

1 BEFORE THE
2 FLORIDA PUBLIC SERVICE COMMISSION

3 In the Matter of:

4 DOCKET NO. 160070-EQ

5 PETITION FOR APPROVAL OF
6 RENEWABLE ENERGY TARIFF AND
7 STANDARD OFFER CONTRACT, BY
8 FLORIDA POWER & LIGHT COMPANY.
9 _____ /

10 PROCEEDINGS: COMMISSION CONFERENCE AGENDA
11 ITEM NO. 8

12 COMMISSIONERS
13 PARTICIPATING: CHAIRMAN JULIE I. BROWN
14 COMMISSIONER LISA POLAK EDGAR
15 COMMISSIONER ART GRAHAM
16 COMMISSIONER RONALD A. BRISÉ
17 COMMISSIONER JIMMY PATRONIS

18 DATE: Tuesday, September 13, 2013

19 PLACE: Betty Easley Conference Center
20 Room 148
21 4075 Esplanade Way
22 Tallahassee, Florida

23 REPORTED BY: LINDA BOLES, CRR, RPR
24 Official FPSC Reporter
25 (850) 413-6734

P R O C E E D I N G S

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2 **CHAIRMAN BROWN:** All right. Moving on to the
3 last item -- now I feel bad for pulling it because you
4 had to wait since 9:30 -- which is the standard offer.
5 Item 8.

6 **MR. LEE:** Commissioner, I'm Daniel Lee from
7 engineering staff.

8 Item 8 addresses the petition by Florida Power
9 & Light Company regarding its renewable energy tariffs
10 and the Standard Offer Contract. FPL is required to
11 file a revised tariff each year based on the next
12 avoidable fossil unit.

13 Based on staff's review, the revised tariff
14 provisions conform to the rule requirements, and staff
15 recommends approval of the petition. No customer filed
16 comments on -- in this docket. The petitioner and staff
17 are available to answer questions.

18 **CHAIRMAN BROWN:** Thank you, Mr. Lee. I do
19 have a couple of questions. I'm sure that the other
20 Commissioners are really going to be excited about this.
21 And thank you, Florida Power & Light, for getting --
22 this is just -- this is a different type of Standard
23 Offer Contract, so it kind of jumped out at me, some of
24 the provisions. And I looked at it and I looked at the
25 tariff back there and the standard offer and some of the

1 terms. There seems to be a lot of changes that impose
2 more stringent requirements and extended -- I mean,
3 shortened time frames, more stringent terms. I just
4 want to make sure that we really don't unduly burden an
5 otherwise qualified facilitator/operator who is
6 otherwise able to comply with the terms. So can you
7 kind of take us through why the company is proposing
8 these more stringent terms?

9 **MR. COX:** Absolutely. Thank you for the
10 opportunity to address you, Madam Chair and
11 Commissioners. Will Cox on behalf of Florida Power &
12 Light. With me is Tom Hartman, who's the Director of
13 Business Development in Energy Marketing and Trading for
14 FPL. And Tom has the role of overseeing our
15 implementation of the standard offer and doing all the
16 negotiations with renewable developers as we look to
17 purchase power from them.

18 This does have a few more revisions than you
19 might see in normal years. Generally we try not to make
20 too many revisions to the standard offer other than
21 adjusting the pricing for the current avoided unit.
22 This year, though, as we looked at our standard offer,
23 we noticed something right off the bat, and that was
24 when we looked at, for example, the changes we made here
25 to removing the pricing forecasts for energy and fuel,

1 we noticed that over the past year since the last
2 standard offer there had been a 25 percent decrease in
3 fuel costs. So that had a huge impact. So the concern
4 there was that if someone were to come and look at our
5 tariff, even though it says, "For informational purposes
6 only," and you would have to get the current energy
7 pricing from Mr. Hartman in order to find out what the
8 energy pricing is, we're concerned that someone might
9 think they could just sign the standard offer and that
10 pricing would be the pricing they would get for energy.

11 So that started us with doing a little bit
12 more rigorous look at the entire agreement and seeing if
13 there was anything that was misleading or anything that
14 we felt might put our customers at an unnecessary risk
15 level. So we were looking to basically manage risk
16 exposure of our customers. And we do these periodic
17 reviews of the standard offer, I would say -- I've been
18 doing this about six years now, and two or three years
19 we look closely just to make sure it's consistent with
20 what we're seeing in the market and it's consistent with
21 what would adequately protect our customers.

22 **CHAIRMAN BROWN:** Well, let's talk about the
23 performance security jumping from \$30 to \$50 a kilowatt,
24 and then it'll increase to \$100 a kilowatt, which is a
25 lot more than -- required than what we've previously

1 approved for the other IOUs which have come before us
2 this year.

