However, as
7 discussed in our analysis, staff has concerns that
8 reducing FP&L's planning reserve margin to 15 percent
9 may have a negative impact on reliability within the
10 state. Therefore, staff's recommendation is based on a
11 20 percent reserve margin that takes into account
12 incremental demand-side management and load management.
13 Considering a 20 percent reserve margin, staff
14 recommends that FP&L has the need for new generating
15 capacity beginning in 2019. Staff's support of a
16 20 percent reserve margin is consistent with several
17 prior Commission decisions and need determinations.

18 **CHAIRMAN BROWN:** All right. So that is
19 Issue 1.

20 Commissioners, if it's your pleasure, I'd like
21 to start with some discussion and some questions on
22 Issue 1 before we proceed to the other issues, and I
23 will open up the floor to questions to staff, obviously
24 noting that this is a post-hearing recommendation and
25 our discussion is limited to questions among ourselves

1 as well as with staff. Commissioners.

2 It's on the other side.

3 (Laughter.)

4 Commissioner Brisé.

5 **COMMISSIONER BRISÉ:** Thank you. Just a quick
6 question for staff. If we can talk about the impact, if
7 any, if we were to look at a 15 percent reserve on FPL's
8 system, and then also you mentioned the system at large.
9 If you can expound on that just a little bit.

10 **MR. GRAVES:** Yes, sir. It was presented in
11 the record an event that occurred in January of 2010.
12 It was a high load event that occurred during the
13 winter, and during that event, FP&L was required to
14 provide energy -- well, not required, but they provided
15 energy to a neighboring utility in order to ensure that
16 they would not have to black out customers. And that's
17 where our concern is, that we reviewed that event, and
18 if FP&L was operating at a 15 percent reserve margin,
19 based on our analysis, either that neighboring utility
20 would have experienced blackouts or FP&L would have
21 experienced blackouts. So that's where our concern is
22 with moving from a 20 to a 15 percent in this
23 proceeding.

24 **COMMISSIONER BRISÉ:** Follow-up. Considering
25 that systemically we're looking at a 20 percent reserve,

1 it probably wouldn't be wise to move to one utility to
2 15 percent. That's part of what I'm gathering from the
3 overall discussion.

4 **MR. GRAVES:** Yes, sir, that's correct. I
5 think it would be wise to receive input from other
6 utilities on that.

7 **COMMISSIONER BRISÉ:** Okay. That's all I have
8 for right now.

9 **CHAIRMAN BROWN:** Thank you. Any other
10 Commissioners?

11 Commissioner Edgar.

12 **COMMISSIONER EDGAR:** Thank you, Madam Chair.
13 I agree, as a follow-up to the brief
14 discussion that we've just had, that for a reserve
15 margin, to look at the system as a whole. A more
16 holistic approach is, I think, the best way and the best
17 approach to take. I also believe that if we look back
18 over the years, that the 20 percent reserve margin has
19 served the state well. Reliability and affordability in
20 the state have been strong and remain strong, and that
21 20 percent reserve margin as a long-standing policy, I
22 believe, is a part of the reason that that is the case.

23 I would like to ask staff to speak to me -- to
24 speak to us, excuse me, a little bit about one of the
25 other analysis criterions that was discussed at hearing

1 and discussed in the order, and that is the 10 percent
2 generation-only reserve margin as a reliability
3 analysis. We had a lot of discussion about that in my
4 briefing with staff, and I'd like you to touch on that
5 for me, please.

6 **MR. GRAVES:** Yes, ma'am. I tried to come up
7 with the most succinct way of describing it. I think it
8 would be best to first compare it to a 20 percent
9 reserve margin criterion, which considers conservation,
10 load management, and generation as resources to meet
11 customers' demands. The 10 percent generation-only
12 removes conservation and load management from that
13 evaluation; therefore, it removes some of the
14 uncertainty associated with those resources.

15 Staff believes that provides good information
16 for right -- for the assurance of the company's reserve
17 margin, but it's not the basis for our recommendation in
18 this proceeding.

19 **COMMISSIONER EDGAR:** Thank you. And, again,
20 Commissioners, we had a lot of discussion about the
21 three different reliability criteria analysis that FPL
22 put forward. I -- if indeed this item is approved by a
23 majority of us today, I am in support of basing that
24 analysis for this item and the related items or the
25 related issues on the 20 percent reserve margin, but I

1 also would like to state that I do believe that the
2 10 percent generation-only reserve margin criteria for
3 planning and analysis does provide useful information,
4 is, you know, another way of looking at the issue and
5 the facts. And if indeed this item goes forward, if my
6 colleagues agree, I would encourage that that be clear
7 in the order.

