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Attachments: Posthearing Brief AIF.doc

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B. AIF's Post Hearing Brief

C. Associated Industries of Florida

D. There are a total of 9 pages in the attached document

E. The document attached for filing is Associated Industries of Florida's Post Hearing Brief.

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FPSC-COMMISSION CLERK

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Florida Power & Light Company's) Docket No. 070098-EI
Petition to Determine Need for FPL Glades)
Power Park Units 1 and 2 Electrical Power Plant) Date Filed: May 7, 2007

AIF'S POSTHEARING BRIEF

Associated Industries of Florida ("AIF") hereby files with the Florida Public Service Commission its Posthearing Brief in connection with Florida Power & Light Company's ("FPL's") petition to determine need for the Glades power plant and states:

Introduction

AIF's 10,000 members in Florida require adequate, reasonably priced electricity in order to conduct their business and compete in an increasingly global market. 152-53. The Commission should approve FPL's proposed plant in order to create a stable investment climate so that electric utilities such as FPL can build more fuel diverse generation systems to meet Florida's growing energy needs. Approval of the Glades units will help mitigate the risk of supply disruption associated with an increasing reliance on natural gas-fired generation and will help mitigate the electric price volatility associated with reliance on natural gas-fired generation.

If the PSC denies FPL's petition, more natural gas generation is the only alternative to meet the predicted demand in the relevant time period.¹ 154, 319-24. It would be unwise and inconsistent with the State's clearly articulated policy for the PSC to take steps that further increase the State's reliance on natural gas, especially when the PSC has been presented with a well-planned and environmentally sound alternative like FPL's Glades units.² 152-55.

¹ The record is clear that IGCC technology is not proven nor is it available in the near term, and the evidence shows it to be more expensive than the Glades plant. 324-25, 784-98.

² Further, if FPL had suggested a natural gas alternative to this clean coal technology, the environmentalists would likely have opposed that, as well. In previous hearings before the Minerals Management Service, many of

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FPSC-COMMISSION CLERK

Issues and Positions

Issue: Is there a need for the proposed generating units, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?

Position: *Yes. The Glades power plant is needed in order to ensure the availability of adequate, reasonably priced electricity in Florida. Approval of the unit will help provide a more fuel diverse generation system to meet Florida's growing energy needs.*

The Glades units are needed to help provide energy security for Florida. 152-55, 224-226. There is no dispute that the population in Florida is rapidly growing. This translates into an increased need for electricity for both customers and businesses in Florida. AIF supports policies to ensure that Florida businesses have a reliable and affordable energy supply so they may continue to compete in the global economy while working hard to protect Florida's pristine environment. AIF believes that construction of the Glades units is an important step toward these goals. The Glades units will provide reliable and affordable energy supplies to Florida's residents and businesses using an abundant low cost fuel that can be stockpiled and kept on hand. 152-155, 206-08, 319-24.

There are only two natural gas pipelines serving Florida and there are no fossil fuels indigenous to this state. 221-26. This leaves FPL and its customers, including many of AIF's members, extremely vulnerable to supply disruptions due to hurricanes and other events. Given the likelihood of hurricanes in the Gulf of Mexico in the coming years, and the likelihood of continued increased demand for natural gas, this Commission must act to protect the interests of Floridians in having a reliable and cost-effective supply of electricity. FGPP will help bring this type of reliability and security to Floridians and there is no reliable evidence to the contrary. 226-27.

these same environmental groups are the ones that are opposed to natural gas drilling. It is disingenuous that these groups are today saying they want natural gas when they are at the same time opposing drilling. 154.

The only evidence presented to the PSC that FGPP was not needed is completely incompetent, unsubstantiated and unreliable witness who is not a resident of Florida (1432), has not reviewed any census data or state data concerning population growth in Florida (1432), has not reviewed any state or federal data regarding job or economic growth in the State of Florida (1432) and did not conduct any serious analysis or investigation of Florida-specific data on which to base his opinions shared during the PSC hearing (1433). This witness agreed with FPL's load forecast and agreed that an adequate infrastructure, including available and reliable electric service, is a vital requirement for the State of Florida in competing with other states and other countries in attracting businesses to the State of Florida. 1433-34. Despite this clear and unequivocal agreement that a need exists, this witness suggested the Commission should deny FPL's request and require FPL to spend more on conservation as a means of meeting load growth in Florida. 1410-11, 1434-35.