3 **MR. COX:** So that's a very good point as well.
4 We looked at security in the sense that we want to make
5 sure that we're doing two things. One, we're adequately
6 protecting our customers from any unnecessary risk of a
7 renewable developer defaulting on one of these
8 agreements. When we sign one of these agreements that
9 has energy and capacity, we're going to rely on that
10 capacity to serve our customers. So we want to make
11 sure that there's an adequate security level in the
12 event there is a default.

13 As we took a look at that, and we actually had
14 done some recent analysis on what the replacement cost
15 would be for energy and capacity if there were such a
16 default, and we found that the level we had currently in
17 the tariff at \$30 per kilowatt was significantly, I
18 mean, very significantly below what those costs would
19 be. So we also looked -- the other point we looked at
20 was we want to balance in terms of the Commission's and
21 state's goals in terms of encouraging renewable
22 development. So we did not propose a level that would
23 necessarily cover all the damages in such a default
24 situation. We actually proposed a number here at the --
25 50 then up to 100 is really about the 25 percent,

1 roughly a quarter of what those estimated damages would
2 be in the event there was a default.

3 **CHAIRMAN BROWN:** But do you think that's --

4 **MR. COX:** And then -- and then let me -- can I
5 finish one thing? I'm sorry.

6 **CHAIRMAN BROWN:** You should be.

7 **MR. COX:** The other -- I apologize. The other
8 piece is that, you know, this is not that they would
9 actually have to come up with that much money in cash.
10 This is a letter of credit. So we're talking 30 to
11 60 cents. The bank would ultimately determine, you
12 know, how creditworthy they are and at what level they
13 would have to come up with funds for a letter of credit.
14 We see a range of typically 30 to 60 cents for, you
15 know, a going concern that is a decently creditworthy
16 company.

17 **CHAIRMAN BROWN:** Will -- Mr. Cox, do you think
18 that these more stringent terms, and there's other terms
19 that are in here too including, like, removal of -- and
20 in the event of default, 9.5. I mean, it kind of makes
21 it a little bit more broad of your ability to get that
22 collateral and that security. Do you think that these
23 more stringent terms would disqualify or knock off some
24 of the existing operators if this contract were to
25 apply?

1 **MR. COX:** No, no. We -- Madam Chair, we do
2 not think that's the case. And actually maybe I'll let
3 Mr. Hartman speak to this for just a moment. He, you
4 know, he is actively involved with talking to renewable
5 developers in the market as we speak, and he has
6 discussed the terms of this proposed contract with some
7 of them recently. So maybe that's some good information
8 for you to have.

9 **MR. HARTMAN:** Madam Chair, first of all, in
10 terms of the security, yes, it's a jump compared to what
11 we had before. It is not out of line and is lower than
12 some of the recently negotiated contracts are required to
13 have for security. So obviously people are being able
14 to develop projects with security higher than what we
15 have in here.

16 I'm currently in discussions based on this
17 particular standard offer. I've told the renewable
18 developer out of North Carolina that this was going
19 before the Commission, and we're in active discussions
20 about a contract. They've had their lawyers review it
21 and they've come back to us. And the terms that you're
22 concerned about are not anything they've had an issue
23 with. They wanted a 25-year contract. They want to fix
24 some of the energy rates. But in terms of the security
25 provisions, in terms of the --

1 **CHAIRMAN BROWN:** Time frames.

2 **MR. HARTMAN:** -- changed time frames, et
3 cetera, they've raised no objections on those thus far.

4 **CHAIRMAN BROWN:** Okay. Well, I appreciate you
5 providing some of that explanation, and I wish I would
6 have kept it on the move staff list than you just
7 address this, but I appreciate you taking the time to
8 address these issues. And hopefully looking forward to
9 seeing how these contracts actually play out over the
10 next year or so.

11 **MR. COX:** Thank you.

12 **CHAIRMAN BROWN:** Thank you.

13 Is there a motion to approve?

14 **COMMISSIONER PATRONIS:** So moved.

15 **CHAIRMAN BROWN:** Second?

16 **COMMISSIONER BRISÉ:** Second.

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

18 (Vote taken.)

19 The motion passes. Thank you again.

20 We have Internal Affairs, believe it or not,
21 still. Mr. Baez, could we have Internal Affairs in
22 here? Or I know we have Ms. Katrina McMurrian.

23 **MR. BAEZ:** We can at your pleasure. What I
24 would beg is a little bit of time because we've got some
25 PowerPoint to upload, and it may take a few -- it may

1 take a little bit.

2 **CHAIRMAN BROWN:** Well, we'll just go there
3 then. No, that's fine. We'll just go there. And is
4 five minutes okay?

5 **MR. BAEZ:** Oh, if we're going to go --

6 **CHAIRMAN BROWN:** Yes.

7 **MR. BAEZ:** -- it's at your call.

8 **CHAIRMAN BROWN:** So IA will convene in five
9 minute in the IA room.

10 This agenda is adjourned.

11 (Commission Conference adjourned at 3:02 p.m.)

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

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

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

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

18 DATED THIS 21st day of September, 2016.

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