

# ALGENOL BIOFUELS

HARNESSING THE SUN TO FUEL THE WORLD®

August 3, 2012

Ms. Ann Cole, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

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COMMISSION  
CLERK

Re: Docket No. 120015-EI

Dear Ms. Cole:

Enclosed please find an original and seven (7) copies of the Pre-Hearing Statement of Algenol Biofuels Inc. for filing in re: Petition for increase in rates by Florida Power & Light Company, Docket No. 120015-EI. Please note that the Certificate of Service appears at the back of the Pre-Hearing Statement.

Sincerely,



Quang Ha  
General Counsel

(Not admitted in Florida)

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FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**In re: Petition for Increase in Rates by  
Florida Power & Light Company.**

**Docket No. 120015-EI**

**Filed: August 3, 2012**

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**ALGENOL BIOFUEL INC.'S PREHEARING STATEMENT**

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Pursuant to Order No. PSC-12-0143-PCO-EI, issued March 26, 2012, Algenol Biofuel Inc. (“Algenol” or the “Company”) hereby files with the Florida Public Service Commission (“PSC” or the “Commission”) its Prehearing Statement in connection with its Petition to Intervene in above captioned Docket regarding the rates and charges proposed to be changed by Florida Power & Light Company (FPL), and states:

**I. WITNESS**

WITNESS	SUBJECT MATTER
R. Paul Woods Chief Executive Officer Algenol Biofuels Inc.	Explains that FPL’s proposed rate base increase may harm Algenol’s current and future business, as well as proffers a revenue generating alternative to a rate increase that Algenol can provide to FPL. Also explains Algenol’s attempts to present said revenue-generating proposition to FPL.

**II. EXHIBITS**

None.

**III. STATEMENT OF BASIC POSITION**

Algenol does not intend to unduly delay the proceeding by rehashing or paraphrasing issues raised by others, so we will focus on two broad points -- the impact of FPL’s proposed rate increase on Algenol’s commercialization in Florida and the revenue generating opportunity Algenol can provide to FPL.

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Algenol is a commercial client of FPL founded in 2006 with over 150 employees and laboratories in Fort Myers, Florida and Berlin, Germany. Algenol currently occupies a state of the art, 50,000 sq. ft. research and development facility and will begin operation of a 36 acre US Department of Energy sponsored Integrated Biorefinery in 2012. Algenol already requires vast amounts of electricity to operate and its consumption of FPL electricity will only increase as its Integrated Biorefinery operates to full capacity.

Algenol intends to construct one of its first commercial facilities in Florida, contingent upon several factors, including the cost of electricity and the ability to work with carbon dioxide emitters to purchase large quantities of the greenhouse gas in order to recycle it into a valuable commodity rather than releasing it into the atmosphere. In order to commercialize its Direct to Ethanol<sup>®</sup> technology, Algenol needs CO<sub>2</sub> with stable input costs to facilitate project planning and due diligence. Commercialization will create jobs, and benefit the economy by keeping money in Florida. Increasing utility costs strain Algenol's ability to concentrate its limited resources on job creation and technological development, thereby harming Algenol's present and future business.

In order to support a rate increase, the Commission should take into consideration whether FPL has demonstrated that it explored and maximized other alternatives to increasing rates. FPL plants are some of the largest carbon dioxide emitters in the state. Algenol's Direct to Ethanol<sup>®</sup> process produces 160 gallons of ethanol from one metric ton of CO<sub>2</sub>. Algenol's process economics plan is to purchase carbon dioxide at a price which takes into account the cost of capture and delivery, which has been assumed to be \$30 per metric ton. Where an existing plant like FPL's West County Energy Center (WCEC) could emit over 10 million metric tons per year of CO<sub>2</sub>, then the potential revenue to FPL would be over \$300 million from just one electricity producing plant. Part of this revenue could offset rate increases being sought by FPL, while going a long way to reduce the emission of the greenhouse gas. What we need to know are details of the costs that CO<sub>2</sub> capture and delivery to Algenol would pose to FPL, and that needs to be examined. We do know that carbon capture technology does exist, and may be cost-effective in the light of both revenue and environmental benefits to FPL and to ratepayers. While environmental benefits are not the focus here, they should not be dismissed either.

Algenol has attempted collaboration with FPL to implement this revenue-generating alternative on several occasions since 2009, starting with a meeting between Mr. Woods and current FPL Chief Executive Officer Eric Silagy and his project development team. In the three years since, the only response Algenol received from FPL was an email from Justin Sobol, project developer for FPL, on June 19, 2012. While Algenol prefers collaborations to occur in the ordinary course of business, putting FPL's pursuit of revenue-generating alternatives to increasing the rate base up for consideration in light of its request for a rate increase before the Commission is appropriate.

