

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 070098-EI

In the Matter of:

PETITION FOR DETERMINATION OF NEED
FOR GLADES POWER PARK UNITS 1 AND 2
ELECTRICAL POWER PLANTS IN GLADES
COUNTY, BY FLORIDA POWER & LIGHT
COMPANY.



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VOLUME 2

Pages 158 through 280

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN LISA POLAK EDGAR
COMMISSIONER MATTHEW M. CARTER, II
COMMISSIONER KATRINA J. McMURRIAN

DATE: Monday, April 16, 2007

TIME: Commenced at 9:30 a.m.
Recessed at 5:40 p.m.

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

REPORTED BY: MARY ALLEN NEEL, RPR, FPR

APPEARANCES: (As heretofore noted.)

FLORIDA PUBLIC SERVICE COMMISSION

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P R O C E E D I N G S

(Transcript follows in sequence from
Volume 2.)

CHAIRMAN EDGAR: We will go back on the
record. Thank you all. And when we went on our belated
lunch break, we had a few more speakers who had signed
up. And so, Ms. Brubaker, I'll ask you to go back to
our list.

MS. BRUBAKER: Certainly. Next to speak is
Janice Blair.
Thereupon,

JANICE BLAIR

was called as a public witness, and having been duly
sworn, testified as follows:

DIRECT STATEMENT

MS. BLAIR: My name is Janice Blair.
J-a-n-i-c-e, B-l-a-i-r. My address is 3383 Harrison
Blue Road, Perry, Florida, 32348, as well as 354
Northwest Sumpter Avenue in Lafayette County, Mayo,
Florida. I'm attending school.

What I would like to talk to you about today
-- and I would like to say thank you for allowing me,
and I would like to say I'm not nearly as nervous since
it wasn't as hard last time, and I would like to thank
you for that. What I want to talk to you about is

1 degrees of separation. I'm from Taylor County, but it
2 is not an independent nation. Neither is Glades County.

3 I also would like to speak to you about the
4 future, my future. My future is a 15-year-old
5 granddaughter who lives in Clay County, Florida. And
6 today as I was sitting and listening to the testimony, I
7 thought, isn't this interesting. St. Lucie County, Fort
8 Pierce may be affected by the Glades County coal plant.
9 Well, my granddaughter's grandfather lives there. Her
10 step-grandmother lives there. Her Uncle Josh lives
11 there. Her Aunt Mabel's family lives there. So there's
12 not very many degrees of separation.

13 Also, too, someone spoke about Palatka and a
14 coal plant. My father was L. D. Blair. His brother is
15 R. J. Blair, and his family lives in Palatka. My five
16 brothers, my four sisters, my 43 nephews and nieces, my
17 37 great-nephews and nieces -- and recently they told
18 me, "Aunt Janice, you need to recount us" -- all live in
19 Taylor County. They tell me I have been called an
20 environmental activist, and I beg to differ with that,
21 because I see myself as a family advocate. I see myself
22 as coming here today in the hopes of protecting and
23 giving voice about the health, welfare, and well-being
24 of my family.

25 But I also want to talk to you about our

1 money, because we are, as I said before, your silent
2 consumer. I understand that Glades County has a lot of
3 poverty. We've heard that this morning. And I'm sure
4 that, just like our county of Taylor, that when we have
5 a large rate of poverty, we rely on our state systems
6 and our federal government. We rely on food stamps to
7 feed our families that can't afford food. We rely on
8 Medicaids and Medicares to purchase health insurance for
9 our families, and that's our collective taxes. And
10 anytime whenever we risk the health of our families and
11 cause our families more sickness, you increase my taxes
12 if they are a recipient of Medicare or Medicaid. I'm
13 sorry.

14 Also, too, there's another misconception. I
15 took a hot shower this morning. I watched television.
16 I made coffee. But I also too have conservation energy
17 bulbs, and I know that I have to take paint thinner to
18 the dump site and put it in a special container. I
19 separate my plastic from my aluminum cans, and I
20 separate my household garbage. I do this every week.
21 I'm a little bit inconvenienced, but I'm a tough
22 Floridian. I can do that.

23 Next I would like to talk to you about the
24 difference in cheap and free. This is cheap
25 (indicating). I see a lot of Dasani bottles on the

1 tables. That's the more expensive brand. This is the
2 cheap brand. But the stuff I have in here right now is
3 free, because I got it out of your water fountain. Now,
4 is it free? No. Somebody purchased this water. I just
5 got it free. So when we talk about things like
6 26 million gallons of water a day and I go down to the
7 store and pay 79 cents for this pint, which there are
8 eight in a gallon, which makes it \$6.32 a gallon, twice
9 as expensive as any gasoline that I purchased on the way
10 over here, can we really -- is that a really good deal,
11 to give away water when it can be sold?

12 A suggestion that I have is sell 2 million
13 gallons of the water, write the people of Glades County
14 a revenue check like the people in Alaska get the
15 revenues off their oil, and then they will have cash
16 revenues without having to work.

17 The businesses, the investors, the industry
18 did not enter Glades County with this proposition
19 because it was to help the poor people of Glades County.
20 They're there to make a profit and to sell it as an
21 economic boon. I think maybe we should investigate that
22 a little more.

23 In 1954, the good citizens of Taylor County
24 were offered a pulp and paper mill, and it has operated
25 for 50 years to economically develop us. We still have

1 a poverty rate of 18.5. The pollution effects are, as I
2 have said in this meeting before, is that our number one
3 discharge diagnosis at Doctors Memorial Hospital for the
4 past three years running is COPD and lung cancer.
5 Another point that I -- so maybe possibly the economic
6 boon isn't all that it's made out to be.

7 I also heard someone say today, and this was
8 quite interesting to me, that southern California had
9 rolling blackouts. I think that was pre-Enron days.
10 But I want to assure you that I have survived a rolling
11 blackout. I am here. It did not make me sick or kill
12 me.

13 On Christmas of 1984 or '5, and I'm not sure
14 exactly which year, but the weather was very brutal. It
15 was 18 degrees in Perry for three days, and we suffered
16 through a series of rolling blackouts. Thirty minutes
17 the electricity would be on, 30 minutes it would be off,
18 and my whole family survived. The dog didn't die. But
19 we had to sacrifice not making coffee, not taking a
20 shower, staying in our long pajamas to manage this.

21 But I will tell you this. During the recent
22 years and the hurricanes, I was without power in
23 Lafayette County for a day and a half during one storm.
24 I was out power for three days in another storm. My
25 daughter and her family in Clay County was without power

1 for three days. Listening to the scientists who say
2 that greenhouse gases could cause more storms, I fear
3 that we would be without power more from the added
4 storms than just from the electricity deficit.

5 So I know that we want to be -- we want to
6 have our points heard. We want to get the message
7 across. But just as I use electricity -- let me make
8 this analogy. It seems that on one side someone is
9 saying, "Let's have all pepper. We need all pepper."
10 And on this side, someone is saying, "Let's have all
11 salt." I'm saying, "Let's have some salt, let's have
12 some pepper, and that might be better."

13 Thank you very much for allowing me to speak.
14 I feel that as a Floridian, I live in a state community,
15 and I am very proud to be here today to tell you this.

16 CHAIRMAN EDGAR: A question from Commissioner
17 Carter.

18 COMMISSIONER CARTER: I've got to at least say
19 hello to you. It's good to see you again. You're one
20 of the few people that can say Lafayette County
21 properly.

22 Thank you for your input. Thank you very much
23 for coming.

24 MS. BLAIR: Thank you.

25 COMMISSIONER CARTER: And thank you for coming

1 to represent your neighbors.

2 MS. BLAIR: Thank you.

3 CHAIRMAN EDGAR: Thank you, Ms. Blair. Do
4 they teach Lafayette in South Georgia?

5 COMMISSIONER CARTER: Right across the border.

6 CHAIRMAN EDGAR: Ms. Brubaker.

7 MS. BRUBAKER: The next speaker is Betty
8 Johnson.

9 Thereupon,

10 BETTY JOHNSON

11 was called as a public witness, and having been duly
12 sworn, testified as follows:

13 DIRECT STATEMENT

14 MS. JOHNSON: Hello once again. Good to be
15 with y'all. For the record, I'm Betty Johnson. I live
16 at Madison, Florida. My address is 3309 Northeast
17 Geranium Street. And I've been a lifelong resident of
18 Madison County, and I'm familiar with north central
19 Florida. We fight every day to keep economic
20 development out of there and keep it rural. We won an
21 award, I want you to know, in 1995, and we are proud to
22 this day to say we have a rural community award from the
23 State.

24 We met a lot of interesting people along the
25 way since we last testified here before you over the

1 Taylor Energy Center project, and we met people from
2 Glades County and all over, and we've decided we're just
3 going to stick together and see this thing through,
4 hopefully to the bitter end, for the better for of all.
5 So we're grateful to each of you to have the opportunity
6 to speak to you one on one, to share our thoughts and
7 our concerns with you, and hope that we'll find a better
8 way to end our dilemma for the future energy needs in
9 Florida.

10 I am thrilled to also see Governor Charlie
11 Crist taking a sincere interest with matters that come
12 before you every day. He is genuinely looking for
13 renewable energy for Florida, as well as the Office of
14 Energy with DEP. We'll get there. And I don't think
15 it's going to be as long as it has been. We'll find the
16 solutions that we all need and can live with.

17 But personally, coal-fired power plant new
18 development is something I strongly oppose, because I
19 don't think that's in the future for Florida, and I
20 don't think that's the total need for what the citizens
21 of the State of Florida need. So I oppose the Glades
22 County case today, as I opposed the Taylor Energy Center
23 for Taylor County, because it's a coal-fired power
24 plant.

25 Recently I discovered -- because I am a

1 customer of Progress Energy Florida, I took an interest
2 in seeing exactly how much of a huge area that they
3 cover to provide electricity, and I was amazed at how
4 big it really was. And it goes down quite a long ways
5 in the state and takes up most of the state. But I
6 found that there were 15 fossil-fueled power plants
7 owned by Progress Energy and one nuclear power plant
8 that serve the entire area for their customers.

9 I'm also deeply interested in just mentioning
10 again to you the public interest that needs to be upheld
11 in these kind of proceedings. I don't really know what
12 public investment the citizens of the State of Florida
13 make on behalf of all state owned and leased facilities
14 with regards to Florida Power & Light utility, but I ask
15 you to please consider the needs of the citizens with
16 regards to that public investment.

17 And for the future, I strongly would recommend
18 solar power is what we really need to focus in on,
19 because it's time that the State, as it has grown to
20 this capacity, we need to be providing our own utility.
21 We need one that's a renewable energy, and we need one
22 that will reduce the future energy needs and the cost to
23 the citizens of the State of Florida. I think we can
24 accomplish that in our planning stages when we develop
25 the future energy for this particular need.

1 I don't know what else to add today. I would
2 like to say thank you. I am grateful to the Office of
3 Public Counsel for intervening in this particular case.
4 I asked that you be in the last one for the Taylor
5 Energy Center, so I'm grateful that you are a party to
6 this case and that you represent the citizens and the
7 State of Florida. So we look forward to looking -- you
8 know, to work with you in the future on any particular
9 matters that come. I'm thrilled and excited that the
10 State sees we do have an interest there, and for a long,
11 long time it has been overlooked in proceedings like
12 this. But we made it, didn't we?

13 And we are so grateful to you guys. You are
14 so courteous and respectful. And most of all to you,
15 Commissioner Carter, we sincerely appreciate your
16 interest in the citizens. We just wanted you to know
17 that.

18 So I'm going to hush -- it has been a long
19 day -- and tell you we hope that you do not permit
20 another coal-fired power plant for Glades County as well
21 as Taylor County. I think we can find an alternative
22 that we can use for the future, and it will help, you
23 know, Florida overall. That's the goal, is protecting
24 what we have. And we'll find that way. We're working
25 on it.

1 So are there any questions or concerns that I
2 can address at this time from each of you?

3 CHAIRMAN EDGAR: Commissioner Carter.

4 COMMISSIONER CARTER: I know what "hush"
5 means. I just wanted to say hey and thank you. Keep on
6 fighting the good fight.

7 MS. JOHNSON: We're there for you and
8 everybody.

9 COMMISSIONER CARTER: And our Chairman and
10 Commissioner McMurrian and I, we sincerely appreciate
11 having the public come and express your opinions, and
12 that weighs heavily in our minds.

13 MS. JOHNSON: Believe you me, you're a great
14 bunch of people to work with. You really are.

15 COMMISSIONER CARTER: Thank you for coming.

16 MS. JOHNSON: Thank y'all.

17 CHAIRMAN EDGAR: Thank you, Ms. Johnson. Ms.
18 Brubaker.

19 MS. BRUBAKER: The last person I currently
20 have signed up to speak is Ron Saff.

21 CHAIRMAN EDGAR: Mr. Saff? Is Mr. Saff with
22 us this afternoon?

23 MS. BRUBAKER: I don't believe he's actually
24 present here. And so with that, that is the last person
25 we currently have signed up to speak.

1 CHAIRMAN EDGAR: Okay. Is there anybody that
2 is with us here this afternoon who would like to address
3 the Commission during the public testimony portion of
4 this proceeding that has not yet had the opportunity to
5 do so?

6 Seeing none, okay. Ms. Brubaker, anything
7 else we need to take up before we move from this phase
8 here shortly into the next? My suggestion would be -- I
9 had candidly underestimated perhaps the amount of time
10 that we would spend on this when we first sat down this
11 morning. I had thought we would take a break and allow
12 the opportunity to look over the documents that have
13 been submitted, but I'm thinking that it might make more
14 sense to take those up first thing in the morning if
15 that is agreeable to the parties.

16 Okay. Other matters, Ms. Brubaker?

17 MS. BRUBAKER: With that, there's nothing with
18 regard to the public testimony portion of the hearing.
19 Unless you care to take a brief break, we can move on to
20 the technical portion. There are a few preliminary
21 matters there.

22 CHAIRMAN EDGAR: Okay. Let me look to the
23 parties. Again, I had thought we would take a break,
24 but we've just recently had a break. So is everybody
25 ready to move forward?

1 You are ready? I'm hearing no noes.

2 Okay. Ms. Brubaker, preliminary matters for
3 the technical portion.

4 MS. BRUBAKER: I would like to note for the
5 record that we do have some witnesses who have been
6 excused from the hearing. They are FPL witnesses
7 Sanchez, Coto, Yupp, and Damon. I understand there may
8 be some further discussion regarding witnesses. Are you
9 prepared to address, or is there going to be some
10 further discussion needed?

11 MR. LITCHFIELD: Madam Chairman, there has
12 been some discussion with respect to potential further
13 elimination of witnesses in this case and then
14 potentially consolidation of direct and rebuttal
15 presentations, but I've not heard back from Mr. Gross,
16 so we would -- at least FPL is not in a position to
17 comment at this time.

18 CHAIRMAN EDGAR: Okay. Mr. Gross, any
19 comment? And I'm not trying to put you on the spot. We
20 will be back here tomorrow morning, so we can --

21 MR. GROSS: Well, Mr. Litchfield and I did
22 talk about the possibility of witnesses Plunkett and
23 Schlissel being stipulated, but I'm not in a position to
24 agree to that yet. But we did discuss it. Plunkett and
25 Schlissel would -- and I brought this up before.

1 Apparently, the weather -- my latest report is the
2 weather has cleared enough that they will be able to fly
3 in. But they will be in tomorrow, and it's quite
4 conceivable that I would request that they be taken out
5 of order.

6 And there was some reference -- I did bring
7 this up at the prehearing conference. However, I didn't
8 anticipate us being in this stage of the proceeding.
9 But my request still remains the same. And I discussed
10 that with Mr. Litchfield, whether that would be a
11 problem for him, because I think Mr. Schlissel would
12 like to testify earlier in the day, in the morning, and
13 Mr. Plunkett in the afternoon.

14 CHAIRMAN EDGAR: Okay. Well, then what I
15 would ask is, similarly, as I mentioned this morning,
16 and for those of you who have practiced here before us
17 before, I generally do try to accommodate scheduling
18 requests, however, obviously, not wanting to put any
19 other witness or party in a more difficult position, who
20 also have other, I'm sure, scheduling demands,
21 et cetera, to make.

22 So what I would ask is, we will go for a while
23 here for the rest of the afternoon, and when we do break
24 for the day, I would ask that all of the parties get
25 together, and we can talk in the morning about what is

1 the best way to proceed.

2 And we will also be looking at, so people can
3 be thinking, and we'll be asking our staff to work with
4 each of you on potential days maybe next week if we need
5 to extend. So keep that in mind as well, and we'll see
6 what we can do to move forward thoroughly, but yet
7 efficiently.

8 Okay. Other preliminary matters?

9 MS. BRUBAKER: There is just one or two
10 others. Perhaps the next one to take up I expect to be
11 a fairly simple, straightforward one. The Sierra Club
12 and other intervenors -- just for clarity's sake, when I
13 say Sierra Club, that's going to be abbreviation for all
14 the parties whom Mr. Gross represents -- has requested
15 official recognition of a case. It's the Massachusetts
16 vs. EPA case. The cite for that is 127 S. Ct. 1438.
17 It's the one that just recently issued. Barring
18 objection from the parties, staff recommends that
19 official recognition be granted.

