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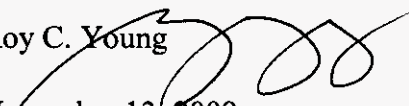
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GEORGE ANN C. BRACKO
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MEMORANDUM

TO: Ms. Ann Cole
Records & Recording
Florida Public Service Commission

FROM: Roy C. Young 

DATE: November 13, 2009

SUBJECT: Docket # 090451-EM - GRU/GREC

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COMMISSION
CLERK

Enclosed please find original and 15 copies of Prehearing Statement of Gainesville Regional Utilities (GRU) and Gainesville Renewable Energy Center LLC (GREC LLC) for filing in the above-captioned docket.

Thank you.

RCY:swp
Enclosures

cc: Erik Sayler, Esquire
Martha Carter Brown, Esquire

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint petition to determine need for
Gainesville Renewable Energy Center in
Alachua County by Gainesville Regional
Utilities and Gainesville Renewable Energy
Center, LLC.

DOCKET NO. 090451-EM

DATED: November 13th, 2009

PREHEARING STATEMENT

Pursuant to the requirements of the Order Establishing Procedure (Order No. PSC- 09-0671-PCO-EM), Gainesville Regional Utilities (GRU) and Gainesville Renewable Energy Center LLC (GREC LLC) hereby submit their Prehearing Statement:

A. **Known Witnesses** - GRU and GREC LLC intend to offer the testimony of:

| <u>Witness</u> | <u>Proffered By</u> | <u>Subject Matter</u> |
|-----------------------|----------------------------|--|
| Pegeen Hanrahan | GRU/GREC LLC | Discussion of the City of Gainesville's decision to move forward with the Gainesville Renewable Energy Center (GREC) biomass facility. |
| Edward J. Regan | GRU/GREC LLC | Discussion of GRU's need for the GREC biomass facility; overview of the GREC Need for Power Application; overview of PPA between GRU and GREC LLC; discussion of GRU's existing system, reliability criteria, need for capacity, economic parameters, resource planning process, DSM and supply-side efficiency activities, strategic considerations, consequences of delaying the GREC facility, and GRU's financial resources to commit to the GREC LLC PPA. |
| Todd Kamhoot | GRU/GREC LLC | GRU's forecast of electrical power demand and energy consumption. |
| Richard D. Bachmeier | GRU/GREC LLC | Discussion of the process used by GRU in selecting the GREC biomass facility and studies proving the facility will not negatively impact the electric transmission system in the Florida Reliability Coordinating Council, Inc. (FRCC) Region. |

DOCUMENT NUMBER DATE

11305 NOV 13 8

FPSC-COMMISSION CLERK

DOCKET NO. 090451-EM
 GRU / GREC LLC PREHEARING STATEMENT

| | | |
|--------------------|--------------|--|
| Joshua H. Levine | GRU/GREC LLC | Description of the GREC biomass project, overview of PPA between GRU and GREC LLC, project development, major components of the facility, fuel handling and supply for the facility, project schedule, and ability of GREC LLC to finance the GREC biomass facility. |
| Bradley E. Kushner | GRU/GREC LLC | Fuel and carbon dioxide emissions allowance price forecasts, supply-side alternatives, economic evaluation methodology, and results of the economic evaluations. |

* Mayor Hanrahan's testimony will be adopted by Commissioner Scherwin Henry since Mayor Hanrahan will be out of the country during the hearing.

B. Known Exhibits - GRU and GREC LLC intend to offer the following exhibits:

| <u>Witness</u> | <u>Proffered By</u> | <u>I.D. No.</u> | <u>Description</u> |
|-----------------|---------------------|-----------------|--|
| Edward J. Regan | GRU/GREC LLC | _____ (EJR-1) | Resumé of Edward J. Regan |
| | | _____ (EJR-2) | Summary of GRU's existing residential and non-residential DSM programs |
| | | _____ (EJR-3) | Summary of GRU's recent base rate and fuel adjustments |
| Todd Kamhoot | GRU/GREC LLC | _____ (TK-1) | Resumé of Todd Kamhoot |
| | | _____ (TK-2) | Summary of GRU's current load forecasts |

GRU and GREC LLC reserve the right to identify additional exhibits for the purpose of cross-examination or rebuttal.