8 **CHAIRMAN BROWN:** Excellent. Thank you,
9 Commissioner Edgar.

10 Commissioners, any other questions?

11 I do have a question. You know, a lot of
12 focus was placed at hearing on the 20 percent reserve
13 margin, and there was clear case law that was indicative
14 that a need determination is not the proper forum to
15 consider changing the minimum reserves. Also, the
16 Commission was well reasoned in addressing the
17 reliability issues concerns back in 1999. And I think
18 Witness Sims went over it in more detail during his
19 testimony providing more than a dozen of need
20 determinations that actually utilized that 20 percent
21 threshold criteria, and so the issue has been well
22 developed and it's been well addressed by the Commission
23 and I'm very supportive of it.

24 And I do believe that there would be
25 unintended adverse consequences if we delved into the

1 Intervenor's testimony and arguments on the reliability
2 front. So -- and with Commissioner Edgar's comments,
3 I'm also supportive of her analysis of taking the
4 additional criteria into consideration and looking at
5 the overall reliability factors moving forward.

6 You know, Florida is a growth state; we are.
7 We talk about load forecasts using different
8 projections. And kind of the biggest issue that I had
9 looking at the testimony and the hearing, Mr. Graves,
10 was the statewide population growth versus the specific
11 35 service areas and how those compared looking at the
12 growth. We know we're a growth state, but how -- I know
13 staff had initial concerns about the disparity between
14 the two. And if you can kind of go over that and
15 address those issues, that would be great in terms of
16 load forecasting.

17 Who have we got here?

18 **MR. McNULTY:** (Inaudible. No microphone.)

19 **CHAIRMAN BROWN:** Mike.

20 **MR. McNULTY:** I took care of his mike and I
21 forgot about my own.

22 We have a new employee with the Commission who
23 started with us in late summer whose name is Nicholas
24 Stratis, and he will address the questions you just
25 raised.

1 **CHAIRMAN BROWN:** Welcome.

2 **MR. STRATIS:** Thank you.

3 **CHAIRMAN BROWN:** Since summer. Nice to see
4 you.

5 **MR. STRATIS:** Thank you.

6 **CHAIRMAN BROWN:** How are you doing?

7 **MR. STRATIS:** I'm fine, thanks.

8 **CHAIRMAN BROWN:** Okay.

9 **MR. STRATIS:** I'm not sure I'm speaking loud
10 enough but --

11 **CHAIRMAN BROWN:** You got the question?

12 **MR. STRATIS:** I'm sorry?

13 **CHAIRMAN BROWN:** Did you understand the
14 question?

15 **MR. STRATIS:** Why don't you repeat it for me,
16 please.

17 **CHAIRMAN BROWN:** Absolutely. So acknowledging
18 that Florida is a growth state, my biggest concern
19 actually during the hearing was really kind of comparing
20 the disparity, if there is one, between Florida, the
21 projections based on the statewide growth pattern versus
22 the 35 service territories that FPL serves and how you
23 kind of looked at that in terms of load forecasts. And
24 I know initially you had concerns about FPL relying on
25 the statewide versus the particular growth patterns of

1 the individual counties, cities, et cetera.

2 **MR. STRATIS:** Right. That's right.
3 Population growth is a key variable that FPL uses in
4 making its forecasts. And we asked the question -- when
5 we noticed that they were relying on statewide
6 forecasts, we said, "Why not look at the 35 counties
7 that they actually serve?" And in referring to the
8 population forecasts shown in testimony in -- I forget
9 which exhibit it is -- Exhibit 59 -- Exhibit 7, I'm
10 sorry, Exhibit 7, that showed the rate of increase in
11 the state population, and it matched the county -- or,
12 I'm sorry, it matched the actual county population for
13 the period that FPL looked at.

14 **CHAIRMAN BROWN:** So the average growth of the
15 ten-year period?

16 **MR. STRATIS:** Yes. The average population
17 growth, the annual average population growth.

18 **CHAIRMAN BROWN:** Okay.

19 **MR. STRATIS:** But when we looked a little more
20 closely, we said, "Well, why not concentrate on 35
21 counties --

22 **CHAIRMAN BROWN:** Uh-huh.