20 CHAIRMAN EDGAR: Mr. Gross, additional
21 comment?

22 MR. GROSS: I have really nothing to add. I
23 think it's a case that's very relevant, and I intend to
24 refer to it in my opening statement and perhaps question
25 a witness on it.

1 CHAIRMAN EDGAR: Okay. So the request before
2 us is to take official recognition of this recent
3 Supreme Court case. Any objection?

4 MR. LITCHFIELD: No.

5 CHAIRMAN EDGAR: Okay. Seeing none, then for
6 this proceeding, this Commission will take official
7 recognition of the court case that Ms. Brubaker read to
8 us.

9 MS. BRUBAKER: With regard to the stipulated
10 list that was provided at the beginning of the hearing,
11 I do note that there's a number of prefiled exhibits.
12 My suggestion is we take those in turn as those
13 witnesses are called forward to speak. As you
14 referenced earlier, Chairman, we have a number of
15 exhibits that were provided during the public testimony
16 portion, and we will address those in the morning.

17 Exhibit 1 is staff's -- excuse me. Exhibit 2
18 is staff's composite exhibit. It has been stipulated to
19 by the parties. For administrative ease, we have those
20 available on CD. It's my understanding that the hard
21 copy of the document has not been particularly useful at
22 the hearing, but we can certainly also provide a copy of
23 that if anybody is in need of it. It would be my
24 suggestion, since it has been identified, to go ahead
25 and move that into the record at this time.

1 CHAIRMAN EDGAR: Are there any questions,
2 concerns, requests for changes? Mr. Gross.

3 MR. GROSS: Madam Chair, thank you. May I ask
4 Ms. Brubaker a question about the exhibit? Are you
5 including -- there was an exhibit that we objected to,
6 which was more of a compilation.

7 MS. BRUBAKER: Yes, that's correct. That is
8 not part of that exhibit.

9 MR. GROSS: That's not part of that. Then we
10 have no objection. No objection.

11 MS. BRUBAKER: And actually, that brings me to
12 my next preliminary matter.

13 CHAIRMAN EDGAR: Okay. Well, first, let's go
14 ahead and take this up. So the comprehensive exhibit
15 list will be entered into the record.

16 (Exhibit 2 marked for identification and
17 admitted into the record.)

18 CHAIRMAN EDGAR: Does that get us there?

19 MS. BRUBAKER: Yes. As Mr. Gross alluded,
20 staff also sought to have the parties stipulate to an
21 additional exhibit. What we're passing out now both to
22 the Commissioners and the parties is what we're calling
23 staff's second composite exhibit. That's the one with
24 the yellow sheet. And the source documents to staff's
25 second composite exhibit, that's the one with the blue

1 sheet.

2 Basically, the parties were unable to
3 stipulate to the staff's second composite exhibit. What
4 it basically is comprised of are excerpts from
5 interrogatory responses, excerpts of data from witness
6 exhibits. It also includes a page from Ten-Year Site
7 Plans for Progress and TECO. And staff is happy to not
8 press the issue as far as having this stipulated to or
9 entered into the record. However, we do intend to make
10 use of this exhibit during cross-examination for a
11 number of witnesses.

12 The reason we've compiled it this way,
13 frankly, is one of administrative ease and expedition.
14 The underlying information is essentially in the record
15 through the composite exhibit, the one that was just
16 stipulated to and entered into the record. To the
17 extent information in here is not already entered into
18 the record through Exhibit 2, we would certainly take
19 that into account when the cross-examination questions
20 come up.

21 The source documents, the one with the blue
22 sheet, is basically the complete interrogatory response
23 and what have you just so the parties can use that for
24 reference if they want to see the complete interrogatory
25 response rather than perhaps the excerpt. It is

1 available.

2 Staff is not seeking to move either of these
3 documents into the record. Again, we're simply using
4 these in the process of cross-examination and to help
5 move things along quickly, so we just wanted to go ahead
6 and identify both of these exhibits. My request would
7 be to mark the yellow sheet as Exhibit --

8 CHAIRMAN EDGAR: How about 155?

9 MS. BRUBAKER: 155?

10 CHAIRMAN EDGAR: We'll go ahead and mark and
11 label staff's second composite exhibit, number it 155.
12 And that is, as Ms. Brubaker said, the document with the
13 yellow cover sheet. And then, Ms. Brubaker, you want to
14 go ahead and --

15 MS. BRUBAKER: And Exhibit 156 were the source
16 documents, would be my other request.

17 CHAIRMAN EDGAR: Mr. Gross, we will mark and
18 label for now and then see where that takes us as we
19 move through the testimony. Does that work for you?

20 MR. GROSS: Yes. I think our objection was
21 primarily to the admission of this compilation, this
22 composite exhibit that was more of a compilation. And
23 based on what I've heard, that it will not necessarily
24 be admitted into evidence, but just used for cross, and
25 we don't object to that. And we certainly have no

1 objection to the interrogatories and the underlying
2 source data. So if my understanding is correct, then we
3 would have no objection.

4 MS. BRUBAKER: That's correct.

5 CHAIRMAN EDGAR: Okay. I think we're all on
6 the same page, so to speak.

7 (Exhibits 155 and 156 marked for
8 identification.)

9 CHAIRMAN EDGAR: Okay. Ms. Brubaker.

10 MS. BRUBAKER: There may be just a few more
11 matters, but I'll leave FPL to decide when they would
12 like to take it up. I know there's the issue of the FPL
13 newspaper notice and affidavit, and they can either take
14 it up as a preliminary matter if they wish, or if they
15 wish to address it through the first witness, they're
16 welcome to do so. And there's also the issue of the
17 errata sheet for the testimony. So at your discretion.

18 CHAIRMAN EDGAR: Mr. Litchfield, other
19 matters?

20 MR. LITCHFIELD: Thank you. We're at least
21 prepared to take up today, this afternoon before we get
22 started as a preliminary matter having the Commission
23 mark and potentially move into evidence FPL's notice of
24 filing certified proof of publication in various
25 newspapers. This is a filing that was made April 13th

1 in this docket. We filed the relevant newspaper -- we
2 submitted the relevant newspaper notices around the
3 state, and we filed certification of that fact in this
4 docket, so we would ask that it be marked as 157.

5 CHAIRMAN EDGAR: And you have copies?

6 MR. LITCHFIELD: And we have copies.

7 CHAIRMAN EDGAR: Let's go ahead and distribute
8 copies. So, Mr. Litchfield, as you've requested, the
9 certificate of newspaper notification will be so labeled
10 and marked as Exhibit 157. Thank you.

11 (Exhibit 157 marked for identification.)

12 MR. LITCHFIELD: And, Madam Chairman, I think
13 we can go ahead and take care of the errata sheets as
14 well at this time. I think that would be
15 administratively efficient. So if those could be --

16 CHAIRMAN EDGAR: 158?

17 MR. LITCHFIELD: -- marked 158. Thank you.

18 (Exhibit 158 marked for identification.)

19 MR. LITCHFIELD: And the errata sheets were
20 also filed February 13th. And just for sake of clarity,
21 we filed errata sheets for Jose Coto prefiled direct,
22 William Damon prefiled direct, David Hicks prefiled
23 direct, Steve Jenkins prefiled direct, Ken Kosky
24 prefiled rebuttal, Armando Olivera prefiled direct,
25 Judah Rose prefiled rebuttal, Rene Silva prefiled

1 direct, and also for rebuttal, Steve Sim prefiled
2 direct, and then an errata sheet with respect to the
3 prefiled need study in Appendix G. And we would ask
4 that 157 and 158 be moved into the record.

5 CHAIRMAN EDGAR: Okay. I'm confused as to my
6 dates, so maybe you can clarify for me, Mr. Litchfield.
7 I think you said filed February 13th. Did you mean
8 April 13th?

9 MR. LITCHFIELD: Did I say February 13? I
10 apologize. April 13.

11 CHAIRMAN EDGAR: Well, that's what I heard.

12 MR. LITCHFIELD: Well, in any event, it is
13 April 13th, although I noticed that actually the year is
14 wrong.

15 CHAIRMAN EDGAR: And that was the second thing
16 that threw me there. And I'm assuming that this should
17 actually be 2007 on the cover letter.

18 MR. LITCHFIELD: Indeed, yes.

19 CHAIRMAN EDGAR: And actually, it is correct
20 on the second page. So we will note for the record that
21 we are marking the errata sheets that have been
22 distributed to all of the parties and staff and the
23 Commissioners and that there is a typo on the front
24 page. It was filed on April 13th, 2007. And that is
25 being marked as Exhibit Number 158, and if there is no

1 objection to Exhibits 157 and 158 as so described, then
2 we will go ahead and enter those into the record. And
3 that helps me for clarity.

4 (Exhibits 157 and 158 admitted into the
5 record.)

6 CHAIRMAN EDGAR: Okay. Other matters?

7 MS. BRUBAKER: Chairman Chair, in the spirit
8 of making sure all errors are clarified, I would like to
9 point out, and will point out again when it does come up
10 in cross-examination, the yellow sheet, hearing Exhibit
11 155, if you will turn to Bates stamp page number 3,
12 there's a chart there, Comparison of FPL's Generation
13 Alternatives. If you look in the third column, 2012 Gas
14 CC, the first number under cost is 750. That should be
15 734. And my apologies for the error.

16 CHAIRMAN EDGAR: Okay. So noted for the
17 record. And again, I will look to you to raise that to
18 us again if we get to a point where we are referencing
19 this document for testimony and questioning.

20 MS. BRUBAKER: Thank you.

21 CHAIRMAN EDGAR: Okay. Other matters.

22 MR. GROSS: Madam Chair.

23 MR. LITCHFIELD: Mr. Gross.

24 MR. GROSS: Thank you. During Mr. Schlissel's
25 deposition that was taken by Mr. Litchfield, I believe,

1 there were some errors in that deposition that were
2 pointed out by Mr. Litchfield. And since I can't be in
3 two places at one time, I've got at my office a
4 corrected version of Mr. Schlissel's supplemental
5 testimony. And in the interest of fairness, I will go
6 back to my office, and we will do a formal notice of
7 filing, but that might not be possible until later in
8 the day tomorrow. But I will offer to send a copy of
9 the corrected testimony informally when I get back to my
10 office this evening.

11 MR. LITCHFIELD: Will you be able to send it
12 via e-mail?

13 MR. GROSS: Yes, I will. And I understand
14 that he made the changes in bold to make it easier to
15 tell what the corrections were.

16 MR. LITCHFIELD: May I ask a clarifying
17 question, though?

18 CHAIRMAN EDGAR: Yes.

19 MR. LITCHFIELD: Are we talking about an
20 errata -- are we talking about changes to the depo or to
21 the testimony?

22 MR. GROSS: These are -- I think they were
23 errors, mathematical errors, errors of that nature.

24 CHAIRMAN EDGAR: I'm sorry. In the deposition
25 or in the prefiled testimony?

1 MR. GROSS: Oh, I'm sorry. This is in the
2 deposition. No, excuse me, in his supplemental
3 testimony, supplemental direct testimony.

4 MR. LITCHFIELD: Okay. So you will be
5 submitting an errata sheet indicating line and page and
6 corrections as opposed to a new piece of testimony? I
7 guess that's really what I'm asking.

8 MS. BRUBAKER: If I might, Chairman.

9 CHAIRMAN EDGAR: Ms. Brubaker.

10 MS. BRUBAKER: In order to be consistent with
11 how FPL has corrected its witnesses' testimony, and
12 since I'm sure we have all highlighted and marked up our
13 various copies of the testimony, I think it would
14 probably be easier, unless we're talking about
15 substantial revisions, to have a type-and-strike,
16 line-by-line reference of what the changes are, if
17 that's possible.

18 MR. GROSS: I had requested that, and that's
19 not what was furnished to me. I will look into it. But
20 I understand. I think that would be ideal and
21 preferable, but what I've got is just something with the
22 changes in bold.

23 CHAIRMAN EDGAR: Okay. Then I think what I
24 would ask is that -- again, Mr. Gross, I would say thank
25 you for bringing it up early so we know where we are as

1 we get started with this next phase, but we will all
2 strive for both simplicity and clarity, and if that's
3 something that you can see where you're at this evening
4 and in the morning, and then we can see the best way to
5 proceed.

6 MR. GROSS: I've just been informed that I
7 think we can do a type-and-strike for you if that would
8 be better.

9 MR. LITCHFIELD: That would be far preferable,
10 I think for the reasons stated by Ms. Brubaker, and the
11 format would be consistent with, I think, our Exhibit
12 158, if that's acceptable.

13 MR. GROSS: Okay.

14 CHAIRMAN EDGAR: Okay. Thank you, Mr. Gross.

15 MR. GROSS: Thank you.

16 CHAIRMAN EDGAR: Okay. Any other matters?
17 Yes, sir.

18 MR. KRASOWSKI: Madam Chair, with all due
19 respect to the counsel and the attendees, is there any
20 possibility that we could submit a request that the
21 court case of Ohio Environmental Coalition, Plaintiffs,
22 opposing the U.S. Army Corps of Engineers in West
23 Virginia that addresses the ability for West Virginia
24 governmental jurisdictions to prohibit mountain top
25 mining? I think we might be a little out of line as far

1 as being untimely with this, but we would like to at
2 least make the request that this be entered into -- that
3 would allow us to refer to it when we cross-examine
4 witnesses.

5 CHAIRMAN EDGAR: So a request for official
6 recognition of this court case, and you would be able to
7 provide the name and the cite, and I will look to
8 Ms. Brubaker.

9 MS. BRUBAKER: Well, I would note, I believe
10 the OAP requires that any request for official
11 recognition take place three days prior to the hearing
12 and that notice be forwarded to the parties. However,
13 if no party objects to the request for official
14 recognition, staff has no objection.

15 CHAIRMAN EDGAR: Mr. Litchfield.

16 MR. LITCHFIELD: Thank you. FPL, in
17 recognition that Mr. Krasowski is not a typical
18 participant in our proceedings, we're willing to extend
19 some degree of courtesy here. But I would ask that we
20 be permitted to get a copy of the case and look at it
21 tonight and then respond tomorrow if that's acceptable.

22 CHAIRMAN EDGAR: Can you provide that
23 information?

24 MR. KRASOWSKI: Yes. We'll have to have it
25 printed out. Will he accept an e-mail with the material

1 in it, or shall we go -- we can get a copy of it made if
2 that's preferred.

3 CHAIRMAN EDGAR: Let me put it this way. I
4 think that between the resources of our staff, FPL, and
5 the material that you have, we can probably find a way
6 to work together to do that. So I would ask you to get
7 with our staff and Mr. Litchfield when we conclude for
8 today, and we'll see if we can accommodate that.

9 MR. KRASOWSKI: Thank you very much.

10 CHAIRMAN EDGAR: Thank you.

11 Ms. Brubaker, any other matters?

12 MS. BRUBAKER: I'm not aware of any at this
13 time.

14 CHAIRMAN EDGAR: Okay. It is quarter to 4:00.
15 I think that the next thing that we have to do is
16 opening statements. We have five parties, and the
17 Prehearing Order allows 10 minutes per party. I am
18 ready to move forward if you all are, or does anybody
19 need to take a couple of minutes before we do that? Is
20 everybody ready?

21 Okay. Then Mr. Litchfield, you're recognized.

22 MR. LITCHFIELD: Thank you. Madam Chairman,
23 Commissioners Carter and McMurrian, we do thank you for
24 the opportunity to provide opening comments here today
25 regarding this very, very important resource decision in

1 which FPL is recommending your approval of a
2 state-of-the-art, advanced technology, high efficiency
3 coal plant. Over the new few minutes, I hope to
4 highlight some of the key points and considerations that
5 you will hear through testimony over the next two or
6 three days and to summarize why FPL believes you should
7 approve its request for a determination of need in this
8 case.

9 You will hear this proposed plant referred to
10 as the FPL Glades Power Park, or more simply FGPP. You
11 will also hear FPL's choice of technology referred to as
12 ultra-supercritical pulverized coal or, alternatively,
13 USCPC.

14 It's important to emphasize that FPL based its
15 technology choice on extensive analyses of many other
16 options. FPL's witnesses will demonstrate that USCPC is
17 the most efficient application of pulverized coal in the
18 world today. It is a proven technology in commercial
19 operation, has extremely high reliability factors, and
20 burns extremely clean, particularly with the
21 state-of-the-art environmental controls that are being
22 included in its design. In fact, I would emphasize that
23 this plant materially outperforms all other existing or
24 proposed coal-to-electricity plants on the combination
25 of efficiency and emissions. And it is significant that

1 even with the addition of FGPP, FPL will remain one of
2 the cleanest utilities in the entire country. And you
3 will not hear, we submit, Commissioners, any credible
4 evidence to the contrary on these points.

5 As you well know, Florida continues to be a
6 state that experiences one of the highest population
7 growth rates in the country. In FPL's service territory
8 alone, the need for new generating capacity has grown
9 and is projected to continue to grow by about 600
10 megawatts a year. That's roughly the equivalent of a
11 new power plant every year. Now, there's no dispute
12 about that in the record either.