#### **IV. ISSUES AND POSITIONS**

Algenol's position on certain of the issues is identified below. For issues not identified below, Algenol has not formed a position, but reserves the right to do so pending further development of the record.

## **Net Operating Income**

**Issue 62:** Has FPL maximized the sources of net jurisdictional revenue that are projected to be reasonably available and technically viable for the 2013 test year? If not, what action, if any, should the Commission take in setting FPL's rates in this case? (For purposes of this issue, "net jurisdictional revenue" **may** include net revenue related to the supply of CO2 captured from an FPL facility.)

**Algenol:** As reflected in the above Statement of Basic Position, Algenol has attempted to collaborate with FPL to implement a revenue-generating alternative on several occasions since 2009. FPL has not engaged in any sort of collaborative effort with Algenol to evaluate Algenol's revenue-generating offer. The technology to capture carbon dioxide exists, and FPL should evaluate revenue opportunities and costs therefrom before or in connection with a request for a base rate increase. The Commission should exercise its broad discretion in determining a course of action, if any, and what factors to consider.

**Issue 64:** What are the appropriate projected amounts of other operating revenues for the 2013 projected test year?

**Algenol:** Projected amounts of other operating revenues are not accurate to the extent that they do not maximize the sources of net jurisdictional revenue that are projected to be reasonably available and technically viable for the 2013 test year.

**Issue 65:** Is FPL's projected level of Total Operating Revenues of \$4,407,253,000 (\$4,505,007,000 system) for the 2013 projected test year appropriate?

**Algenol:** No, FPL's projected level of Total Operating Revenues of \$4,407,253,000 (\$4,505,007,000 system) for the 2013 projected test year cannot be appropriate to the extent that FPL did not maximize the sources of net jurisdictional revenue that are projected to be reasonably available and technically viable for the 2013 test year.

## **Revenue Requirements**

**Issue 127:** What economic impact will FPL's request for a rate increase have on customers, businesses and communities in Florida, including economic development activities and raising capital in Florida?

**Algenol:** As reflected in the above Statement of Basic Position, an unreasonable increase to ratepayers will significantly constrain Algenol's carefully

planned budget, forcing it to raise additional capital faster and limiting its ability to pursue large commercial production facilities in Florida, thereby inhibiting the creation of thousands of jobs. However, there are benefits from improvements in plants and cheaper fuel sources. It is worth noting that conversion to a natural gas fired plants provides a better source of CO<sub>2</sub> for Algenol's process.

**Other Issues**

**Issue 193:** Should this docket be closed?

**Algenol:** No. Additional analyses and discussions need to be taken in order to form a more complete basis from which to determine whether the requested rate increase is fair, just and reasonable.

**V. LEGAL ISSUES**

There are no legal issues at this time.

**VI. POLICY ISSUES**

Algenol does not believe resolution of the foregoing issues may involve determining matters of policy.

**VII. STIPULATED ISSUES**

There are no stipulated issues at this time.

**VIII. PENDING MOTIONS**

There are no pending motions at this time.

**IX. PENDING REQUESTS FOR CONFIDENTIAL CLASSIFICATION**

There are no pending requests for confidential classification of the information in the Pre-Hearing Statement at this time.

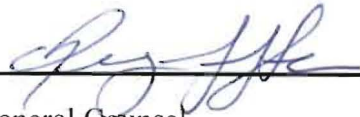
**X. REQUIREMENTS OF THE PREHEARING ORDER THAT CANNOT BE MET**

At this time, Algenol is not aware of any requirements in the Order Establishing Procedure, Order No. PSC-12-0143-PCO-EI, with which it cannot comply.

**XI. OBJECTIONS TO WITNESSES' QUALIFICATIONS**

Algenol does not have any objection to the qualifications of any witnesses at this time.

Respectfully submitted this 3rd day of August 2012.



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Increase in Rates by  
Florida Power & Light Company.

Docket No. 120015-EI

Filed: August 3, 2012

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ALGENOL BIOFUELS INC.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that (i) an original of the Pre-Hearing Statement of Algenol Biofuels Inc. and seven (7) true copies thereof have been furnished by overnight courier to the Office of the Commission Clerk of the Florida Public Service Commission on this 3rd day of August 2012, and (ii) a true copy of the Pre-Hearing Statement has been furnished by overnight courier to Keino Young of the Florida Public Service Commission on this 3rd day of August 2012.

Respectfully submitted this 3<sup>rd</sup> day of August 2012.



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**CERTIFICATE OF SERVICE**  
**DOCKET NO. 120015-EI**

I HEREBY CERTIFY that a true and correct copy of the foregoing Notice was served electronic mail or U.S. Mail this 3<sup>rd</sup> day of August, to the following:

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