On the other hand, FPL presented substantial competent evidence that maximum conservation efforts, many of which FPL already employs, would not negate the load growth needs of FPL's customer base. FPL has proven its success in avoiding or deferring new power plant construction using Demand Side Management (DSM). According to testimony from Mr. Brandt, the U.S. Department of Energy, ranked FPL as the nation's leader for cumulative conservation achievement and fourth in load management. In fact, this Commission recently approved an extensive modification of FPL's conservation efforts that added another 564 MW of summer demand reduction impact to FPL's Commission-approved DSM goals of 802 MW for 2006 through 2004.

Even if there were some modest potential for additional DSM, the evidence presented demonstrates that it is unrealistic for FPL to add significant incremental quantities in time to

mitigate the 2013 and 2014 capacity need. Therefore, despite FPL's outstanding accomplishments in the area of DSM, there is still not enough additional cost-effective DSM to avoid or defer the need for the Glades proposed units.

AIF strongly disagrees with the contention that FPL's petition should be rejected and that FPL should, instead, be required to spend more on conservation, particularly when doing so would raise rates to customers and do nothing to bring fuel diversity to FPL's generation mix. There is no evidence that spending more on conservation will mitigate the need for the Glades unit or that FPL can provide reliable service to its customers merely through adding incremental conservation to its portfolio. The record is clear that requiring FPL to spend more on conservation will increase rates to customers without any significant savings. 1878-79.

Issue: Is there a need for the proposed generating units, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes?

Position: *Yes. Approval of the Glades units will help mitigate the electric price volatility associated with reliance on natural gas-fired generation.*

As noted in the testimony of FPL president Mr. Armando Olivera, high oil and natural gas prices contributed greatly to the cost of electricity paid by FPL customers and AIF's members in recent years. 226-27. There is no dispute regarding this fact. Lower fuel prices from coal will help lower overall fuel costs while also making these costs less volatile. 243. As business owners and managers, lower and less volatile fuel costs from the Glades power plant are very important to AIF and its members, which rely on adequate, reasonably priced electricity in order to compete in the global marketplace. 153.

Issue: Is there a need for the proposed generating units, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519, Florida Statutes?

Position: *Yes. Approval of the Glades units will help mitigate the risk of supply disruption associated with natural gas-fired generation. The Commission should approve FPL's proposed plant in order to create a stable investment climate so that electric utilities such as FPL can build more fuel diverse generation systems to meet Florida's growing energy needs.*

It is undeniable that the Glades units will reduce Florida's dependence on high cost natural gas and oil. AIF believes that this reduction in reliance on natural gas will help fulfill the State of Florida's policy objective, as clearly pronounced in the amendments to Section 403.519(3), Florida Statutes last year, of relying less on natural gas and oil. Further, the Glades units will take a positive step toward achieving greater U.S. energy independence from reliance on middle east fuel sources. 219.

Florida needs a reliable and fuel diverse supply of electricity. If the PSC denies FPL's petition, more natural gas generation is the alternative in the relevant time period.³ 154, 319-24. It would be unwise and inconsistent with the State's clearly articulated policy for the PSC to take steps that further increase the State's reliance on natural gas, especially when the PSC has been presented with a well-planned and environmentally sound alternative like FPL's Glades units.⁴ 152-55.

Issue: Are there any conservation measures taken by or reasonably available to FPL which might mitigate the need for the proposed generating units?

Position: *No. AIF's business members value environmental stewardship. FPL is recognized as a leader in conservation and protecting the environment.*

³ The record is clear that IGCC technology is not proven nor is it available in the near term, and the evidence shows it to be more expensive than the Glades plant. 324-25, 784-98.