13 And this annual additional demand on FPL's
14 system is -- and this is important -- after taking into
15 consideration the major reductions in demand resulting
16 from FPL's industry leading conservation efforts. FPL
17 is ranked number one nationally by the U.S. Department
18 of Energy in this respect. Including DSM to date and
19 additional DSM being pursued, FPL will have avoided
20 approximately 5,800 megawatts of generating capacity by
21 2015, or roughly three plants the size of FGPP. There
22 is no dispute regarding these facts.

23 But despite these industry leading
24 accomplishments, the record will show that there simply
25 is not enough cost-effective DSM available to eliminate

1 or defer the need for all base load capacity additions.
2 And despite FPL's support for renewables, they also are
3 not the answer to the need for a base load generating
4 unit.

5 As you know, FPL Group as a whole boasts the
6 cleanest generating fleet in the entire country, has the
7 largest portfolio of renewables, and is the largest
8 producer of energy from wind and solar in the country.
9 But as Mr. Silva will testify, we would need to install
10 8,000 wind turbines to replace just the energy, not even
11 the capacity, just the energy produced by FGPP. Now,
12 8,000 turbines, to give you a visual image, would ring
13 the entire State of Florida, its entire coast line, and
14 we still wouldn't have enough coast line to
15 accommodation all of those turbines.

16 And renewables systems such as wind that are
17 intermittent in nature cannot be used to provide the
18 much-needed capacity. This means that when Florida
19 turns on its lights and its computers and its security
20 systems and its file servers, the power has to be there.
21 That's capacity. The testimony will show that FPL does
22 need to add base load capacity.

23 Now, of course, we have to consider the type
24 of resource addition that we're going to add,
25 particularly in an era of expanding energy demands and

1 tightening natural gas supplies. And this really is at
2 the heart of FPL's recommendation in this case, the need
3 to maintain fuel diversity. In 2006, the Florida
4 Legislature, as you know, also recognized that fuel
5 diversity was a critical need in Florida. They amended
6 the Florida Power Plant Siting Act to require utilities
7 and this Commission to explicitly take fuel diversity
8 into consideration as a criterion of approval in cases
9 such as these, and certainly this Commission has
10 acknowledged the importance of fuel diversity. FPL's
11 witnesses will testify that in the absence of FGPP, FPL
12 will rely upon natural gas for more than 70 percent of
13 its customers' electricity by 2016.

14 Now, to obtain fuel diversity is not always
15 easy. At times it requires a utility to propose and a
16 regulator to approve a fuel choice that is not popular
17 on every front. Nuclear generation is a good example,
18 and coal is another example. But there really is no
19 such thing as a fuel choice that does not have any
20 detractors, or for that matter, a fuel choice that
21 doesn't have some drawbacks. Natural gas itself has
22 drawbacks, as we well know. We've experienced large
23 price increases and market volatility over the last few
24 years.

25 That really leaves gas and coal as the only

1 realistic mid-term options, and that is the choice that
2 must be made in this proceeding, and that is the heart
3 of the case, whether FPL in the practical circumstances
4 today should add only natural gas generation at this
5 time. There should be no doubt, Commissioners, that a
6 decision not to pursue FGPP or even to pursue a portion
7 of FGPP is a decision to increase our commitment to
8 natural gas.

9 Now, adding coal at this time, a fuel that has
10 many advantages in terms of supply and price, will
11 mitigate the drawbacks of natural gas that I've
12 discussed, drawbacks that become much more pronounced,
13 of course, the greater proportion that natural gas
14 comprises of a utility's fuel mix.

15 Now, if, on the other hand, natural gas
16 markets surprise us all and they soften and prices go
17 down, FPL customers will still benefit because of its
18 relatively large natural gas-fired mix in its portfolio,
19 and that, of course, is the benefit of diversity and the
20 advantage of diversity. That is in fact the point of
21 diversification.

22 You are likely to hear a great deal in this
23 case about the prospect of CO₂ regulation. But the
24 important thing that you will hear from FPL and its
25 witnesses is that this fact should not change our point

1 of view. In fact, in many respects, it underscores the
2 need for diversity. As FPL's witnesses indicate, one of
3 the few things that we can confidently predict at this
4 time regarding carbon regulation is that a high cost
5 carbon regime will drive up the price of natural gas.

6 Now, FGPP will offer customers very attractive
7 life cycle economics under many fuel and compliance cost
8 scenarios, and those scenarios are discussed by our
9 witnesses. Of course, it isn't going to be true under
10 every single possible scenario, and I think that's our
11 point. Ultimately, a decision to add FGPP should not be
12 predicated on any particular economically modeled or
13 expected outcome.

14 It is because of the inescapable uncertainties
15 that it is critical that FPL and its customers maintain
16 a level of fuel diversity afforded by the addition of
17 FGPP. Without it, our customers will be much more
18 vulnerable to the uncertainties of gas curtailments,
19 whatever the cause, and to the price pressure and
20 volatility that is projected to be a continuing
21 characteristic of natural gas markets, especially in the
22 event of CO₂ regulation.

23 You will hear throughout this proceeding and
24 probably hear in opening comments that there are things
25 we don't know yet that should cause this Commission to

1 reject or to delay construction of FGPP, reminding us
2 that a delay is tantamount to rejection. Yes, there are
3 some things we don't know, but there is no planning
4 process that has complete certainty. But the
5 interesting thing about this case is that FPL is
6 recommending FGPP not just on what we know, but because
7 of what we don't know.

8 Here are some things that we know that will
9 come out during the course of this hearing. We know
10 that energy costs are rising. We know the world demand
11 for energy is increasing, not decreasing. We know that
12 fossil fuels are not increasing. We know that relative
13 to natural gas, the domestic reserves of coal are
14 immense. We know that all projections are that coal
15 prices will remain below the price of natural gas. We
16 know that with the addition of this state-of-the-art
17 coal unit, FPL's reliance on natural gas -- excuse me,
18 without the addition of this unit, FPL's reliance on
19 natural gas will increase to over 70 percent by the year
20 2016. We know that CO₂ regulation will increase the
21 cost of energy, including natural gas.

22 We know that USCPC is a proven
23 state-of-the-art technology, that IGCC, in contrast, is
24 still in an emergent phase of development. We know that
25 USCPC is 15 percent more fuel efficient than IGCC and at

1 least 5 percent more fuel efficient than any proposed
2 future IGCC plants. We know that USCPC is commercially
3 available in the right scale. We know that IGCC is not.
4 We know that USCPC is less expensive to build than IGCC.
5 We know that high reliability translates into lower
6 operating and electric costs and lower emissions, and we
7 know that USCPC is more reliable than any current
8 operating IGCC unit.

9 We know that as Florida continues to grow, we
10 will need more, not fewer, base load units. We know
11 that as Florida continues to grow, it will become more
12 difficult, not easier, to site base load generating
13 units.

14 And finally, we know that adding coal to our
15 system will diversify our system, which by definition
16 will improve the reliability and reduce fuel price
17 volatility.

18 So based on everything that we know, FGPP is
19 the right decision at this time, Commissioners, and the
20 witnesses will support that recommendation.

21 Now, what do we not know? We don't know when
22 CO₂ regulation will be imposed. We don't know what form
23 CO₂ regulation will take. For example, we don't know
24 what kind of allowances or offsets might be granted. We
25 don't know whether the regime that is imposed will

1 penalize or reward an already clean system such as
2 FPL's. Therefore, we don't really know how much CO₂
3 regulation will impact FPL's system or the plant, FGPP.
4 We don't know by how much CO₂ regulation will increase
5 the cost of natural gas. By the same token, we don't
6 know by how much CO₂ regulation will decrease the cost
7 of coal as a fuel. We know much more than we don't
8 know. But even because of the things we don't know,
9 FGPP is the right plant to build at this time to
10 maintain fuel diversity.

11 Commissioners, as FPL's witnesses will
12 explain, we have a well-conceived project before you.
13 We have implemented well-designed contracting strategies
14 to obtain market pricing and to mitigate the cost
15 uncertainties. We are employing state-of-the-art
16 technology and design and the very best in environmental
17 controls. We have a good site. We have support from
18 local government and the community. And we have a sound
19 fuel procurement strategy that will maintain needed fuel
20 diversity for the benefit of customers.

21 In short, we have all the elements of a good
22 project that should be approved. We believe it is the
23 right solution for meeting our customers' needs. We
24 think you will find the evidence persuasive, but that,
25 of course, is your decision.

1 As you listen to the testimony, Commissioners,
2 there should be no doubt in your mind that the only
3 practical alternative to FGPP is additional natural
4 gas-fired generation. That is feasible, but we do not
5 believe it is desirable. And we submit this to your
6 consideration, Commissioners, and thank you for your
7 time.

8 CHAIRMAN EDGAR: Thank you, Mr. Litchfield.
9 Mr. Beck.

10 MR. BECK: Thank you, Madam Chairman. Good
11 afternoon, Commissioners.

12 Madam Chairman, this morning when you gave
13 introductory remarks, you went through the various items
14 that are contained in section 403.519 of Florida
15 Statutes that the Commission considers in a certificate
16 of need case. One of those criteria is whether the
17 proposal plants are the most cost-effective alternative.
18 To determine whether these plants are cost-effective, we
19 believe you have to look at the likelihood of carbon
20 taxes during the expected 40-year lives of these plants.
21 The prospect of carbon taxes during the lives of the
22 proposed coal plants is a virtual certainty.

23 Mr. Litchfield mentioned that there are many
24 uncertainties right now that face the Commission as you
25 make the decision on the certificate of need. And the

1 precise level of taxes and the form that they'll take is
2 unknown, but we do know one thing, that whatever form
3 and level that the carbon taxes take, it will be a cost
4 that has an impact on the proposed plants, and it's a
5 cost that will be charged to customers through higher
6 electric rates. This makes it extremely important for
7 the Commission to make its best judgment about the level
8 of carbon taxes that will come into place in the coming
9 decades.

10 You're going to hear testimony from two
11 experts who will be providing you their analysis about
12 the level of carbon taxes which they expect in the
13 future. On cross-examination, I'll be asking
14 Mr. Schlissel, who is a witness for the Sierra Club, to
15 explain his forecast of carbon taxes, and I'll be asking
16 Mr. Rose, who is a witness for Florida Power & Light, to
17 do the same thing. I'll also be asking Mr. Rose about
18 an analysis he calls the expected case for air
19 regulation, which includes an expected trajectory or
20 carbon prices over the coming decades. Part of that
21 discussion will include some information which he claims
22 is confidential, and I'll be using an exhibit with that
23 that will show the basis for his trajectory.

24 Carbon taxes are coming, and in order to make
25 the right decision on the plants, we urge you to make

1 the best judgment you can about the level of carbon
2 taxes in the future that will affect the cost of these
3 plants. Thank you.

4 CHAIRMAN EDGAR: Thank you. Mr. Gross.

5 MR. GROSS: Thank you, Madam Chair,
6 Commissioners.

7 I'm not going to take this opportunity to
8 respond point by point to Florida Power & Light's
9 opening statement, except to say that we vigorously
10 dispute many of the factual assertions that were
11 contained in that opening statement, and I think that
12 the consideration of the evidence, the testimony of the
13 witnesses and the exhibits, will be the determining
14 factor, not simply the opening statements and the claims
15 contained therein.

16 Upon consideration of the amounts and costs of
17 additional cost-effective demand-side management
18 resources that FPL could be expected to acquire if it
19 intensified, expanded, and accelerated its planned
20 energy efficiency portfolio, intervenors, Sierra Club,
21 NRDC, et al., find that increased DSM could defer the
22 need for the two units that are currently proposed in
23 this proceeding. Further, these additional efficiency
24 savings would cost significantly less than the levelized
25 life cycle cost of the units. In fact, such ambitious

1 DSM would displace the need for the capacity of the
2 Glades units beyond the planning horizon through the
3 year 2030. We will have an expert witness who will
4 testify to these conclusions.

5 Using recent experience of Massachusetts
6 utilities enables scaling up of FPL's residential and
7 nonresidential efficiency savings roughly by half.
8 Using recent actual and planned expenditures and savings
9 by Pacific Gas & Electric in the State of California to
10 project annual budgets and electric savings, electricity
11 savings, if FPL replicated its performance with and a
12 commitment to acquiring all cost-effective DSM, would
13 have more than tripled the peak demand reduction FPL
14 plans to realize over the long term from its DSM
15 portfolio as it presently exists. And it is through
16 this type of end-user efficiency measures that DSM could
17 defer the need for these two proposed FPL Glades units
18 and cost significantly less than the cost of the units.

19 This has already been done. Probably the
20 leader in the country at this time is the State of
21 California, and they have imposed very stringent
22 end-user efficiency regulations that have already been
23 implemented. And Mr. Plunkett's testimony is based on
24 the actual experience of Pacific Gas & Electric, which
25 is a utility comparable to FP&L, and then he has tried

1 to transpose that by applying that data to the specific
2 case of FPL's proposal in Florida.

3 And end-user efficiency is something that we
4 all heard about earlier this morning. And the City of
5 Tallahassee is doing it, and that is more efficient
6 homes, refrigerators, dishwashers, air conditioning and
7 heating units. And it actually costs less money to
8 invest in end-user efficiency and defer the need for the
9 plants completely than it does to build these plants.
10 And there's no problem with any emissions. There are no
11 emissions issues.

12 This needs to be done, as explained by
13 Mr. Plunkett, in combination with alternative fuel
14 sources, which by themselves might not be sufficient to
15 defer the need for the FPL units. But in combination
16 with these end-user efficiency measures, the use of
17 alternative fuel sources can defer the need for these
18 plants, and this will buy time to develop new technology
19 and new sources of energy. That is the front line
20 position of the intervenors, Sierra Club, NRDC, and the
21 other environmental organizations that we represent.

22 We have a couple of other expert witnesses who
23 will make two additional primary points. One has to do
24 with the likelihood and the economic impact of CO₂
25 regulation. Individual states, regional groups of

1 states, shareholders, and corporations are making
2 serious efforts and taking significant steps toward
3 reducing greenhouse gas emissions in the United States.
4 Efforts to pass federal legislation addressing carbon
5 have gained ground in recent years. These developments,
6 combined with the growing scientific understanding of
7 and evidence of climate change, mean that establishing
8 federal policy requiring greenhouse gas emission
9 reduction is just a matter of time.

10 Significantly, on April 2, 2007, the United
11 States Supreme Court issued an opinion in the case of
12 Massachusetts vs. the Environmental Protection Agency.
13 And there are three very key findings that the Court
14 made in addition to many others, but for our purposes,
15 the Court found that there is global warming caused by
16 greenhouse gases, including CO₂. CO₂ is a pollutant
17 under federal law. The Environmental Protection Agency,
18 which took the position that it did not have authority
19 to regulate greenhouse gases, including CO₂, was
20 overruled by the U.S. Supreme Court, which found that
21 the EPA does indeed have authority to regulate
22 greenhouse gases and CO₂, which makes it inevitable and
23 also accelerates the process we can expect for ultimate
24 regulation of greenhouse gases and CO₂. Whether our
25 administration and our presidential administration

1 decides to take action or not, the EPA has virtually
2 been mandated by the United States Supreme Court to
3 regulate greenhouse gases.

4 Moreover, FPL has signed on to numerous
5 agreements endorsing the need to address climate change
6 and advocate federal mandatory legislation of greenhouse
7 gases. Indeed, FPL on March 30th released a white paper
8 pushing for a more stringent way to make the United
9 States reduce greenhouse gas emissions, for a price to
10 be placed directly on carbon. So I think FPL is to be
11 applauded for taking these actions, but this lends more
12 support to the probability that there will be regulation
13 of greenhouse gases, when groups are getting together
14 with members like Florida Power & Light Company to make
15 it happen.

16 Intervenors have provided an estimate of the
17 likely cost arising from future greenhouse gas
18 restrictions and reductions and provided in FPL's
19 specific context for those costs, as well as to critique
20 FPL's resource planning in general. Intervenors have
21 found that FPL has substantially understated future
22 carbon costs in its economic analysis and failed to
23 demonstrate that FGPP is the least cost, least risk
24 addition to its system. FPL's analysis in support of
25 FGPP -- analyses in support of FGPP do not

1 comprehensively consider potential CO₂ prices and do not
2 evaluate the full range of technically feasible
3 alternatives. Accordingly, intervenors on this ground
4 as well recommend that the Commission deny FPL's need
5 request.

6 Although the intervenors, Sierra Club, NRDC,
7 et al., contend that there is no need for and oppose the
8 construction of any type of coal plant by FPL, an IGCC
9 plant in Florida can provide electricity at a lower cost
10 than the proposed ultra-supercritical pulverized coal
11 plant. Many utilities around the country are choosing
12 IGCC plants due to IGCC's much lower emission of all
13 pollutants and its capability to capture CO₂. There are
14 coal gasification plants in the United States, as our
15 testimony will show, that are already using carbon
16 capture and sequestration equipment. There's a lot of
17 misinformation out on IGCC plants, and it is our
18 intention through our testimony to clear a lot of this
19 misinformation up.

20 Various studies show that IGCC plants can
21 capture CO₂ at much lower costs than pulverized coal
22 plants. The additional value of an IGCC plant is its
23 ability to use various fuels, including coal, petroleum
24 coke, natural gas, biomass, and waste materials. This
25 will enable IGCC plants to respond to future changes in

1 fuel costs and changes in environmental regulations and
2 provide significant cost savings during the life of the
3 IGCC plants.