C. Statement of Basic Position

GRU/GREC LLC: The commission should grant the petition for determination of need for the Gainesville Renewable Energy Center (GREC) because it is the most cost-effective option that allows GRU to meet future power requirements. There are no cost-effective renewable energy resources or conservation/ demand-side measures available to offset the need for the GREC. The GREC biomass facility will provide adequate electricity at a reasonable cost as well as contribute to the reliability and integrity of GRU's system. In addition, GRU will have utilized renewable energy sources and technologies as well as conservation measures to the extent reasonably available. (All GRU/GREC LLC Witnesses)

D.-F. Issues and Positions

GRU's and GREC LLC's positions on the issues identified in this proceeding are as follows:

ISSUE 1: **Are Gainesville Regional Utilities and Gainesville Renewable Energy Center, LLC proper applicants within the meaning of Section 403.519, F.S.?**

GRU/GREC LLC: Yes. GRU is a municipal electric, natural gas, water, wastewater, and telecommunications utility serving retail customers that is owned and operated by the City of Gainesville in Alachua County, located in north-central Florida and is a valid applicant under the Florida Electrical Power Plant Siting Act (PPSA), Chapter 403, Part II, Florida Statutes.

GREC LLC is a private renewable power producer that will own, operate, and maintain the proposed GREC biomass facility and sell 100 percent of the facility's electric power output to GRU under a 30 year power purchase agreement (PPA). GREC LLC is therefore an appropriate joint applicant pursuant to the Commission's decisions and the Florida Supreme Court's opinion in Nassau

Power Corp. v. Deason, 641 So. 2nd 396 (Fla. 1994). (Regan, Levine)

ISSUE 2: **Is there a need for the Gainesville Renewable Energy Center, taking into account for the need for electric system reliability and integrity, as this criterion is used in section 403.519, Florida Statutes?**

GRU/GREC LLC: Yes. GREC's capacity is needed to improve and maintain the reliability of GRU's existing system. The capacity from GREC is needed to replace capacity from GRU's lowest cost existing fossil fueled unit, Deerhaven 2, during maintenance and forced outages. Deerhaven 2 serves approximately 50 percent of GRU's system peak demand and, as an aging facility that will be 32 years old when the GREC facility goes into service in late 2013. With increased age, the availability of Deerhaven 2 is expected to decrease. Most of the remainder of GRU's capacity is older than Deerhaven Unit 2 and will be retired during the term of the GREC LLC PPA. Thus, GRU needs the capacity from GREC to meet GRU's 15 percent reserve margin planning criterion. (Regan)

ISSUE 3: **Is there a need for the Gainesville Renewable Energy Center, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in section 403.519, Florida Statutes?**

GRU/GREC LLC: Yes. The GREC LLC PPA was evaluated on a levelized cost basis against comparable supply-side alternatives over the term of the GREC LLC PPA. The supply-side alternatives were evaluated considering seven different scenarios of fuel cost, capital cost, and carbon dioxide (CO₂) regulation. On a levelized cost basis, the GREC LLC PPA is lower in cost than any of the alternatives in 23 of the 28 cases that were evaluated. The GREC LLC PPA is lower in cost than any of the natural gas alternatives considered. Although it is uncertain whether any type of coal unit could be permitted in Florida at this time, the GREC LLC PPA is lower in cost than coal units when CO₂ regulation is considered.

ISSUE 4: **Is there a need for the Gainesville Renewable Energy Center, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519, Florida Statutes?**

GRU/GREC LLC: Yes. The GREC is needed to diversify GRU's existing fuel mix which is dominated by coal and natural gas. Coal is potentially at risk under future CO₂ emissions regulations. The price of natural

gas has been highly volatile, and availability of natural gas may be considered a risk. Additionally, natural gas is also potentially at risk under future CO₂ emissions regulations. The GREC is needed to minimize the effects of these potentially costly and regulation-constrained fuels. (Regan)

ISSUE 5: **Are there any renewable energy sources and technologies, as well as conservation measures, taken by or reasonably available to Gainesville Regional Utilities which might mitigate the need for the proposed Gainesville Renewable Energy Center?**