⁴ Further, if FPL had suggested a natural gas alternative to this clean coal technology, the environmentalists would likely have opposed that, as well. In previous hearings before the Minerals Management Service, many of these same environmental groups are the ones that are opposed to natural gas drilling. It is disingenuous that these groups are today saying they want natural gas when they are at the same time opposing drilling. 154.

The record is clear that there is not sufficient conservation available to mitigate the need for these units. Even the witness for the Sierra Club said that he was only presenting a “rough idea” of what might be available, and his idea would increase customers’ rates with no meaningful increase in conservation savings. 1408, 1879-79. FPL is ranked first nationally in cumulative conservation achievement and fourth in load management, and FPL has included the potential conservation for this time frame in forming the basis of its need for the Glades units. 662-63, 681-82, 693.

While the environmental groups suggest that FPL and this Commission should be looking to other states and utilities as models for conservation achievement, it is clear that FPL, and therefore Florida, lead the industry and the nation. Therefore, the PSC should not look to other states based on vague and unsupported recommendations of someone who is not from Florida and has conducted no Florida-specific analysis to support his recommendations. 1432-34.

Issue: Has FPL appropriately evaluated the cost of CO2 emission mitigation costs in its economic analysis?

Position: *Yes. The record is clear that FPL has conducted a fair and thorough evaluation of CO2 compliance costs and that the Glades units are the best choice even in light of the potential regulation of CO2.*

AIF and its members support environmental stewardship and the record is clear that FPL is a clean utility. 152-55, 222, 234. Even with the addition of the Glades units, the record is clear that FPL’s average rate of CO2 emissions would be trending downward. 235-36. FPL conducted a thorough and fair analysis of the potential for CO2 regulation and the Glades units are the best alternative for bringing fuel diversity to FPL’s system even in light of potential CO2 regulation.

Issue: Do the proposed FGPP generating units include the costs for the environmental controls necessary to meet current state and federal environmental requirements, including mercury, NOx, SO2, and particulate emissions?

Position: *Yes.*

AIF and its members support environmental stewardship and the record is clear that FPL is a clean utility. 152-55, 222, 234. FPL's emissions rates for NOx, SO2 and CO2 are among the lowest of large utilities nationwide. 234. FPL's analysis takes into account the costs for the environmental controls necessary to meet current state and federal environmental requirements, and the Glades units are the best alternative for bringing fuel diversity to FPL's system in light of that analysis.

Issue: Are the proposed generating units the most cost-effective alternative available, as this criterion is used in Section 403.519, Florida Statutes?

Position: *Taking into account the fuel-diversity benefits of the Glades units, yes.*

The Glades units are the best, most cost-effective alternative for bring a meaningful amount of fuel diversity to FPL's system during the relevant time period. 152-55, 221-26, 243. While the capital costs of the Glades units are high relative to comparable sized gas-fired generating units, these capital costs are offset to a large extent by fuel savings. 243. Fuel savings and a reduction in price volatility will serve the interests of FPL's customers, including many AIF members, over the long term, thus enabling Florida and AIF's members to continue to compete in an increasingly global marketplace. 152-55.

Issue: Based on the resolution of the foregoing issues, should the Commission grant FPL's petition to determine the need for the proposed generating units?

Position: Yes.

A decision to deny the Glades units would be a decision to deny fuel diversity and to construct even more natural gas-fired generation. 266-68. Denying FPL's petition would be shortsighted and unwise in light of the potential for destructive hurricanes to interrupt the already limited supply of natural gas into the State of Florida and in light of the impact continued

increases in demand for natural gas will have on already volatile natural gas prices. 152-55. Further, denial of FPL's Glades project in favor of constructing more natural gas generation would be inconsistent with the State's clearly articulated policy favoring fuel diversity. § 403.519(3), Florida Statutes (2007).

Issue: Should this docket be closed?

Position: No position.

Respectfully submitted this 7th day of May, 2007.

By: _____ /s/

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail and United States Mail on the 7th day of May, 2007, to the following:

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