4 As stated above, energy efficiency measures
5 can eliminate the need for a new coal plant in FPL's
6 system. But if the Commission's decision comes down to
7 a choice between the pulverized coal plant proposed by
8 FPL and an IGCC plant, intervenors unequivocally support
9 an IGCC plant for the reasons stated above.

10 However, and in conclusion, even an IGCC plant
11 should not be built until there is technology in place,
12 nor should any coal plant be built until there's
13 technology in place for carbon capture and
14 sequestration. And for these reasons, the intervenors,
15 Sierra Club, NRDC, et al., request that this petition
16 for determination of need be denied.

17 Thank you very much.

18 CHAIRMAN EDGAR: Thank you. Ms. Perdue.

19 MS. PERDUE: Thank you, Madam Chair and
20 Commissioners. On behalf of Associated Industries of
21 Florida, we appreciate the opportunity that you've given
22 us to intervene in this case.

23 Earlier today you heard from Mr. Bishop, the
24 president and CEO of Associated Industries, and I will
25 try not to duplicate the information that he provided to

1 you, but to briefly remind you, AIF represents Florida's
2 business community. We've considered ourselves the
3 voice of Florida's business community before appointed
4 and elected officials since 1920. We support FPL's
5 petition for determination of need for the Glades unit,
6 and we believe that the petition should be approved.

7 Talking first about your requirement under
8 Florida law to evaluate the electricity needs of
9 Florida's residents and businesses, it's very clear to
10 everyone -- it has been stated earlier here in public
11 testimony, and there are numerous other statistics and
12 data available to show that our state is growing
13 exponentially. Our economy is one of the best of all
14 the states in the country. Our unemployment rates are
15 low. We are an attractive state for business. But
16 because of that growth, there's a greater demand to
17 accommodate the growth, especially the demand for
18 electricity.

19 AIF's members and the business community
20 require adequate and reasonably priced electricity in
21 order to conduct our business in this state and for our
22 growth and success to continue. We believe that the
23 Glades units are needed to meet the growing energy needs
24 that our current growth rates demand, and we also
25 believe that the testimony and the evidence before you

1 throughout the rest of this hearing will show that FPL
2 has put forth a project that is well thought out and is
3 well planned and is the best available plant that can be
4 built right now to meet the needs right now. We've
5 certainly heard today that in the future, regulations
6 may change or technology may change or something may be
7 different, but the reality is, the growth for this state
8 is here now, and the demands and the needs for Florida's
9 businesses and residents are here now, and we believe
10 the proposal before you is the best solution for the
11 needs of the state now.

12 You're also required to look at the state's
13 needs for fuel diversity and supply reliability, and we
14 believe that it's critical to diversify the fuel sources
15 from which electricity is generated in this state. As
16 Mr. Bishop said earlier, we support other types of
17 projects in addition to what we are supporting with
18 FP&L. But again, we believe you should approve the
19 proposed Glades power plant in order to create a stable
20 investment climate so that electric utilities like FPL
21 can build more fuel diverse generation to meet our
22 state's needs.

23 We also believe that approval of the Glades
24 unit will mitigate the risks of supply disruption
25 associated with natural gas-fired generation. It will

1 also help mitigate the electric price volatility that's
2 associated with reliance on natural gas-fired
3 generation. We believe that the addition of this clean
4 coal electric generation technology that this plant will
5 provide will augment and balance FPL's natural gas-fired
6 generation with much-needed solid fuel generation.

7 We appreciate again the opportunity to
8 participate in this hearing and urge you to approve the
9 petition.

10 CHAIRMAN EDGAR: Thank you. Mr. Krasowski.

11 MR. KRASOWSKI: Good afternoon once again,
12 Madam Chair and Commissioners. It's a pleasure to be
13 here in front of you today to be able to participate in
14 our civilization, our culture, our country's processes
15 that affect us. It's certainly unique to our culture
16 that we're here as ratepayers sitting here doing this.

17 I prepared my statement in writing so that I
18 don't drift as much as I usually do, so pardon me if I'm
19 not making the eye contact. And then when I'm done
20 reading this, there will be a few points I would like to
21 make.

22 My name is Bob Krasowski, and I'll be
23 addressing the concerns that Jan and I have regarding
24 the Glades Power Park from our perspective as
25 ratepayers.

1 The need for energy in the future is
2 undeniable. How we determine what that need is and how
3 we provide for it while satisfying the requirements of
4 systems integrity, reliability, conservation,
5 cost-effectiveness, as well as diversity, are what we
6 are here to discuss and what you, the Commissioners,
7 along with others, will ultimately decide.

8 The good people of FP&L have proposed to build
9 a 1,960-megawatt coal-fired power plant at the site of
10 Lake Okeechobee at the headwaters of the Everglades in
11 south central Florida. And as part of their effort,
12 they have expressed a desire to provide the best proven
13 power generation options as they now see them. It is
14 our contention that there is more information and data
15 to be considered and processed before the PSC and others
16 can make a prudent and reasonable determination to
17 approve FPL's petition.

18 At this point, I would like to acknowledge the
19 good works of FP&L, and especially the good works of
20 this Commission. We understand that efforts have been
21 made in the past and continue in regard -- in the
22 present in an effort to establish effective energy
23 policies for the residents of Florida. It is these
24 efforts that we would like to build on.

25 There are notable court cases which have been

1 decided since the testimony submitted in this case has
2 been presented, namely, the Supreme Court ruling that
3 the EPA can regulate CO₂ and the federal ruling in
4 federal court, the ruling in federal court in West
5 Virginia that local municipalities or governments can
6 prohibit mountaintop removal of coal. And, of course,
7 we'll discuss this with the witnesses as far as the
8 effect this might have on the economics of coal.

9 Different demand-side management and
10 efficiency strategies such as the Florida Solar Energy
11 Center's zero energy building program have not been
12 mentioned in the testimony on either side, nor has the
13 solar hot water heater program where the utility
14 provides hot water heaters to its customers under
15 contract, which is going on now in Lakeland, Florida,
16 which is a very impressive blend of using the utility to
17 provide the service, still allowing the utility to be
18 the utility that provides the power to heat your water.
19 I don't know if -- we'll be asking the people with the
20 testimony if they're familiar with this program and ask
21 them to elaborate on it, and hopefully they'll engage us
22 in conversation about it.

23 There are many alternative visions regarding
24 energy policy, but we would like at this time to suggest
25 that the analysis of efficiency strategies, economic

1 incentives to power companies and people, and
2 technologies under consideration by the Florida
3 Legislature, the Commission created by the Legislature,
4 namely, the Century Commission, who has identified
5 climate change as the number one concern facing Florida
6 in its long-term planning, and the Energy Commission,
7 which is charged with developing a Florida energy plan.

8 Now, the Energy Commission has only had two
9 meetings, and they've broken into subcommittees, and the
10 Subcommittee on Efficiency and Conservation hasn't even
11 met yet. They'll be meeting later this month. And
12 there's a full assortment of ideas and programs and
13 policies that are being suggested to them, and we expect
14 a lot to come out of that.

15 And I did see the chair at their initial
16 meeting, so I know there's quite a network of interest
17 within the state government, and people are watching
18 this and participating at the highest levels, and the
19 effort specifically identified by the Honorable Governor
20 Charlie Crist in his State of the State address that he
21 wants to, after this legislative session, bring the best
22 minds together to study the Florida energy situation.
23 So I suppose he means he's going to be adding more to
24 the best minds that are already focused on this.

25 These state-sponsored actions represent solid

1 actions and activities that will in fact change the
2 baseline of information and data that has been
3 identified to this point as the basis for the needs
4 assessment used to advocate for or promote this project.

5 As ratepayers, we don't want to participate in
6 the economic risk and environomic negative behavior that
7 we believe this plant and other coal-burning technology
8 represents. We understand and respect the positions
9 represented by the residents of Glades County, and
10 that's all the people of Glades County. I've been in a
11 lot of places, and I've been out to Glades County, and
12 they're very, very nice people. I don't think you'll
13 find better people anywhere, and that's both sides.
14 You've heard from them, and they're just nice people.

15 And I believe that economic needs of the
16 people of Glades County, even after this project, if it
17 doesn't move forward, which we hope it doesn't, even
18 after this project does not move forward, that the
19 economic considerations of Glades County be remembered,
20 and that maybe FP&L could place a training center out
21 there for their linemen, and hopefully the people that
22 will be maintaining the solar collectors that they put
23 on everybody's home, but not just drop Glades County.
24 They do seem to have a need.

25 So based on the aforementioned issues, we

1 respectfully request that the needs determination for
2 this project be put in abeyance. Or as some say, delay
3 is denial. If that's what it takes, just deny this,
4 this proposal. But we suggest it could be put in
5 abeyance for at least two and a half years until a
6 thorough and a correct analysis of the need is
7 established.

8 And I go back to the fact that all these --
9 the Legislature, these commissions, these committees,
10 and the Governor are all going to be looking at this,
11 and we're sure that a lot will come out of that. So why
12 jump the gun on doing such a large project that expands
13 into the future by 40 years when, if we could hold up
14 for a couple of years, we're pretty confident that
15 alternatives will play out? And through the course of
16 the testimony that will be presented and the witnesses
17 being up here, we'll try to develop an understanding
18 that there is more to be known, so it will support our
19 position that we should hold off, because I think
20 there's few things worse than jumping the gun on
21 something as big as this and as important at this.

22 So for the moment, I'll say one thing finally
23 to wrap up. President John Kennedy started a program to
24 put a man on the moon before the decade was out. It
25 took him like eight years to do it. That's coming

1 around again. There's a sense in the country that
2 people really want to see some good things happen. So
3 let's seize the opportunity to draw everyone in together
4 and really hear this thing out, and maybe Governor
5 Charlie Crist or someone will be able to give us a
6 challenge similar to that. The technology is out there.
7 The opportunity is out there. We just have to kind of
8 break down some barriers and get everybody working on
9 the same page. I think it could be a exciting time in
10 store for us.

11 Thank you very much. I appreciate your
12 listening to my comments.

13 CHAIRMAN EDGAR: Thank you, Mr. Krasowski.

14 Okay. That concludes the opening statements.
15 I think what I would like to do is take just about five
16 minutes while we switch gears a little bit and then --
17 and I do mean five minutes. So we'll take a very short
18 break, and then when we come back, Mr. Litchfield, we'll
19 start with your witness. And I would ask all of the
20 parties for all of your witnesses, if you would remind
21 them of the five minutes in the Prehearing Order for
22 their prepared statements.

23 So we are on a short break.

24 (Short recess.)

25 CHAIRMAN EDGAR: Okay. We will go back on the

1 record. Mr. Litchfield, your first witness.

2 MR. LITCHFIELD: Thank you, Madam Chairman.
3 FPL's first witness is Mr. Armando Olivera. And I'm
4 wondering if you intend to swear --

5 CHAIRMAN EDGAR: We will need to go ahead and
6 swear you in. If you would, Mr. Olivera, stand with me
7 and raise your right hand.
8 Thereupon,

9 ARMANDO J. OLIVERA
10 was called as a witness on behalf of Florida Power &
11 Light Company, and having been duly sworn, testified as
12 follows:

13 DIRECT EXAMINATION

14 BY MR. LITCHFIELD:

15 Q. Mr. Olivera, would you please state your name
16 and business address for the record.

17 A. Armando Olivera, 700 Universe Drive, Juno
18 Beach, Florida, 33408.

19 Q. And by whom are you employed and in what
20 capacity?

21 A. I'm president of Florida Power & Light.

22 Q. Have you prepared and caused to be filed 28
23 pages of prefiled direct testimony in this proceeding?

24 A. I have.

25 Q. And did you also cause to be filed errata to

1 your testimony on April 13, 2007?

2 A. I have.

3 Q. Do you have any further changes or revisions
4 to your prefiled direct testimony other than reflected
5 on the errata sheet that you've mentioned?

6 A. No, I do not.

7 Q. With those changes, if I were to ask you the
8 same questions contained in your prefiled direct
9 testimony today, would your answers be the same?

10 A. Yes, it would.

11 MR. LITCHFIELD: Madam Chair, I would ask that
12 Mr. Olivera's prefiled direct testimony be inserted into
13 the record as though read.

14 CHAIRMAN EDGAR: The prefiled testimony will
15 be inserted into the record as though read.

16 BY MR. LITCHFIELD:

17 Q. Mr. Olivera, are you sponsoring any exhibits
18 to your direct testimony?

19 A. Only one exhibit, which is my bio.

20 MR. LITCHFIELD: And that is identified as
21 document AJO-1, which I would indicate, Madam Chair, has
22 already been premarked for identification as Number 3.

23

24

25

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **DIRECT TESTIMONY OF ARMANDO J. OLIVERA**

4 **DOCKET NO. 07 ____ -EI**

5 **JANUARY 29, 2007**

6

7 **Q. Please state your name and business address.**

8 A. My name is Armando J. Olivera. My business address is Florida Power & Light
9 Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

10 **Q. By whom are you employed and what is your position?**

11 A. I am employed by Florida Power & Light Company (FPL or the Company) as
12 President.

13 **Q. Please describe your duties and responsibilities in that position.**

14 A. I have overall responsibility for the operations of the Company.

15 **Q. Please describe your educational background and professional experience.**

16 A. I have a Bachelor of Science degree in electrical engineering from Cornell
17 University and a Master of Business Administration from the University of
18 Miami. I am also a graduate of the Professional Management Development
19 program of the Harvard Business School. I was named President of FPL in 2003.
20 My professional background is described in more detail in Document No. AJO-1.

21 **Q. Are you sponsoring an exhibit in this case?**

22 A. Yes. I am sponsoring an exhibit consisting of one document, AJO-1, which is
23 attached to my direct testimony.

1 Q. What is the purpose of your testimony?

2 A. FPL is requesting Commission approval to construct two solid fuel coal-fired
3 generating units each having summer net capacities of approximately 980 MWs
4 for a combined net capacity of 1,960 MWs. If approved, FPL Glades Power Park
5 (“FGPP”) will provide the best, most cost-effective alternative for maintaining
6 fuel diversity within FPL’s generation portfolio, providing greater system
7 reliability, mitigating the effect of volatility in natural gas prices, and taking a
8 positive step toward achieving greater U.S. energy independence from reliance on
9 middle east fuel sources. FGPP will be constructed on a 4,900-acre site located in
10 unincorporated Glades County. The site is located west of Lake Okeechobee,
11 approximately four miles ^{northwest} ~~northeast~~ of the town of Moore Haven in an
12 unincorporated area of Glades County.

13
14 My testimony provides an overview of FPL’s request, describing some of the
15 significant challenges we face in meeting the growing demand for electricity in
16 the state of Florida, addressing the need for system fuel diversity, discussing the
17 economic uncertainties associated with this project compared to projects in
18 previous need determination proceedings, and explaining how such uncertainties
19 and other unique circumstances should affect the selection of the best resource
20 option and the Commission’s approach to this proceeding. Also in light of these
21 issues, and the magnitude of the financial commitment this project will require of
22 FPL and its customers, I summarize some of the specific findings and
23 determinations that FPL is asking the Commission to make in connection with the

1 determination of need, prior to FPL undertaking the project. Such determinations
2 include the institution of an annual review of the projected and actual costs to
3 enable the Commission annually to determine the prudence of actual costs and the
4 feasibility of continuing the project.

5 **Q. Have any governmental policy makers in the state recognized the need to**
6 **encourage fuel diversity?**

7 A. Yes. Various actions have been taken recently at the state government level to
8 endorse and encourage the development of a more diverse mix of fuel sources and
9 technologies to be used in Florida's energy future.

- 10 • Florida's Energy Plan, issued on January 17, 2006, addresses the importance
11 of fuel diversity and avoiding a reliance on any one fuel type such as natural
12 gas.
- 13 • The Florida Legislature recently highlighted the importance of fuel diversity
14 in ~~House~~^{Senate} Bill 888, which was signed into law on June 18, 2006. While this
15 Commission has always taken fuel diversity into account in approving new
16 generation in the state of Florida, the bill amended Section 403.519, Florida
17 Statutes, and now requires this Commission to explicitly consider "the need
18 for fuel diversity and supply reliability" when making its determination of
19 need for new electricity generating capacity.
- 20 • This Commission on August 29, 2006 moved to speed FPL's fuel diversity
21 efforts when it granted the company an exemption from a process that allows
22 parties to bid to provide the additional power we need. In its news release that
23 day explaining its decision, this Commission specifically cited FPL's efforts

1 to construct a coal-fired power plant, stating that “a diversified fuel portfolio
2 insulates ratepayers from high-cost fuels and enhances long-term stability of
3 Florida’s economy.”

4 **Q. Please describe the challenges FPL faces in planning for and constructing**
5 **new generation in the state of Florida.**

6 A. Florida, one of the most populated states in the nation, also continues to be one of
7 the fastest growing. Over the past decade, FPL added an average of about 85,000
8 new customers each year. FPL is projecting an annual average increase of more
9 than 88,000 new customers for the next ten years. In addition, electric usage per
10 FPL customer has increased by approximately 30 percent over the past 20 years.
11 As FPL witness Dr. Green explains in his testimony, FPL also projects continued
12 significant growth in energy usage per customer over the next decade. Despite
13 administering one of the most successful energy conservation programs in the
14 country, and a focus on developing renewable energy, this growth in demand for
15 electricity has necessitated and will continue to necessitate that, on average, FPL
16 build one large (i.e., 650 megawatt) power plant, or purchase an equivalent
17 amount every year, along with constructing the transmission and distribution
18 infrastructure needed to deliver the power to customers. This effort requires a
19 massive commitment of financial and other resources. Indeed, to meet the
20 additional demand for electricity, FPL’s capital expenditures are expected to
21 average about \$2 billion annually over the next four years.