23 **MR. STRATIS:** -- that FPL serves?" And that
24 was where my question was. That's what we --

25 **CHAIRMAN BROWN:** And what was the answer? Why

1 is it more accurate to look at the overall statewide
2 growth versus focusing on the 35 counties where FPL
3 serves to measure load growth?

4 **MR. STRATIS:** FPL cited statistical results
5 and very close fit over the period of time that they
6 looked at their forecasts, and that's what they based
7 their responses on.

8 **CHAIRMAN BROWN:** Did any Intervenors challenge
9 that, the forecasting model or methodology?

10 **MR. STRATIS:** No. No.

11 **CHAIRMAN BROWN:** Okay. Commissioners, I have
12 no other questions. Do you have -- does anybody have
13 any other questions, or can we move to entertain a
14 motion on Issue 1?

15 All right. Commissioner Edgar.

16 **COMMISSIONER EDGAR:** Thank you, Madam Chair.
17 I would move approval of the staff recommendation on
18 Issue 1, also reflecting the discussion that we've had
19 today.

20 **CHAIRMAN BROWN:** Thank you. Is there a
21 second?

22 **COMMISSIONER PATRONIS:** Second.

23 **CHAIRMAN BROWN:** All those in favor, say aye.

24 (Vote taken.)

25 Opposed? By your action, we've approved

1 Issue 1.

2 I'd like to take up Issues 2, 3, and 4
3 together in sum. And if staff can propose those
4 together, that would be great, for our consideration.

5 **MR. GRAVES:** I'll try to compile them into
6 one.

7 For Issue 2, we looked at the conservation and
8 renewable resources available to mitigate the proposed
9 power plant, and FP&L considered the DSM goals recently
10 approved by the Commission and considered that in their
11 load forecast. And in our review, we did not see
12 reasonable DSM and renewable resources available to
13 mitigate the need for the proposed plant.

14 With respect to Issue 3, we addressed the
15 assumptions used to evaluate the plant in that issue.
16 We believe that the assumptions were reasonable based on
17 information available at this time, and we recommend
18 that they are -- that the plant will provide adequate
19 electricity at a reasonable cost.

20 And Issue 4 addresses fuel diversity and
21 supply reliability, and staff recommends that the plant
22 will not improve fuel diversity as it will increase the
23 company's reliance on natural gas; however, staff would
24 note that the use of fuel oil as a backup will provide a
25 benefit with respect to fuel supply reliability. And

1 just to give a quick example, in the event of a
2 disruption in natural gas supply, the plant supply would
3 be capable of operating at full capacity for 72 hours.

4 **CHAIRMAN BROWN:** Thank you, Mr. Graves.

5 Commissioners, any questions on Issues 2, 3,
6 or 4?

7 Commissioner Edgar.

8 **COMMISSIONER EDGAR:** Thank you, Madam Chair.

9 I would like to just make a comment about Issue 4, which
10 is also something that we discussed at length in our
11 briefing. I am in full agreement with the conclusion
12 and the analysis that the staff has prepared for us, but
13 I do think that the way the question and answer is
14 worded is a little awkward and probably could reach the
15 same conclusion worded either way, yes or no. So I
16 would just point out for the record that my
17 understanding is that the finding and the recommendation
18 is that for Issue 4 that the proposed Okeechobee Clean
19 Energy Center Unit 1 would not increase fuel diversity
20 and, therefore, for that need criterion I would say it
21 is not met. And then just ask, again, if we move
22 forward, that in the order it be clear.

23 **CHAIRMAN BROWN:** Thank you, Commissioner
24 Edgar.

25 Commissioner Brisé.

1 **COMMISSIONER BRISÉ:** Thank you, Madam
2 Chairman.

3 Quick question on Issue 2 regarding renewables
4 with respect to FPL in terms of what did they consider,
5 in terms of if they were to build or expand some of
6 their solar facilities to meet this particular need,
7 what would that take?

8 **MR. GRAVES:** Yes, sir. One analysis we did,
9 we looked at how much land would be needed to
10 essentially make up the capacity being provided by this
11 power plant, and based on our calculations, it is
12 roughly 21,000 acres. The site that Okeechobee is going
13 to be located on is 3,000 acres total, so it's a
14 substantial increase in the amount of land needed.

15 I would add, though, that this is the first
16 need determination proceeding that the company has
17 included solar resources as providing some level of firm
18 capacity. So with that, the company has taken that into
19 account for the first time in a need determination
20 proceeding.