GRU / GREC LLC: No. GRU has invested significant effort in developing the demand-side management (DSM) programs currently offered to its customers and is considered one of the leading utilities in the State in this area. Since 1980, GRU has offered incentives and services for energy conservation and demand reduction. DSM programs are available for all of GRU's retail customers, including commercial and industrial customers. In addition, GRU continues to offer rebates for solar water heating and net metering and rebates for solar photovoltaics. In addition, GRU is successfully offering the first Feed-in-Tariff for solar photovoltaics in the United States designed to stimulate the photovoltaic industry in the Gainesville area and Florida in general. GRU has also utilized landfill gas, the only other renewable resource readily available to GRU, to the extent of its availability. GRU has several programs to improve the adequacy and reliability of the transmission and distribution systems, which also result in decreased energy losses. The combined successes of these programs and initiatives has helped to delay the need for additional capacity to beyond the proposed commercial operation date of the GREC biomass facility; however, the benefits associated with the GREC project, as well as economic incentives available to the proposed project that would not be realized if the commercial operation date is delayed beyond 2013, are significant enough to warrant GRU's petition for determination of need at this time. (Regan, Levine)

ISSUE 6: **Is the Gainesville Renewable Energy Center the most cost-effective alternative available, as this criterion is used in section 403.519, Florida Statutes?**

GRU/GREC LLC: Yes. The GREC is lower in cost than any of the natural gas alternatives considered. The facility is also lower in cost than coal units when CO₂ regulation is considered.

The economics of GRU's PPA with GREC LLC were compared to

the cost of the supply-side alternatives using a levelized cost of energy (LCOE) approach. The LCOE combines capital, operating, maintenance and fuel costs. There were a total of 28 different supply-side alternative scenarios evaluated. The GREC LCOE was lowest in cost in 23 of the 28 scenarios with only scenarios with coal units without any consideration of CO₂ being lower in cost. It is uncertain as to whether coal units of any type can be permitted in Florida at this time, and the Gainesville City Commission and community have thoroughly considered and clearly adopted a long-range energy policy that does not include new coal-fired generation.. (Hanrahan, Regan, Kushner)

ISSUE 7: **Based on the resolution of the foregoing issues, should the Commission grant the petition to determine the need for the proposed Gainesville Renewable Energy Center?**

GRU/GREC LLC: Yes. The Commission should grant the petition for determination of need for the Gainesville Renewable Energy Center (GREC) because it is the most cost-effective option that allows GRU to meet future power requirements. There are no cost-effective renewable energy resources or conservation/ demand-side measures available to offset the need for the GREC. The GREC biomass facility will provide adequate electricity at a reasonable cost as well as contribute to the reliability and integrity of GRU's system. In addition, GRU will have utilized renewable energy sources and technologies as well as conservation measures to the extent reasonably available. (All GRU/GREC LLC Witnesses)

ISSUE 8: **Should this docket be closed?**

GRU/GREC LLC: Yes. This docket should be closed after expiration of the time for filing an appeal of the Commission's final order addressing the petition for determination of need.

G. Stipulated Issues

GRU and GREC LLC are not parties to any stipulations at this time.

H. Pending Motions

None.

I. Requests for Confidentiality

GREC LLC has filed three Requests for Confidential Classification dated October 1, 2009, October 28, 2009, and November 13, 2009.

J. Requirements of Order

GRU and GREC LLC believe that this prehearing statement complies with all the requirements of the Order Establishing Procedure.

K. Objections to Qualifications

GRU and GREC LLC have no objection to the qualifications of any expert witness in this proceeding.

Respectfully submitted this 13th day of November, 2009.

Young van Assenderp, P.A.

By: 

Roy C. Young

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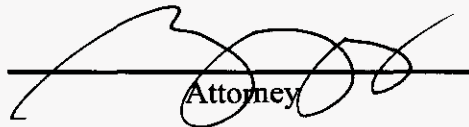
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Attorneys for GRU and GREC LLC

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Petition for Determination of Need for an Electrical Power Plant in Alachua County was served upon the following by hand delivery on this 13th day of November, 2009:

Martha Carter Brown
Erik Sayler
Office of General Counsel
Florida Public Service Commission
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Attorney