1 Siting electric infrastructure also is a continuing challenge. Very early on in our
2 planning and siting process the Company makes considerable effort to listen to
3 the concerns of members of the community regarding the location of electric
4 infrastructure. It is not uncommon for us to hear that people do not want power
5 plants, poles or lines near where they live, work or play. Overcoming these
6 challenges is very difficult, especially in such a high growth environment as
7 Florida, with development occurring throughout much of the state and with fewer
8 and fewer sites and corridors from which to serve that growth.

9
10 Similarly, many people continue to have concerns about the impact of power
11 plant emissions, despite the fact that FPL has invested billions of dollars in clean
12 sources of energy such as natural gas and in power plant emissions control
13 equipment, and has emissions rates of CO₂, NO_x and SO₂ that are among the
14 lowest in the electric utility industry.

15
16 Florida, of course, has no natural fossil fuel resources for the production of
17 electricity, which further exacerbates the challenges described above, because it
18 necessitates the development or expansion of fuel delivery systems into the state.

19
20 I know of no utility in the country that must plan for the rate and scale of growth
21 we have in Florida under such challenging circumstances.

22 **Q. How have these factors affected FPL's fuel mix?**

23 **A.** As indicated in Mr. Silva's testimony, in 2005 FPL's fuel mix was as follows:

1 Natural gas (42%)

2 Nuclear (19%)

3 Coal (18%)

4 Fuel oil (17%)

5 Other sources (about 4%).

6 However, if only natural gas-fueled generation were added to FPL's system in the
7 future, by 2016 the proportion of natural gas-fired produced electricity would
8 increase to about 71% of total electricity delivered to FPL's customers, while the
9 contribution of coal would decrease to 7%.

10

11 Nuclear power, a safe, emissions-free source of electric power with low operating
12 costs, has been an important part of our company's fuel mix, today accounting for
13 about one-fifth of the power FPL generates. Nuclear power, however, presents its
14 own set of challenges, as a result of which no new order for a nuclear power plant
15 in the United States ("U.S.") has been placed for almost 30 years, and no new
16 nuclear plant in the U.S. has received an operating license from the NRC in the
17 past 11 years.

18

19 For many years now, natural gas has been the fuel of choice for both peak and
20 new base load power generation projects in the U.S. The fuel itself is clean and
21 has been readily available; the power generation technology is well understood,
22 proven reliable and thermodynamically efficient; and the typical combined cycle
23 plant has relatively short development and construction times, allowing for

1 flexibility in planning and the ability to meet changing demand forecasts. Thus,
2 for many years, highly efficient natural gas-fired combined cycle plants have
3 dominated all others in economic comparisons. As Mr. Silva indicates, choosing
4 a new generation project from among such gas-fired units, at least in terms of
5 comparing self-build options, has largely come down to choosing which plant site
6 offers the best system-integrated economics, taking into account technical and
7 economic considerations such as transmission issues and line losses. FPL has
8 taken full advantage of these favorable characteristics and has added
9 approximately 5,700 megawatts of clean, efficient natural gas-fired capacity in the
10 last seven years. With the completion of West County 1 and 2, approximately
11 64% of our fuel will be natural gas.

12 **Q. Please discuss the need for and advantage of fuel diversity.**

13 A. An investment in greater fuel diversity helps mitigate the effects of delivery
14 disruptions or price spikes of any one fuel. The use of a more varied array of fuel
15 sources thus enhances the reliability and reduces the cost volatility of electric
16 power. FPL witnesses will testify that:

- 17 • If FPL were limited to adding natural gas-fired generation exclusively in the
18 future, about 71% of the electricity delivered to FPL customers in 2016 would
19 be generated using natural gas.
- 20 • The existing natural gas pipeline infrastructure into peninsular Florida is
21 comprised of two pipelines from the Gulf Coast region. While this
22 infrastructure has provided a high level of reliability over the years, the
23 demands on both pipelines have continued to grow. In fact, by mid-2009,

1 these pipelines will be fully subscribed. Therefore, the addition of
2 incremental natural gas-fired generation will require an expansion of one or
3 both pipelines and/or a new interstate pipeline into Florida.

- 4 • Expansion of the existing pipelines to meet additional demand will not help
5 reduce the vulnerability to production curtailments due to natural disasters
6 such as hurricanes.
- 7 • As more natural gas-fueled generation is added, the need to consider
8 alternatives to maintain reliability will become imperative. These alternatives
9 could include the addition of a new interstate pipeline, additional underground
10 natural gas storage, on-site LNG storage facilities, and identifying alternate
11 supply sources, including access to new producing regions as well as the
12 addition of LNG. Currently, LNG supply accounts for approximately 2.7% of
13 the total U.S. natural gas supply. By 2020, as demand for natural gas grows, it
14 is projected that LNG will account for approximately 20% of the total U.S.
15 natural gas supply. However, it is important to note that to the extent LNG
16 supply imported from the oil producing regions of the middle east becomes a
17 greater percentage of total U.S. natural gas supply in the future, the risks
18 associated with foreign supply fuel sources will become more prevalent.
- 19 • Though no one can predict price cycles of fuels, based on current fuel price
20 forecasts the exclusive addition of natural gas-fueled generation in the future
21 would likely result in more volatile and higher fuel costs over time.

- 1 • Achieving a more balanced mix of fuel sources will mitigate the effect of a
- 2 rise in the price of any single fuel on the cost of producing electricity, and thus
- 3 help stabilize the price of electricity paid by FPL's customers.
- 4 • Coal-based generation is a practical way to avoid such an overdependence on
- 5 natural gas in the future.

6 **Q. Why is FPL proposing to construct a coal plant at this time?**

7 A. As I indicated earlier, FPL is proposing FGPP in the interest of fuel diversity and

8 the associated benefits for our customers. Until fairly recently, natural gas was a

9 relatively inexpensive fuel. Unfortunately, the relative price of natural gas has

10 increased significantly over the last several years, and the fundamentals of supply

11 and demand suggest that it is likely to increase further. On the demand side, some

12 of the very factors that have made natural gas attractive as a fuel – especially the

13 public's perception that gas provides a relatively clean emissions profile – are

14 likely to become more rather than less significant, while the supply side is

15 relatively constrained and does not appear likely to respond proportionately to the

16 increase in prices. Perhaps even more important, with fundamentally strong

17 demand and modest responsiveness of supply to prices, the future path of natural

18 gas prices is likely to be volatile, as it has been in the recent past.

19

20 FPL and its customers have already seen how significant the impact of price

21 volatility can be. FPL purchases the fuel used to produce electricity and bills

22 customers for the fuel directly at cost – with no profit added. FPL customers saw

23 the latest spike in natural gas prices reflected in their bills beginning in January

1 2006. At that time, a residential 1,000 kWh bill increased by approximately \$17
2 or 18.5% over the 2005 bill, an increase of \$204 per year, primarily due to an
3 increase in fuel costs. Based on FPL's 2007 projected gas consumption as filed in
4 the Fuel Cost Recovery Docket No. 060001-EI, each one dollar per MMBtu
5 increase in the cost of natural gas translates to an increase in FPL's fuel costs of
6 approximately \$430 million. Additionally, as recent hurricanes have shown,
7 natural gas supplies to Florida, which originate in the Gulf of Mexico region, are
8 vulnerable to interruptions. It is quite clear that customers dislike volatility in
9 their bills and there is real value to them in reducing price volatility, just as there
10 is value to customers in enhancing service reliability. FGPP can play an
11 important role in reducing FPL's and its customers' exposure to natural gas price
12 volatility and to potential interruptions in the availability of natural gas supply,
13 which might otherwise lead to temporary power curtailments. To address these
14 issues of natural gas price volatility and supply reliability, FPL is expanding its
15 pursuit of alternative fuel sources to generate power.

16 **Q. Please elaborate on some of FPL's considerations in proposing to construct**
17 **FGPP.**

18 A. While the capital costs of any solid-fuel plant such as FGPP are higher than those
19 for a natural gas-fired plant, the fuel costs are projected to be substantially lower.
20 Thus, upon its commercial operation FGPP will provide substantial fuel savings.
21 Significantly, as Dr. Sim and Mr. Silva indicate in their testimonies, under a
22 significant number of the fuel price scenarios considered in their analysis, FGPP
23 will prove to be the most cost-effective alternative on a long term basis.

1 However, the primary reason FPL is proposing to construct an advanced
2 technology coal power plant is to establish a more diversified fuel portfolio that
3 will, in turn, enhance the reliability of FPL's power supply and mitigate the price
4 volatility of natural gas.

5
6 Coal, of course, is unique among fossil fuels in that the U.S. has an abundant
7 supply. For example, in his testimony Mr. Schwartz notes estimated domestic
8 coal reserves of approximately 230 years based on current demand. Coal,
9 therefore, is an important component of any plan to move to greater energy
10 independence from foreign sourced fossil-fuels, something that I believe most
11 people in this country would agree is imperative for our energy future.

12
13 As Mr. Silva explains, FPL has considered and will continue to consider other
14 options that could contribute to fuel diversity, including renewables such as solar
15 and wind technologies. However, nothing else, not even the significant amount of
16 demand side management in FPL's system, either individually or in the aggregate,
17 would provide the desired fuel diversity in sufficient amounts at the required time.
18 In an effort to stabilize prices and make use of an abundant, readily available fuel
19 source, and after extensive analysis of all available options, FPL proposes to
20 maintain its fuel diversity by adding state-of-the-art advanced technology coal
21 generation to its portfolio of generating plants. As explained in more detail by
22 Mr. Hicks in his testimony, this power plant will produce steam at very high
23 temperatures and pressures which results in producing electricity with higher

1 efficiency and fewer emissions than previous generations of coal-fired power
2 plants. This highly efficient generating technology will be complemented by
3 installation of a comprehensive, state-of-the-art suite of environmental quality
4 control systems, as described by Mr. Hicks.

5 **Q. You described some of the challenges in constructing a coal-fired power
6 plant in the state of Florida. Have those challenges abated?**

7 A. In some respects yes, and in others no.

8 **Q. What conditions or factors have changed favorably for the construction of a
9 coal-fired unit?**

10 A. There are several major developments that have occurred or are now occurring
11 that we considered in arriving at our decision to pursue this advanced technology
12 coal plant.

13
14 The first is the emergence of a viable clean coal technology commercially
15 available on the scale required that will enable FGPP to meet or exceed Florida's
16 stringent environmental regulations.

17
18 In addition to these major advances in technology that will be incorporated into
19 our new power plant, the recent high market prices for natural gas, which FPL
20 uses to generate a significant percentage of its electricity, and the potential that,
21 going forward, natural gas prices may increase at a much higher rate than coal,
22 makes coal particularly attractive for FPL in the future. Also of equal

1 importance, coal is an abundant and readily available fuel in America, thus
2 making it a more secure source of fuel.

3 **Q. What conditions or factors present particular challenges for the construction**
4 **of a coal-fired unit?**

5 A. FGPP will help meet the need in Florida for reliable, cost-effective power in an
6 environmentally responsible way, and will serve as a strong economic engine in
7 an area of the state that would benefit from the plant's effect on the local
8 economy. FGPP has the support of most local governmental and economic
9 development agencies, as well as many community supporters who welcome the
10 opportunities the plant will provide. Even with all the good support the proposed
11 plant has received, we understand that other stakeholders may raise concerns
12 about the Company's plans and we realize that legal challenges are a potential
13 part of the process of developing a major project. But debate is healthy -- and as
14 the process goes forward, FPL will continue to consider the views of those whose
15 views differ from ours.

16
17 In addition, as discussed in more detail by Mr. Yeager, significant uncertainties in
18 the market for labor and materials may affect the schedule of the Project and may
19 present construction challenges.

20 **Q. Given these challenges, why pursue a coal plant?**

21 A. As I have indicated, pursuing an advanced technology coal plant will provide
22 customers with reduced fuel price volatility, enhanced system reliability and help
23 provide more stable prices – and do so in a way that is consistent with FPL's long

1 history of respect for the environment. In addition, using a fuel that is so
2 abundant domestically, in contrast to other fossil fuels, is consistent with the
3 critical public policy initiatives in this country to achieve greater energy
4 independence from foreign sourced fossil-fuels.

5
6 As presented by FPL witnesses, after extensive analysis of a wide range of market
7 conditions, risk factors, technology and environmental issues and community
8 concerns -- and the impacts of all of these on safely providing reliable electric
9 service at a reasonable cost to meet growing demand -- we have concluded that
10 adding coal generation to FPL's portfolio is the right choice for our customers as
11 we plan today for tomorrow's needs.

12
13 We also believe that the proposal to construct FGPP is consistent with our strong
14 environmental record. Specifically, FPL will continue to be among the very
15 cleanest generating utilities in the nation and will continue to have the lowest CO₂
16 emissions rate of any major utility in the state of Florida. First, FGPP will
17 employ a series of state-of-the-art advanced pollution control technologies.
18 Second, the proposed project will be scrutinized by numerous state and federal
19 agencies to ensure that it meets all applicable environmental and other
20 requirements. Third, FGPP will be an extremely efficient power plant, meaning
21 it will burn less fuel to generate the same amount of electric energy relative to
22 other coal units in the state and, in fact, in the nation.

1 Q. Why was an advanced technology coal plant selected?

2 A. As I explained earlier, the need to diversify FPL's fuel sources necessitates the
3 addition of a power plant fueled by something other than natural gas. Wind and
4 solar power, on the scale that is needed, are not viable options in Florida at this
5 time. Nuclear power, while re-emerging as a possible resource option to provide
6 base load generation in the future, also faces significant hurdles and, in any event,
7 successful completion of such a plant would be well beyond our needed time
8 frame. And, as stated by Dr. Sim, energy savings through demand side
9 management, although expected to remain sizable and even growing, will not be
10 enough to meet FPL's future additional power needs. This is despite the fact that,
11 between 2006 and 2015, FPL will add 637 MW of load management and 729
12 MW of conservation for a total of 1,366 MW of incremental demand side
13 management. This will avoid the need for another 1,639 MW of new generation
14 capacity in those years.

15
16 Advanced technology coal is the right choice, and FGPP will be much different
17 from traditional coal-fired plants in terms of efficiency and environmental impact.
18 The type of coal that would be used at FGPP is abundant in the U.S. As Mr.
19 Schwartz indicates, there is roughly a 230-year domestic supply unburdened by
20 the geopolitical issues (e.g., energy dependence and terrorism) presented by oil
21 imported from the Middle East -- issues that may also arise in the future with
22 imported liquefied natural gas ("LNG"). In addition, as I mentioned, FGPP will

1 be much more efficient than conventional coal technology currently used in
2 Florida and the rest of the U. S.

3
4 Further, each of the units will use proven air pollution control technologies to
5 maintain an emission level that will be among the lowest in the country for similar
6 new facilities. Not only will these units minimize air emissions to the greatest
7 extent practicable, but we are designing the facilities with the aim that certain
8 emissions control technologies currently in development may, when proven, be
9 retrofitted into these units. Critics, on the other hand, will suggest that FGPP is
10 the wrong solution because it does not immediately address the issue of carbon
11 dioxide emissions. As other FPL witnesses show, this notion is misguided.
12 FGPP's technology and integrated gasification combined cycle (IGCC) would
13 both produce about the same amount of carbon dioxide emissions. Neither of
14 these technologies, nor other available solid fuel technologies, currently allows
15 carbon dioxide emissions to be captured and sequestered on a cost-effective basis.
16 And, as Mr. Yupp and Mr. Silva explain, because natural gas is likely to remain
17 the marginal fuel for the foreseeable future, it is likely that a regulatory
18 environment that factors carbon dioxide into the price of power will also put
19 additional upward pressure on natural gas prices, thus diluting any disadvantage
20 that a coal-fired project would otherwise have. In fact, Mr. Kosky notes that
21 depending on the type of emission, IGCC is actually worse.

1 I want to be clear that FPL and others in the industry recognize that there likely
2 will be legislative action in the future aimed at reducing CO₂ emissions. As
3 FPL's witnesses explain, we have taken that into account in our planning for
4 FGPP, actually modeling a range of possible outcomes. We expect that the
5 Commission, in determining whether to grant a determination of need for FGPP,
6 certainly would accept the fact that such costs to some extent are likely to be
7 imposed on FGPP and other power plants in the future, although the precise
8 amount is unknown at this time. This is one of the key uncertainties associated
9 with this project that I discuss below in reference to the specific request we are
10 making regarding prudence and future cost recovery, and is discussed at length by
11 Mr. Kosky and other FPL witnesses.

12
13 I would also note that FPL and its parent company FPL Group, Inc. (FPL Group)
14 have been recognized as environmental leaders in the utility industry. FPL Group
15 earned the #1 ranking in environmental performance for the fourth straight time
16 by Innovest, a Wall Street investment research company. As I stated earlier, our
17 emissions rates for NO_x, SO₂ and CO₂ are among the lowest of our peer
18 companies nationwide. The U.S. Department of Energy has ranked our energy
19 conservation efforts #1 among electric utilities nationwide. And our affiliate
20 company, FPL Energy, is the world's largest renewable energy provider. It is the
21 largest generator of wind energy in the U.S. and the world, and also is the largest
22 producer of solar generation in the U.S.