21 **COMMISSIONER BRISÉ:** All right. Thank you.

22 **CHAIRMAN BROWN:** Thank you. Any other
23 Commissioners on Items 2, 3, or 4?

24 Okay. I will entertain a motion, please.

25 **COMMISSIONER EDGAR:** Move approval.

1 **CHAIRMAN BROWN:** Move approval with the
2 considerations that you've raised on Issue 4.

3 **COMMISSIONER BRISÉ:** Second.

4 **CHAIRMAN BROWN:** All right. All those in
5 favor, say aye.

6 (Vote taken.)

7 Opposed? By your action, we've approved Items
8 2 through -- Issues 2 through 4.

9 Going to Issue 5, staff, can you go over that,
10 please.

11 **MR. GRAVES:** Yes, ma'am. Issue 5 --

12 **CHAIRMAN BROWN:** In more detail, please.

13 **MR. GRAVES:** Yes, ma'am. Issue 5 addresses
14 the cost-effectiveness of the proposed plant. FP&L
15 performed several revenue requirement analyses to
16 evaluate the economics of several self-build generation
17 alternatives. When compared to other combined cycle
18 power plants, the construction of the Okeechobee Clean
19 Energy Center was shown to result in a present value
20 savings of more than \$30 million. The company provided
21 an updated analysis comparing it to a combustion turbine
22 power plant, and the Okeechobee Clean Energy Center was
23 shown to result in a present value savings of more than
24 \$70 million. The results of the economic analysis were
25 not substantially contested by the Intervenor in this

1 case; therefore, staff recommends that the proposed
2 plant is the most cost-effective alternative to meet
3 FP&L's projected need starting in 2019.

4 **CHAIRMAN BROWN:** Thank you, Mr. Graves. And I
5 appreciate the candid review and thorough analysis of
6 the record and the questions that were posed to the
7 witnesses that really elucidated, I think, that the most
8 cost-effective option here is the one that staff's
9 recommending based on the projected need in 2019. We
10 know there's a need, we know that it's present, it will
11 continue to grow, and that this is absolutely the most
12 cost-effective one. But I appreciate you going through
13 the in-depth analysis here and the questions that staff
14 raised for Witness Sims and such. So thank you on that.

15 Commissioners, any questions? All right.
16 I'll entertain a motion on Issue 5.

17 **COMMISSIONER GRAHAM:** Move staff on Issue 5.

18 **COMMISSIONER PATRONIS:** Second.

19 **CHAIRMAN BROWN:** All those in favor?

20 (Vote taken.)

21 Your action, we have approved Issue 5. And I
22 will entertain a motion for Issues 6 and 7.

23 **COMMISSIONER GRAHAM:** Move staff on the
24 remaining issues.

25 **CHAIRMAN BROWN:** All those in favor, say aye.

1 (Vote taken.)

2 By your action, we've approved the full staff
3 recommendation on Item 5.

4 Staff, that concludes the Commission Agenda
5 Conference. But, Commissioners, are there any other
6 additional comments before I conclude -- on Issue 5
7 before I conclude the Agenda Conference?

8 Commissioner Edgar.

9 **COMMISSIONER EDGAR:** Thank you, Madam Chair.
10 We blew right through the discussion there for a moment.
11 I did want to just make one very brief comment, which is
12 that recognizing that by our vote and the staff's
13 analysis that this proposed plant does not meet the
14 criterion under Issue 4, which is contributing to fuel
15 diversity, but yet that that is one factor out of many
16 per the statute, and that the proposal from the
17 information we had at hearing does meet or exceed all of
18 the other criteria that the statute directs us to look
19 at. And so with that, I support the vote.

20 **CHAIRMAN BROWN:** And thank you, Commissioner
21 Edgar. I am still getting used to these buttons in
22 front of me. I'm not really figuring them out. They
23 light up and all sorts. So I appreciate you pointing
24 that out and in support of the overall purpose here.
25 And thank you so much, all, for this first Agenda

1 Conference, and I look forward to seeing you all at our
2 next Internal Affairs in January. Thank you. This
3 concludes the meeting.

4 (Commission Conference adjourned at 10:28
5 a.m.)

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1 STATE OF FLORIDA)
2 : CERTIFICATE OF REPORTER
3 COUNTY OF LEON)

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 stenographically
9 reported the said proceedings; that the same has been
10 transcribed under my direct supervision; and that this
11 transcript constitutes a true transcription of my notes
12 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 13th day of January, 2016.

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