1 So while some may question the effect on our clean energy reputation of bringing
2 on-line a coal-fired power plant, I would note that after the addition of FGPP an
3 advanced coal technology, FPL will continue to be among the very cleanest
4 generating utilities in the nation and will continue to have the lowest CO₂
5 emissions rate of any major utility in the state of Florida.

6 **Q. FPL has indicated its public support for various efforts to address climate**
7 **change and curb greenhouse gas emissions. Are these actions consistent with**
8 **FPL's proposal to construct FGPP?**

9 A. Yes. FPL's central view on this matter is that it is time for this nation to move
10 forward with a mandatory, economy-wide, market based carbon dioxide reduction
11 program. Our industry and its investors need certainty on this matter in order to
12 plan accordingly. Once a national policy is in place, individual companies could
13 then make decisions on existing and new generation consistent with the program's
14 overall requirements. While FPL may not agree with every aspect of every bill,
15 proposal or white paper being discussed on this matter in the public domain, we
16 want to be a part of constructive efforts to further the dialogue and reach our goal.
17 Going forward, we fully expect that coal-fired generation will continue to be an
18 essential part our fuel mix, nationally and at FPL, as it will continue to be
19 important for fuel diversity, reliability and price stability. At FPL, we have built
20 a portfolio of assets that includes low and non-emitting generation that places FPL
21 in a better position to face stricter environmental requirements. In fact, as Mr.
22 Ken Kosky states in his testimony, even with the addition of FGPP, FPL's
23 average rate of CO₂ emissions would be trending downward. The average rate of

1 CO₂ emissions per MWH for the period 2015 through 2020 is expected to be
2 17.4% lower than the previous period from 2000 through 2005.

3 **Q. Did FPL consider other coal technologies?**

4 A. As other FPL witnesses explain, FPL evaluated four coal technologies as part of
5 the selection process. The four technologies were sub-critical pulverized coal
6 (PC), integrated gasification combined cycle (IGCC), circulating fluidized bed
7 (CFB), and ultra-supercritical pulverized coal (USCPC) -- the technology
8 proposed for FGPP. A discussion of these technologies was provided in FPL's
9 Report on Clean Coal Generation, which was provided to the Commission on
10 March 10, 2005. To summarize that report, FPL carefully assessed each
11 technology according to a number of factors -- unit output, heat rate, availability,
12 capital cost and O&M costs. Based on a thorough analysis, FPL concluded that
13 USCPC is the best overall choice to provide the benefits of fuel diversity in the
14 2013 time frame. As discussed in the testimony of Dr. Sim and Mr. Hicks, these
15 results have been confirmed by subsequent studies.

16
17 This technology coupled with a complete suite of emissions control equipment,
18 and an innovative plant design, will allow the major byproducts of the combustion
19 and emissions control processes to be recycled into useful commercial products.
20 The bottom line is that the use of USCPC will provide our customers with the best
21 mix of capital and operating costs, high efficiency, high demonstrated reliability
22 and environmentally responsible conversion of coal to electricity from among the
23 available coal generation alternatives. Messrs. Yeager and Hicks will go into
24 further detail on these coal technologies, and Mr. Jenkins will specifically address

1 why IGCC would not be a viable solution at this time at the scale and efficiency
2 that would be required to meet FPL's fuel diversity goals.

3 **Q. Please summarize the economic uncertainties associated with the project and**
4 **how it affects the decision-making process in selecting the best alternative.**

5 A. As Mr. Silva and others explain, there are three key areas of economic uncertainty
6 associated with FPL's analysis: (1) the future fuel price differential between
7 natural gas and coal; (2) costs of compliance with future environmental
8 requirements or unanticipated Site Certification conditions; and (3) the actual
9 capital cost and schedule of completing FGPP and placing it in commercial
10 operation.

11
12 First, we know the capital and operation and maintenance ("O&M") costs of
13 FGPP will be greater than those of a similarly-sized natural gas-fueled generating
14 plant. But, it is likely that a significant differential between natural gas and coal
15 prices will help to offset the capital and O&M cost differential – though it is
16 difficult to project far into the future what that fuel price differential may be
17 during the plant's 40-year life. However, even if actual natural gas prices in the
18 future are lower, our customers will still benefit because a significant portion of
19 FPL's generation will continue to utilize natural gas.

20
21 Second, FPL's economic analysis also indicates significant uncertainty from the
22 possibility of additional legislative or regulatory requirements, especially in the
23 area of emissions standards. Complying with these potential additional

1 requirements could involve supplementary control equipment, higher emission
2 allowances costs, higher taxes, increased fuel expenditures, or a combination of
3 some or all of these measures that may result in substantial added costs. These
4 prospective requirements, which could be very large, would be part of the cost of
5 electricity borne by FPL's customers. As I indicated earlier, although we expect
6 such requirements to be imposed in the future, the timing and amount is not
7 known at this time. Similarly, unanticipated conditions that may be adopted as
8 part of the Site Certification could impose additional capital or O&M costs on
9 FGPP.

10
11 The third major economic uncertainty results from the much longer lead time that
12 is required – about five to six years from the date of this need filing - for
13 development, permitting and construction of the first FGPP unit and the potential
14 for delays during this process. Again, any delay in the process of obtaining a
15 final Site Certification for FGPP, or delays from any number of potential sources
16 such as vendors, suppliers, and contractors, will cause the plant's capital costs to
17 escalate. Any of these factors, which would be outside the control of FPL, could
18 cause the capital costs of FGPP to be higher than projected.

19
20 Despite these key economic uncertainties, I believe that FPL's proposal to
21 undertake the addition of FGPP at this time is the best, most cost-effective
22 alternative for maintaining fuel diversity within FPL's generation portfolio.
23 FGPP will provide greater system reliability, will help to dampen the effect of
24 volatility in natural gas prices, and be a step forward in the efforts to achieve

1 greater energy independence. The decision to grant a determination of need for
2 this addition to FPL's portfolio should be based on similar findings that these
3 units are the best, most cost-effective alternative for preserving fuel diversity,
4 thereby providing greater reliability and lower fuel-cost volatility for FPL's
5 customers than would be achieved by adding gas-fueled generation at this time.

6 **Q. Given some of the factors and issues you have described above, how does this**
7 **request for a determination of need differ from the most recent requests for**
8 **determinations of need filed by FPL and granted by the Commission?**

9 A. FPL's request that the Commission grant a determination of need for FGPP and
10 approve the related cost recovery methodology proposed by FPL is predicated on
11 several key factors that are different from those associated with the requests for
12 recent determinations of need submitted in connection with Martin Unit 8 and
13 Manatee Unit 3, Turkey Point Unit 5, and the West County Energy Center:
14 specifically, as discussed above and elsewhere by FPL witnesses, (a) an
15 overarching objective to maintain fuel diversity on FPL's system, (b) the very
16 large capital costs associated with this project, and (c) the significant uncertainties
17 associated with construction and other costs, as well as the project timetable.

18 **Q. How are you suggesting the Commission approach this proceeding and**
19 **FPL's request given the uncertainties you describe above, and the differences**
20 **you have highlighted between this and past requests for a determination of**
21 **need?**

22 A. While the Commission should consider all of the factors set forth in the Florida
23 Power Plant Siting Act ("PPSA"), particular emphasis and weight should be

1 placed on the need for fuel diversity consistent with the recent amendments to
2 Section 403.519, Florida Statutes, as I have discussed, and as supported by other
3 witnesses for FPL. This is especially important given the number of significant
4 variables involved in assessing the actual economics of FGPP. The Commission
5 must recognize that there can be no guarantee that the future state of the world
6 will always make FGPP's overall economics the least cost as compared to those
7 of additional natural gas-fired capacity. Clearly, if real relative natural gas prices
8 declined and remained low after FGPP was completed – admittedly an unlikely
9 scenario but not an impossible one – customers would have been better off had
10 they and FPL “bet” on natural gas. But that would be a bet that few rational
11 customers would want to make. With the addition of FGPP, customers gain
12 protection: if natural gas prices are relatively low, then bills are relatively low
13 because the existing natural gas-fired units in the fleet offer even better economics
14 than was expected when they were built; on the other hand, if natural gas prices
15 are relatively high then the economics of FGPP look even better and provide
16 some offset to the impact of those higher gas prices.

17
18 Other economic uncertainties will come into play as well, as noted above, and
19 described in more detail by Messrs. Yeager, Damon and others. For example,
20 natural gas-fired units are more easily sited, involve shorter construction lead
21 times, and require smaller capital investments. But, as I have indicated, and other
22 FPL witnesses discuss in more detail, a coal plant brings important benefits of
23 fuel diversity.

1 Because of these uncertainties, and given the very large capital commitment the
2 Company and its customers will need to make in order to pursue the benefits of
3 fuel diversity, FPL is requesting clear and unwavering direction from the
4 Commission on these significant policy choices regarding fuel selection and the
5 prudence of FGPP and its costs.

6 **Q. Please summarize the specific requests FPL is making with regard to**
7 **establishing the prudence of FGPP and its costs.**

8 A. FPL is requesting that, in connection with granting a determination of need for
9 FGPP, the Commission also specifically find that, based on the projected installed
10 costs of FGPP and the associated facilities, as well as the other projected costs
11 and assumptions, the decision to build the project is prudent and, subject to an
12 annual review process that Mr. Silva describes, that the proposed costs, including
13 additional costs that are imposed pursuant to subsequent environmental legislation
14 or regulatory requirements, likewise are prudent. Further, in light of the dynamic
15 nature of key factors upon which this project is predicated, we are requesting an
16 annual review of actual costs incurred and projected costs, as well as the
17 continued feasibility of the project. In addition, we are also requesting that the
18 Commission approve a mechanism for the recovery of costs incurred should the
19 project not be completed due to a subsequent Commission determination or is
20 otherwise precluded from being completed.

1 Q. Why does FPL feel that it is necessary to make these requests in the context
2 of its request for a determination of need?

3 A. By stating the applicable cost-recovery principles and providing for annual
4 reviews, the Commission's need determination order will provide a certain
5 measure of assurance to investors who will be asked to finance the project. For
6 example, affirming in the need determination order that prudently incurred costs
7 will be recoverable whether the project is ultimately completed or not will, all
8 other things equal, help maintain a more favorable credit risk profile for the
9 Company and help offset some of the negative impact that such a large, complex
10 and uncertain project would otherwise have.

11
12 FPL believes that the decision to construct FGPP is in the long-term interest of
13 our customers, but recognizes that the capital costs for the project are very large,
14 requiring a significant financial commitment on the part of FPL and its customers.
15 Moreover, the market forces and public policy issues that influence this decision
16 are highly fluid and dynamic, and there are many risks outside of FPL's and this
17 Commission's control that affect the feasibility of the project. FPL's witnesses
18 describe these risks in considerable detail.

19
20 FPL believes that the interests of all stakeholders in this proceeding are well
21 served by a careful delineation of the regulatory processes and procedures
22 applicable to this project. The findings and affirmations that FPL is asking be
23 included in the Commission's need determination Order, while perhaps striking

1 some as regulatory truisms (e.g., all prudently incurred costs should be
 2 recoverable or that costs associated with environmental compliance will be
 3 recoverable through the Environmental Cost Recovery Clause), are valuable
 4 precisely because of the clarity they will bring to the regulatory treatment of costs
 5 associated with a project such as FGPP.

6
 7 While the time for charging FGPP costs to customers in rates will not occur for
 8 several years, the benefits of providing clear cost-recovery and regulatory
 9 direction for FGPP begin sooner.

10 **Q. How will the addition of FGPP affect customer bills?**

11 A. While the capital costs of FGPP are high relative to comparable sized gas-fired
 12 generating units, these capital costs are offset to a large extent by fuel savings.
 13 Using the example in Mr. Silva's testimony, the estimated net effect on a
 14 residential 1,000 kWh monthly bill for both FGPP units is ~~\$3.96~~^{3.63}. The estimated
 15 increase in the 1,000 kWh residential base bill for the first year revenue
 16 requirements for both FGPP units is \$9.41, and the corresponding projected fuel
 17 savings for both units, compared to not adding FGPP or any new generation, is
 18 ~~\$5.75~~^{5.75} for a net effect of \$3.96. This ~~\$3.96~~^{3.63} per month or ~~\$47.52~~^{43.56} per year for FGPP
 19 compares very favorably to the bill increases experienced by our customers in
 20 2006 due to spikes in natural gas prices.

1 **Q. Should the Commission grant FPL's request for a determination of need for**
2 **FGPP?**

3 A. Yes. Adding FGPP to FPL's power plant portfolio is the best, most cost-effective
4 solution FPL can pursue to maintain fuel diversity and system reliability for our
5 customers. Specifically, this addition is needed to preserve a balanced, fuel
6 diverse generation portfolio, as well as to maintain an adequate level of
7 generation reserve margin.

8

9

SUMMARY

10

11 **Q. Please summarize your testimony.**

12 A. FPL believes this advanced technology coal project is needed in Florida to
13 maintain FPL's fuel diversity – a goal shared by the Florida legislature and this
14 Commission. Greater fuel diversity, in turn, will enhance the reliability of our
15 power supply and help stabilize electricity prices. Further, the advanced
16 technology design and state-of-the-art pollution controls at FGPP will minimize
17 emissions, enabling FPL to continue its tradition of sound environmental
18 management. Building this state-of-the-art, advanced technology coal-fired
19 power plant is the right choice for FPL and its customers. In light of the
20 magnitude of the financial commitment that FPL and its customers will need to
21 make to construct FGPP, and the significant public policy issues associated with
22 the choice of fuel for this generating unit, FPL is requesting a determination from
23 the Commission relative to the prudence of the project and the means by which

1 such costs would be reflected in rates, including the establishment of an annual
2 review process by which the prudence of actual costs incurred could be assessed
3 and the continued feasibility of the project considered.

4 **Q. Does this conclude your direct testimony?**

5 **A. Yes.**

1 BY MR. LITCHFIELD:

2 Q. Mr. Olivera, have you prepared a summary of
3 your direct testimony?

4 A. I have.

5 Q. Would you please provide that to the
6 Commission at this time.

7 A. I will. Thank you. Good afternoon, Chairman
8 Edgar, Commissioner Carter, and Commissioner McMurrian.
9 I really appreciate the opportunity to present the
10 summary of my testimony and an overview of the FP&L
11 Glades Power Park.

12 Today we have a long roster of witnesses that
13 will provide extensive details on all aspects of the
14 need analysis and specifications of the plant. FP&L's
15 Glades power plant is the best, most cost-effective way
16 to met the growing energy needs of our customers. It
17 takes into account fuel diversity, it provides reliable
18 power at a reasonable cost, and it's environmentally
19 responsible.

20 We need to maintain fuel diversity in our
21 system. The Florida Legislature has encouraged a more
22 diverse fuel mix. This Commission in its order
23 approving the need for the West County combined cycle
24 plant reminded us of the need for greater fuel
25 diversity.

1 Natural gas is a great fuel, and our customers
2 have really benefited from it, but you can have too much
3 of a good thing. And without this plant, 71 percent --
4 we will be 71 percent dependent on natural gas by 2016.
5 Natural gas has been a very volatile fuel, and the U.S.
6 has become increasingly dependent on foreign sources of
7 natural gas and is projected to be even more so in the
8 future.

9 The United States has an abundant supply of
10 coal, and unlike other fossil fuels, this is something
11 that we have, as you'll hear from one of our witnesses,
12 over a 200-year supply of coal. This is one way that it
13 will contribute to energy independence in our country.
14 Coal will also help mitigate the effects of delivery
15 disruptions and price spikes that we have seen in the
16 last few years during the more active hurricane seasons.
17 So this project goes a long ways towards giving us the
18 extra diversity.

19 Let me just briefly turn to the environmental
20 side. FP&L is an environmental leader. This plant is
21 consistent with this. The technology selected will be
22 highly efficient and cheaper and cleaner than other
23 solid fuel alternatives. It will employ
24 state-of-the-art emissions. You will hear from expert
25 witnesses how well the air impacts of this plant compare

1 with state and federal standards that are in place to
2 protect public health and welfare. Environmental
3 considerations are important to us, and should be to
4 everyone evaluating this project. With this plant, we
5 will continue to be one of the cleanest, lowest-emitting
6 utilities anywhere in the country, and our emissions
7 profile per megawatt-hour will be better than it is
8 today.

9 Let me briefly touch on the need. No one is
10 more aware than this Commission that Florida's economy
11 and its population continue to grow. No utility must
12 plan for the growth that we have in Florida. In the
13 past decade, FP&L has added an average of 85,000 new
14 customers each year. In the past 20 years, electric
15 usage per customer has increased by approximately
16 30 percent. The need for this plant is clear.

17 Despite one of the most successful demand-side
18 management programs in the country, our growth is still
19 the equivalent of a power plant a year, or about
20 600 megawatts. The United States Department of Energy
21 ranks Florida Power & Light as number one in
22 conservation and number four in energy management
23 programs. We remain committed to pursuing
24 cost-effective DSM programs. Between 2006 and 2015,
25 FP&L will add almost 1,400 megawatts of demand-side

1 management programs, and this will avoid two or three
2 good sized power plants. But growth in the state far
3 exceeds what can be achieved with DSM.

4 The same is true for renewables. Our
5 affiliate company, FP&L Energy, is the world's largest
6 renewable provider. They're number one in wind in the
7 U.S. and number one in solar. And so we have access to
8 people who understand this technology. We've been
9 focused on renewables. We are an industry leader in
10 purchased renewables. But right now, there are not
11 enough renewables to offset 600 megawatts of growth each
12 year.

13 We simply cannot get there with DSMs and
14 renewable programs. From time to time, we must add base
15 load capacity. And we firmly believe that this is the
16 best solution that we can pursue at this time to
17 maintain fuel diversity, to ensure system reliability,
18 and to mitigate price volatility for our customers. We
19 have a real need, and this is the way to meet it.

20 I thank you for this opportunity to speak
21 regarding our request. This concludes the summary of my
22 testimony.

23 CHAIRMAN EDGAR: Thank you.

24 MR. LITCHFIELD: Madam Chairman, FPL tenders
25 Mr. Olivera for cross-examination.

1 CHAIRMAN EDGAR: Thank you. Ms. Perdue, any
2 questions?

3 MS. PERDUE: No questions.

4 CHAIRMAN EDGAR: No questions. Okay.
5 Mr. Beck.

6 MR. BECK: No questions.

7 CHAIRMAN EDGAR: No questions? Mr. Gross.

8 MR. GROSS: Thank you, Madam Chair. I do have
9 questions.

10 I don't know whether to say good afternoon or
11 good evening, Mr. Olivera.

12 I would like to pass out an exhibit that I
13 would like to question Mr. Olivera about.

14 CHAIRMAN EDGAR: Mr. Gross, I am on -- we'll
15 mark it 159. And can you give me a title?

16 MR. GROSS: This is USCAP, "A Call for
17 Action."

18 CHAIRMAN EDGAR: Thank you.

19 (Exhibit 159 marked for identification.)

20 MS. BRUBAKER: Just a point of clarification,
21 if I may, Madam Chairman.

22 CHAIRMAN EDGAR: Ms. Brubaker.

23 MS. BRUBAKER: I believe this is the same
24 document or substantially the same document that was
25 identified as Hearing Exhibit 148 with Mr. Cavros's

1 public testimony. I just want to point that out,
2 because I've had several people say, "Deja vu."

3 CHAIRMAN EDGAR: Okay. I know that the front
4 is the same, but I'm not sure if all of the content is.

5 MS. BRUBAKER: Okay. Thank you.

6 MR. GROSS: Mr. Olivera --

7 MR. LITCHFIELD: I'm sorry, Madam Chairman.
8 Before we -- I'm sorry.

9 CHAIRMAN EDGAR: Mr. Litchfield, yes.

10 MR. LITCHFIELD: I'm sorry. I'm looking at
11 the exhibit, and it actually appears to be a composite
12 exhibit. It appears to consist of more than just USCAP
13 Call for Action. If I'm wrong about that, counsel could
14 perhaps clarify.

15 CHAIRMAN EDGAR: Mr. Gross.

16 MR. GROSS: Well, that's news to me. I'll
17 stand -- oh, I see. At the bottom, it looks like
18 another exhibit inadvertently got stapled. Just tear
19 that off.

20 MR. LITCHFIELD: That would be the last three
21 pages, at least according to my copy.

22 CHAIRMAN EDGAR: And that's what I'm looking
23 at as well.

24 MR. GROSS: Yes, yes. And I apologize for
25 that. I was unaware that that inadvertently was

1 attached.

2 CHAIRMAN EDGAR: Okay. We've got a lot of
3 paperwork. Thank you, Mr. Litchfield, for pointing that
4 out. So the last three pages with the charts will be
5 removed from what had been marked 159, and we'll go from
6 there.

7 CROSS-EXAMINATION

8 BY MR. GROSS:

9 Q. Mr. Olivera, this document, "USCAP, A Call for
10 Action," that has been marked as Exhibit 159, are you
11 familiar with this document?

12 A. Yes, I'm generally familiar with the contents.

13 Q. Can you just in general terms tell me what
14 this document represents?

15 A. It is a document drafted by large corporations
16 in the U.S. that sort of laid forth a series of
17 principles on how we should go about climate change
18 regulation or legislation.

19 Q. Is it true to your knowledge that FPL Group,
20 FPL's parent, is a signatory to this report?

21 A. Yes, it is.

22 Q. Is it true that this report is a consensus
23 document that reflects the collective view of the
24 participants?

25 A. It represents generally the views of all the

1 participants.

2 Q. Would you please turn to page 6 of the
3 document.

4 This document on page 6, among other things,
5 says that Congress should specify an emission target
6 zone aimed at reducing emissions by 60 percent to
7 80 percent from current levels by 2050; is that correct?

8 A. Bear with me while I look for the specific
9 wording, but it --

10 MR. LITCHFIELD: Perhaps Mr. Gross can refer
11 him to the specific sentence.

12 MR. KRASOWSKI: Excuse me, but we don't
13 have --

14 CHAIRMAN EDGAR: Are you actually on page 7?
15 Are you looking at page 7? I'm sorry, Mr --

16 THE WITNESS: I'm looking on page 6. I'm
17 sorry. I'm having trouble finding it.

18 CHAIRMAN EDGAR: Mr. Olivera, just a moment.
19 Mr. Krasowski.

20 MR. KRASOWSKI: I'm sorry. We found --

21 CHAIRMAN EDGAR: That's okay.

22 MR. KRASOWSKI: -- page 6. We were having
23 trouble finding page 6.

24 CHAIRMAN EDGAR: I understand. I was myself
25 there for a few moments, because we've got two pages per

1 page, I think.

2 BY MR. GROSS:

3 Q. Okay. I'm sorry. It is page 7, and it is
4 confusing the way this document has been prepared, the
5 format. Two pages are really on one sheet, and it's at
6 the bottom of the first column on page 7, on the
7 left-hand column.

8 A. I see it now. Thank you.

9 Q. And by being a signatory to this paper, is
10 that a position endorsed by FPL?

11 A. Yes, it is.

12 Q. Okay. Is it true that this reduction is
13 needed in order to stabilize greenhouse gas levels at a
14 carbon dioxide equivalent level between 450 to 550 parts
15 per million, the level scientists say is required to
16 avoid serious climate disruption?

17 A. Let me just preface and tell you that while we
18 signed on to this, I am not an expert that can talk to
19 you about the speed that these programs should be
20 implemented. As we signed on for these programs, we
21 signed on with really the belief that a policy was
22 necessary and that we do need slow down the emissions.
23 I am not an expert, and I'm not here to address with you
24 the rate that it should be done.

25 Q. I understand, and that's a fair statement. I

1 appreciate that.

2 As you understand it, FPL Group is committed
3 to the principles and recommendations identified in this
4 report?

5 **A.** Yes. We do believe that it is important that
6 as a matter of public policy that we address the effects
7 of climate change.

8 **Q.** I would like to ask you a question about page
9 17 of your direct testimony. It looks like it was filed
10 on February 1st, but actually dated January 29. Do you
11 have a copy of that?

12 **A.** I do.

13 **Q.** Is it your testimony that CO₂ regulation is
14 likely?

15 **A.** I think we -- yes, we believe that it is
16 likely, and we also believe that it will be good public
17 policy to have legislation that identifies some --
18 imputes a cost to carbon emissions, either through cap
19 and trade or through a carbon fee, which is really what
20 we have in a separate document that we have recommended.

21 **Q.** So is it fair to say that FPL supports that
22 type of regulation?

23 **A.** Yes, it's fair to say that we support some
24 sort of cost associated with carbon emissions.

25 **Q.** And is it true that the point of such

1 regulation would be to stabilize CO₂ to avoid major
2 impacts of global warming, like sea level rise, which
3 would seriously affect the State of Florida?

4 **A.** The general principle is that you slow down
5 the emissions of carbons, ultimately you stabilize it,
6 and then in the third phase, you reduce carbon
7 emissions. That's kind of the general framework of what
8 really all of the things that we've been participating
9 in espouse.

10 I may also like to add that we are in support
11 of this legislation, not just because we are very
12 concerned about climate and the impact, because we
13 believe that it's important that there be economic
14 signals in terms of carbon emissions so that those
15 entities that produce, effectively, the low-hanging
16 fruit, that there's a cost associated with that so that
17 that gets tackled first.

18 We also have been involved in the dialogue
19 because we're very concerned that our customers could
20 end up in a situation where they end up -- our customers
21 have, frankly, paid the price for us to be a clean
22 burning utility, because we burn so much natural gas and
23 because our emissions are low. Under some of the
24 scenarios that have been contemplated, our customers
25 could actually end up paying twice. They've paid for us

1 being a clean utility, and then they could end up having
2 to pay a tax to clean up dirtier plants elsewhere. So
3 we also believe that it's good for us to be engaged, to
4 participate and to try to the best extent that we can to
5 try to ensure that whatever legislation ultimately gets
6 put in place also gives our customers credit for what
7 they have effectively already paid for, which is this
8 clean generation portfolio that we have.

9 Q. Mr. Olivera, as the USCAP document says, that
10 would mean reducing CO₂ emissions by 60 to 80 percent by
11 2050. Would you agree that that's a pretty dramatic
12 reduction?

13 A. Yes, it would be a significant reduction.

14 Q. So if we're going to confront the problem that
15 gives rise to the need for CO₂ reductions, which FPL
16 supports, the federal reduction requirements would need
17 to be pretty stringent; would you agree?

18 A. I think you would -- yes, you would have to
19 have some significant costs imputed in carbon emissions.

20 Q. So would it be fair to say that we should
21 expect rather aggressive CO₂ controls?

22 A. I can't sit here today and tell you what will
23 happen in terms of federal regulation or what will
24 happen through other regulatory agencies. It would be
25 pure speculation on my part. I will tell you that we

1 support it. We think it's good public policy. But the
2 rate that that will go into effect, how high those taxes
3 will be, you know, I think there's a range of outcomes.

4 I do think that in the context of this
5 particular plant, I think we have modeled what we
6 believe are reasonable carbon costs, and you will hear
7 that both from Mr. Silva, who is the individual
8 primarily in charge of the modeling, and you will also
9 hear it from Mr. Judah Rose, who is the outside
10 consultant that we hired to help us really validate
11 whether the assumptions that we were making about
12 carbon, carbon costs, whether it's cap and trade -- it's
13 really a proxy, whether it's cap and trade or whether
14 it's a carbon fee, that we have adequately reflected
15 that in the economic analysis that we conducted for
16 coming forward with the need.

17 Q. Mr. Olivera, would you please look at page 9
18 of this USCAP document in the right-hand column, on the
19 right-hand side of page 9, the middle paragraph. I
20 would like to refer your attention to what's entitled
21 "New coal-based energy facilities and other stationary
22 sources." And it says, "Policies are needed to speed
23 transition to low- and zero-emission stationary sources
24 and strongly discourage further construction of
25 stationary sources that cannot easily capture CO₂

1 emissions for geologic sequestration. Regardless of how
2 allowances are generally allocated, they should not be
3 allocated to such new sources."

4 Now, you've previously stated that FPL is a
5 signatory and supports the policies in this document;
6 correct?

7 **A.** Yes, correct.

8 **Q.** Okay. And this policy is to strongly
9 discourage further construction of stationary sources
10 that cannot easily capture CO₂ emissions for geologic
11 sequestration. Now, isn't it true that the proposed
12 FGPP units are stationary sources that cannot easily
13 capture CO₂ emissions at this time?

14 **A.** I think what you will hear from our expert
15 witness, Mr. Jenkins, is that our facility has the same
16 ability to capture carbon and sequester carbon as an
17 IGCC facility.

18 Another data point is, there was recently an
19 MIT study that was released that frankly also validated
20 that, that both technologies will have an equal chance
21 of ultimately being able to ultimately capture carbon.
22 So I would say that our plant has that.

23 And in this document, it does contemplate that
24 there needs to continue to be a role for advanced coal
25 technologies in this country. Fifty percent of the

1 energy that's generated in this country is generated by
2 coal, so it does not contemplate that we will either
3 shut down all these coal plants or not use this abundant
4 fossil fuel that we have.

5 Q. Well, I guess my question wasn't really a
6 comparison between the plants that your company is
7 proposing and IGCC plants, but can your plant easily
8 capture CO₂ emissions for geologic sequestration?

9 A. Our plant has the same probability, the same
10 ability today to capture carbon as any other available
11 technology that's out there. And I would suggest if you
12 want to get a technical explanation, we have a witness,
13 Mr. Steve Jenkins, who is really a highly technical guy
14 that can really go into a lot of details with you about
15 why either technology today has the ability to
16 ultimately capture carbon. Recognize, this is all
17 evolving technology.

18 Q. I understand that -- you've clarified that
19 you're not an expert in this area, but do you know where
20 the CO₂ emissions would be sequestered with the
21 technology that FPL is the promoting?

22 A. I'm sorry. I'm not sure that I understand.
23 Which CO₂ emissions are you referring to?

24 Q. For the plants that you are proposing, where
25 would the CO₂ emissions be sequestered?

1 **A.** I'm sorry. I'm still a little -- you're
2 talking about the Glades power plants?

3 **Q.** Yes, the Glades plants.

4 MR. LITCHFIELD: Madam Chairman, may I ask for
5 a clarification with respect to the question as well?

6 CHAIRMAN EDGAR: Mr. Litchfield.

7 MR. LITCHFIELD: Does Mr. Gross wish
8 Mr. Olivera to assume that that capture technology has
9 become commercially viable? If that's the predicate,
10 then I have no objection to the question.

11 MR. GROSS: Well, this document is strongly
12 discouraging further construction where the technology
13 is not viable, and I'm not getting a straight answer to
14 that question. I mean, does the -- do the Glades
15 plants --

16 CHAIRMAN EDGAR: Hold on a second.

17 MR. GROSS: Okay.

18 CHAIRMAN EDGAR: I think it's all very
19 technical, and I think we're all trying to get there.
20 Mr. Gross, I will allow you to ask the question again.
21 But if you can answer Mr. Litchfield's question, that
22 might be helpful for the witness as well.

23 MR. GROSS: I'm not saying -- well, I think
24 he's asking me a question that's going to be part of our
25 case. Mr. Litchfield, were you asking is there

1 commercially viable CO₂ capture technology?

2 MR. LITCHFIELD: No. I was simply attempting
3 to clarify what I thought was some potential confusion on
4 the part of the witness and potentially in the dialogue
5 that I was hearing. And I just simply wondered whether
6 you were asking him to assume commercial viability of
7 capture, and then with that question, where would it be
8 sequestered. That was really simply all I was trying to
9 do.

10 MR. GROSS: Okay.

11 BY MR. GROSS:

12 Q. Well, is it fair to say that the plants, the
13 Glades FGPP plants do not currently have commercially
14 viable CO₂ capture technology?

15 A. Yes, it is fair to say today, with the current
16 specifications, the plant does not have carbon capture.

17 But I do want to point, since we're talking
18 about this document, to page 5, which really lays out
19 the premise of the document. In the first paragraph, it
20 really says the objective -- one of the principles is to
21 promote the technology that will ultimately allow for
22 carbon capture in a cost-effective way and storage. And
23 I would just read the last two sentences,
24 "cost-effective carbon capture and storage, which will
25 be particularly important in the deployment of advanced

1 coal technologies." So one of the principles of this
2 is, let's promote the R&D associated with these types of
3 technologies and try to do it in a cost-effective way.

4 Q. Okay. I'm going to ask one more question
5 about this. This document strongly discourages
6 construction of coal plants that cannot easily capture
7 CO₂ emissions for geologic sequestration. And the
8 plants that FPL is proposing, the Glades FGPP plants,
9 cannot easily capture -- or cannot capture at this time
10 CO₂ emissions for geologic sequestration; is that
11 correct?

12 A. Yes. I believe I've already answered that
13 question.

14 Q. Okay. Thank you. We'll move on.

15 Now, is it your testimony that FPL has lower
16 emission rates than other large utilities?

17 A. It is my testimony that we have lower emission
18 rates than most other utilities in the U.S.

19 Q. Now, is this due in large part to the fact
20 that FPL has relatively less coal in its portfolio?

21 A. Yes. It's a combination of having a large
22 dependence on natural gas and having a very new fleet of
23 combined cycle plants, natural gas-fired combined cycle
24 plants.

25 Q. On page 19 of your testimony, you state that

1 FPL's CO₂ per megawatt is trending down even with the
2 FGPP plants?

3 MR. LITCHFIELD: May I ask for a line number,
4 please?

5 CHAIRMAN EDGAR: Mr. Gross, what I'm looking
6 at looks like it may be the bottom of page 18 and the
7 top of 19.

8 MR. GROSS: Yes. I'm sorry. I have the page
9 numbers. I just saw that language. Oh, here it is. I
10 see it. It's at the very bottom of page 18, "In fact"
11 -- lines 21 through 23. "In fact, as Mr. Ken Kosky
12 states in his testimony, even with the addition of FGPP,
13 FPL's average rate of CO₂ emissions would be trending
14 downward."

15 BY MR. GROSS:

16 Q. That is your testimony?

17 A. Yes, it is.

18 Q. Okay. And if these questions are beyond your
19 expertise, please state, as you have already done so.
20 Strictly speaking, to address global warming, it is
21 total CO₂ output that matters, not CO₂ rates per
22 megawatt; is that correct?

23 A. I think you have to look at both the actual
24 CO₂ and the rates of emissions when you're putting
25 together policy on what's the appropriate thing to do.

1 **Q.** Would the FGPP units increase FPL's total CO₂
2 output?

3 **A.** Yes, they would.

4 **Q.** Would you expect FGPP to be still operating in
5 2050, the date by which we need to reduce CO₂ emissions
6 by 60 to 80 percent?

7 **A.** Yes, I really do believe that between now and
8 then we will come up with cost-effective technologies
9 that will address the concerns that we have for -- with
10 climate change. I am an engineer, and I'm a firm
11 believer that if we set our minds to it as a country and
12 as a society that we'll be successful.

13 **Q.** Between now and 2050, isn't it true that the
14 FGPP units would emit millions of tons of CO₂ every
15 year?

16 **A.** I haven't done the calculation.

17 **Q.** Is FPL proposing now to offset its CO₂
18 emissions by closing some other facility?

19 **A.** Not at this time.

20 **Q.** Now, do you recall in your testimony
21 explaining that without FGPP, 71 percent of FPL's power
22 would come from natural gas in 2016?

23 **A.** Yes, I recall saying that we will become
24 increasingly dependent on natural gas, and if we replace
25 the output of this Glades plant with natural gas, we

1 would be -- 71 percent of our energy will come from
2 natural gas.

3 **Q.** Is it correct that this statement assumes that
4 FPL will not identify any DSM efficiency or conservation
5 measures beyond what it already anticipates?

6 **A.** I think the statement assumes 1,500 megawatts
7 of DSM or close to 1,500 megawatts of DSM in the
8 calculation. That's over the next five to seven years.

9 **Q.** Does the statement also assume that FPL will
10 not generate any additional power from renewable
11 sources?

12 **A.** I will have to defer to Mr. Silva on the
13 details, but I believe that it assumes some incremental
14 level of renewables, but that would not be sufficient to
15 significantly alter the energy mix.

16 **Q.** Assuming FPL is unable to build FGPP, is it
17 FPL's intent to stop looking for additional DSM
18 efficiency and conservation opportunities beyond those
19 already planned?

20 **A.** No. We will continue to look for
21 cost-effective ways to increase DSM. But based on the
22 information we have today and the analysis that we have
23 conducted today, it's clear to us that the majority or
24 all of the capacity associated with the Glades power
25 plant would have to be replaced with natural gas.

1 **Q.** Assuming again that FPL is unable to build the
2 FGPP units, would it be FPL's intent not to aggressively
3 pursue opportunities for renewable sources of energy?

4 **A.** No. I think our record speaks for itself,
5 that we have been, and with the Commission's direction,
6 we have been aggressively pursuing DSM, and we will
7 continue to do so. But all of the analysis that we have
8 done -- and our witness, Dennis Brandt, can go into a
9 lot more detail -- shows that we have done everything we
10 can. And it's because we have concluded that we can't
11 do much more that we're here today requesting approval
12 of this need.

13 **Q.** Isn't it fair to say that the things that
14 we've been discussing, DSM efficiency and conservation
15 opportunities and opportunities for renewable sources of
16 energy, would have an impact on the estimate that
17 natural gas will reflect 71 percent of FPL's generation?

18 **A.** No. I think I have already said to you that
19 we are including that in our conclusion that 71 percent
20 of it would have to be -- would end up being natural gas
21 if we're not successful in building this plant.

22 **Q.** Would purchased power if it were available
23 have an impact on how much of FPL's power is subject to
24 potential disruption and/or volatility?

25 **A.** Can you elaborate on your question? Because

1 the answer is really dependent on what kind of purchased
2 power were we're talking about and where it comes from.

3 Q. I'll move on. And I apologize. I have a page
4 number, but no line numbers.

5 Please look at page 8, lines 19 through 21 of
6 your testimony.

7 MR. LITCHFIELD: I'm sorry, Mr. Gross. What
8 page was that?

9 MR. GROSS: Page 8, lines 19 through 21.

10 BY MR. GROSS:

11 Q. Have you found that, Mr. Olivera?

12 A. Yes, I have.

13 Q. You state that the exclusive addition of
14 natural gas generation would likely result in more
15 volatility and higher fuel costs; correct?

16 A. Yes, that's what it says.

17 Q. This is an educated guess; is that true?

18 A. No, I wouldn't say that it's a guess. It
19 relies on outside consultants that are in the business
20 of forecasting fossil fuel prices, and it reflects our
21 understanding of what's happening to the supply/demand
22 picture of natural gas in the United States. Demand for
23 natural gas is growing at a faster rate than we're able
24 to get the supply out of the United States. So that
25 tightening relationship between supply and demand is

1 pushing up the price. It's classic economics. It's
2 pushing up the price of natural gas.

3 Q. Well, given the current state of change with
4 respect to energy policy and global warming, is this
5 kind of -- isn't it true that this kind of prediction is
6 even less reliable than it otherwise would be?

7 A. No. I think based on all the information that
8 we have today, and if you assume that we will ultimately
9 have some sort of carbon regulation, that there will be
10 a tax, a fee, or some kind of a cap-and-trade system,
11 ultimately that's going to push up the price of natural
12 gas because it produces less carbon.

13 Q. Would you please look at page 13, starting
14 with lines 17 through 19.

15 A. I'm sorry. Can you repeat the line numbers?

16 Q. Page 13, lines 17 through 19.

17 A. Okay.

18 Q. Have you found that?

19 A. I have.

20 Q. Okay. You mentioned there that there's
21 significant uncertainty regarding labor and material
22 costs; correct?

23 A. Correct.

24 Q. Is it possible that these uncertainties may
25 make the FGPP units significantly more expensive?

1 **A.** I will defer to Mr. Yaeger on any kind of
2 detailed discussion about the cost estimates. We
3 believe that we have taken reasonable precautions in
4 terms of trying to lock in as much of the price as we
5 can, but it is one of the risks associated with the
6 project, and I will defer to him for a more detailed
7 explanation.

8 MR. GROSS: That concludes my questions. I
9 would like to move the USCAP document, 159, into
10 evidence.

11 CHAIRMAN EDGAR: Okay. My preference,
12 Mr. Gross, if that's all right, is to take up exhibits
13 at the end of the witness's testimony. That's just
14 generally the way I like to do things, if that works.

15 MR. GROSS: Thank you. That's fine.

16 CHAIRMAN EDGAR: Okay. Thank you.
17 Commissioners? Commissioner Carter.

18 COMMISSIONER CARTER: Thank you, Madam
19 Chairman. Good afternoon, Mr. Olivera.

20 I think that in listening to your discussion,
21 you're saying that -- in the discussion about carbon
22 taxes or whatever the case may be, whatever iteration it
23 comes in, it's okay with FPL so long as everyone pays
24 their fair share. Is that --

25 MR. KRASOWSKI: Excuse me, Commissioner

1 Carter.

2 COMMISSIONER CARTER: One moment, one moment.
3 You have to speak to the Chair. She's --

4 CHAIRMAN EDGAR: Mr. Krasowski, you will have
5 the opportunity to ask questions. Is that what you were
6 going to ask?

7 MR. KRASOWSKI: Yes. I thought we went this
8 way and then -- but --

9 CHAIRMAN EDGAR: We generally do, but we defer
10 Commissioners, who can jump in pretty much at any time
11 that they choose.

12 MR. KRASOWSKI: Yes, excuse me, absolutely. I
13 apologize.

14 CHAIRMAN EDGAR: But if I do ever miss
15 somebody, it doesn't bother me to make sure that I'm
16 aware of that. Okay. Commissioner Carter.

17 COMMISSIONER CARTER: Thank you, Madam Chair.

18 I think you were saying that you don't want to
19 pay -- the context was that you didn't want to pay more
20 than your fair share; is that right?

21 THE WITNESS: Yes, Commissioner. I think in
22 the context that I was talking about, one of our
23 concerns, again, one of the reasons why we have stepped
24 into the whole dialogue about what's the appropriate
25 climate change legislation is, we are concerned that our

1 customers, which are roughly half the population of
2 Florida, they have been for a long time paying for these
3 natural gas combined cycle plants that have a very good
4 emissions profile. They're clean plants.

5 And our concern is that on some of the
6 legislation that has been discussed, in some cases
7 proposed, there would be an allocation, depending --
8 let's just get to the economics. The areas where they
9 have the dirtier coal-burning plants, those companies
10 would end up getting, effectively, paid to clean up the
11 plants, but those payments would come from the general
12 body of customers. And in fact, in some cases, we would
13 pay a disproportionate share for doing that, even though
14 our plants don't need to be cleaned because they are
15 already clean plants. So we are concerned and want to
16 make sure that we have a place at the table when these
17 those discussions are going on.

18 COMMISSIONER CARTER: Just one follow-up.
19 Well, it's not really a follow-up. It's a different
20 subject matter. Is that okay?

21 CHAIRMAN EDGAR: You have the floor.

22 COMMISSIONER CARTER: Thank you, Madam Chair.
23 You remember, or are you familiar with the
24 X Prize competition they have? I think this year it's a
25 \$10 million award for enterprising aeronautics, and I

1 think Dick Rutan won it for the space plane that flew
2 about 64 miles up. Do you remember that?

3 THE WITNESS: Oh, yes. I think I am, yes.

4 COMMISSIONER CARTER: Would it be totally
5 absurd to expect, or maybe for the industry at large,
6 not just the IOUs, but the entire industry, co-ops,
7 munis, et cetera, to offer something similar to an
8 X Prize in, you know, electricity generation that would
9 come up -- I mean, most people said it couldn't be done,
10 but Dick Rutan came up with the right kind of skin on
11 his plane, he got the right pilot, he got the right
12 construction, got the right wind velocity, and so that
13 barrier no longer exists. Do you understand what I'm
14 saying?

15 THE WITNESS: I understand exactly what you're
16 saying, and I think my answer would be no. I think at
17 this point, you know what, we have to encourage
18 everything. And sometimes innovation comes from the
19 smallest places. And if you think about just the
20 genesis of Microsoft, you know, a couple of guys in a
21 garage. So I would say no. You never know where that
22 spark of innovation in technology will come from, and I
23 think we need to consider it.

24 COMMISSIONER CARTER: Thank you, Madam Chair.

25 CHAIRMAN EDGAR: Mr. Krasowski, do you have

1 questions on cross for this witness?

2 MR. KRASOWSKI: Yes, Madam Chair. Thank you
3 very much.

4 CROSS-EXAMINATION

5 BY MR. KRASOWSKI:

6 Q. Mr. Olivera, on page 18 -- we were on page 18
7 earlier. A similar line, line number 9 and 10, where
8 you say that the central view of FP&L on the matter of
9 greenhouse gas emissions is that it is time for the
10 nation to move forward with mandatory, economy-wide,
11 market based carbon reduction programs.

12 Are you familiar with what is being done by
13 Lakeland Utilities as far as their program? The utility
14 places a solar hot water heater in the property and then
15 maintains it and then charges by use of a meter. So
16 it's an innovative -- back to innovative, it's very much
17 like Microsoft, where we all lease their operation
18 system. Is that something you would be looking to
19 exploit to its fullest extent?

20 A. While I'm not familiar with all the details of
21 the Lakeland project, I should tell you that we are
22 putting together a program along those lines. I don't
23 know if it matches Lakeland exactly, but we are kind of
24 configuring a pilot program for solar water heaters on
25 rooftops, because we think that that has some potential.

1 And I have met with the people that are working on this
2 several times. It's not quite ready to be presented to
3 you all.

4 But I think it's also fair to say that today,
5 it would not move the needle enough to offset the need for
6 this plant. But it's one of many things that we have to
7 try. I think it's important for this Commission to know
8 that we are not opposed to demand-side management. I
9 think our record speaks for itself. We're not opposed
10 to renewables. We just haven't come up with a way that
11 we can offset the huge demand that we have in the state
12 and at a scale big enough that it would move the needle
13 in terms of fuel diversity.

14 But I think that you can expect that we will
15 -- we pride ourselves in this. We pride ourselves in
16 being innovative, and we pride ourselves in being
17 responsible citizens. And I think you will find that we
18 will continue to come forward with at least as many
19 ideas as we can think of that sort of make sense for the
20 public at large and make sense for our customers. So --
21 that's probably more than you wanted to hear.

22 Q. No, that's very interesting. I have another
23 question along the same lines. The Florida Solar Energy
24 Center over the years has had a program where they've
25 actually built homes in different areas of the state and

1 had control homes next to them comparing the
2 maximization of not only solar, but appliances and the
3 design of the home. If it was next year in the
4 Legislature required that these standards be integrated
5 into building codes, would you participate as a utility
6 to try to assist in providing services? Are you willing
7 to expand your role so that you could help move that
8 forward and be the Florida Power & Light provider, but
9 maybe in a new role where you install things and take
10 care of them?

11 **A.** Yes, we're certainly willing to consider
12 expanding our role. We support a number of these energy
13 efficient homes today. We have a program, sort of a
14 builders' program that we will come in and help design
15 kind of the most energy efficient home.

16 We've also been participating in Habitat for
17 Humanity, where originally we were helping kind of with
18 the home, but most recently, we are providing the most
19 energy efficient appliances as part of that. And
20 certainly we would consider anything that, you know, we
21 believe that we would be unique in providing and that's
22 cost-effective for the customer. Obviously, we don't
23 want to compete with the any of the number of appliance
24 dealers.

25 **Q.** And lastly, because I'll save some of my

1 questions to the other people that you've deferred to,
2 your expert witnesses -- well, I'll just leave it there.
3 Thank you very much. I appreciate your answers.

4 CHAIRMAN EDGAR: Are there questions from
5 staff?

6 MS. BRUBAKER: Just a few quick ones.

7 CROSS-EXAMINATION

8 BY MS. BRUBAKER:

9 Q. And honestly, if you feel these would be
10 better answered by another witness, please say so. But
11 since we have kind of opened the door with regard to the
12 issues of carbon capture and sequestration, can you tell
13 me with regard to the Glades plant, do you know to what
14 extent it has been designed to be capture-ready? And
15 what I mean by that is, for instance, has the site
16 footprint been designed to accommodate additional
17 capture equipment, has the piping and structural design
18 been designed to allow for additional extraction piping
19 for exhaust gases, that sort of thing?

20 A. I will defer to David Hicks on the specifics,
21 because I can't answer at that level of detail, but it's
22 my understanding that there is enough flexibility in the
23 footprint of the plant to allow for ultimate carbon
24 capture. But I will let him cover this in more detail.
25 I think he's more technically competent than I am on

1 this topic.

2 Q. And similarly, with the sequestration, has, to
3 your knowledge, FPL performed any geological studies
4 regarding what's below the plant, what requirements for
5 piping might be needed for sequestration?

6 A. I'm sorry. I'll defer that to David also.

7 Q. Thank you.

8 A. My knowledge is still evolving.

9 MS. BRUBAKER: And that's all staff has.

10 CHAIRMAN EDGAR: Commissioners, any other
11 questions for this witness? No? Mr. Litchfield.

12 MR. LITCHFIELD: No redirect.

13 CHAIRMAN EDGAR: No direct. Okay. Then we'll
14 take up exhibits.

15 Okay. I think first we had the exhibit marked
16 3 on the earlier list, and so seeing no objection, we'll
17 go ahead and enter Exhibit 3, the resumé bio information
18 into the record.

19 (Exhibit 3 admitted into the record.)

20 CHAIRMAN EDGAR: And then Mr. Gross, you had
21 the exhibit that we marked 159.

22 MR. GROSS: Correct.

23 CHAIRMAN EDGAR: Are there any objections?

24 MR. LITCHFIELD: No objection.

25 CHAIRMAN EDGAR: No objections. Okay. We

1 will go ahead and enter Exhibit 159 into the record.

2 (Exhibit 159 admitted into the record.)

3 CHAIRMAN EDGAR: Any other matters before this
4 witness is excused? Seeing none, thank you very much.

5 THE WITNESS: Thank you.

6 CHAIRMAN EDGAR: Okay, folks. It's about that
7 time, I think, 5:40. I think that we will break for the
8 day, and we will come back and we will begin at 9:30. I
9 had some construction that slowed me down getting in
10 this morning, and now I know to avoid that, so we will
11 aim to begin at 9:30.

12 And I will ask, as we discussed earlier, if
13 you can get with our staff, with all the parties, and
14 let's discuss how best to go through the witness list
15 with the time we have tomorrow. And we also will be
16 looking at potential dates to discuss, if indeed we need
17 an extension, as it appears we might.

18 Any other matters before we break? No? Okay.
19 Then we are on break, and I will see you at 9:30
20 tomorrow morning. Thank you.

21 (Proceedings recessed at 5:40 p.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 158 through 279 are a true and correct record of the aforesaid proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, or financially interested in the foregoing action.

DATED THIS 17th day of April, 2007.


MARY ALLEN NEEL, RPR, FPR
2894-A Remington Green Lane
Tallahassee, Florida 32308
(850) 878-2221