

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Petition for determination of need for
Okeechobee Clean Energy Center Unit 1, by
Florida Power & Light Company.

DOCKET NO. 150196-EI

FILED: November 3, 2015

**THE SOUTHERN ALLIANCE FOR CLEAN ENERGY'S
PREHEARING STATEMENT**

The Southern Alliance for Clean Energy ("SACE"), by and through its undersigned counsel, and pursuant to Order No. PSC-15-0394-PCO-EI, Order Establishing Procedure, hereby submits its Prehearing Statement in regards to the above-styled docket.

APPEARANCES

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WITNESSES

Witness

Subject Matter

John D. Wilson

Lack of system reliability need for the OCEC Unit 1; FPL's outdated and unsubstantiated reliance on excessive 20% RM criterion to demonstrate need; prudence of FPL/Commission utilization of a 15% RM criterion; FPL's unnecessary creation and reliance on unfounded 10% GRM criterion to create appearance of need; FPL's underutilization of cost-effective alternatives to conventional generation, including renewable energy sources and technologies, as well as energy efficiency

Natalie Mims

Proposed OCEC Unit does not maintain or enhance FPL's fuel diversity; availability of renewable energy source, technologies, and/or conservation measures to FPL which might mitigate supposed need for OCEC Unit 1; FPL's underutilization of cost-

effective alternatives to conventional generation, including renewable energy sources and technologies, as well as energy efficiency

PREFILED EXHIBITS

<u>Exhibit</u>	<u>Sponsoring Witness</u>	<u>Description</u>
JDW-1	Wilson	Resume of John D. Wilson
JDW-2	Wilson	Generation Reserve Margin Study, Duke Energy Carolinas, Astrape Consulting, 2012
JDW-3	Wilson	Bob Barrett, “The Need for a 3 rd Reliability Criterion for FPL: a Generation-Only Reserve Margin (GRM) Criterion,” February 28, 2014. Sim Deposition, Ex. 3
JDW-4	Wilson	FPL, “Calculation of ‘Generation – Only Reserve Margins,” undated. Sim Deposition, Exhibit 2, (p.49).
NAM-1	Mims	Resume of Natalie Mims
NAM-2	Mims	Letter re: Measures Not Included in FPL’s EE Potential Study

STATEMENT OF BASIC POSITION

The Commission should deny FPL’s Petition for an Affirmative Determination of Need for the construction of the proposed OCEC Unit 1. In order to create the appearance of need for the proposed OCEC Unit 1, FPL relies on two planning criteria: (1) an outdated, unsubstantiated, and excessive 20% reserve margin criterion (“RM”); and (2) an unnecessary, unfounded, and skewed 10% generation-only reserve margin (“GRM”) recently created by FPL. These criteria, if accepted by the Commission as the basis for need for construction of the proposed OCEC Unit 1, will result in overbuilding and excess capacity, at unreasonable costs for FPL customers, which exceed the need for electrical system reliability and integrity. Furthermore, FPL has failed

to utilize renewable energy sources and technologies, solar PV resources in particular, and conservation measures, namely energy efficiency, which are reasonably available to it, and in fact are more cost-effective than the proposed OCEC Unit 1, and would mitigate the need for the proposed OCEC Unit 1. Finally, the proposed OCEC Unit 1 will only exacerbate FPL's and its customers', as well as the State of Florida's, already precarious overreliance on natural gas and will not maintain or enhance fuel diversity within the FPL system.

FPL's reliance on a 20% RM is both outdated and unsubstantiated, and a 20% RM is excessive. FPL's sole justification for using a 20% RM as a basis for the need for the OCEC Unit 1 is a 1999 Stipulation approved by the Commission,¹ which by its express terms is not binding on this proceeding.² Moreover, this Stipulation was based on evaluation by Commission staff of operation of the power systems in peninsular Florida in the 1980's and 1990's. These historical conditions simply no longer reflect reality, including, but not limited to, the improved reliability of FPL power plants. Further, FPL has conducted no recent studies or analyses that demonstrate that a 20% RM is still appropriate and/or necessary for FPL and its customers. The Commission should, in the absence of an updated and thorough analysis demonstrating that FPL's continued utilization of a 20% RM is appropriate, evaluate FPL's Petition using a 15% reserve margin as recommended by SACE expert witness John Wilson.

In regards to FPL's GRM, FPL unnecessarily created this new planning criterion in response to two events in 2010 – neither of which justifies the creation of such a criterion. Moreover, FPL created this skewed criterion, which is not generally accepted throughout the utility industry, in order to minimize the potential positive impacts of DSM resources, energy efficiency in particular, and conveniently guide the company's resource decisions towards

¹ See Docket No. 981890-EU, Order No. 99-2507-S-EU (Issued Dec. 22, 1998).

² *Id.* at p. 9, ¶ 8.

“putting steel in the ground.” The Commission should, as recommended by SACE expert witness John Wilson, reject FPL’s use of this GRM criterion in its resource planning, and specifically its application in this docket, where it only serves to create the appearance of need for the OCEC Unit 1.

In addition to the above, FPL continues to underutilize opportunities for solar PV as an alternative to resource generation, and did nothing more than pay lip service to solar PV as an alternative to the OCEC Unit 1. Moreover, as explained in the testimony of SACE expert witness Natalie Mims, FPL has had multiple opportunities to pursue much higher levels of energy efficiency at a much lower cost than building and operating new power plants, like the OCEC Unit 1, but has failed to take advantage of these opportunities. Finally, construction of the OCEC Unit 1 will only serve to exacerbate FPL’s, and its customers, already risky overreliance on natural gas, and will not promote fuel diversity, which FPL has cited as an ongoing concern in its resource planning for years.

STATEMENT OF ISSUES AND POSITIONS

Issue 1: Is there a need for the proposed Okeechobee Clean Energy Center Unit 1, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519(3), Florida Statutes?

SACE Position: No. FPL’s relies on an excessive 20% RM criterion that is outdated and unsubstantiated, as well as an unnecessary and unsupported 10% GRM criterion that is not a generally accepted planning criterion in the utility industry, in order to create the appearance of need for the OCEC Unit 1. Therefore, the proposed OCEC Unit 1 will result in a system with excess capacity that exceeds the need for electrical system reliability and integrity. (Wilson)

Issue 2: Are there any renewable energy sources and technologies or conservation measures taken by or reasonably available to Florida Power & Light, which might mitigate the need for the proposed Okeechobee Clean Energy Center Unit 1?

SACE Position: Yes. FPL has failed to utilize renewable energy sources and technologies, in particular solar PV resources, as well as conservation measures, namely energy efficiency, reasonably available to it which would mitigate the need for the proposed

OCEC Unit 1. Specifically, FPL did nothing more than pay lip service to solar PV as an alternative to the OCEC Unit 1, and has failed to capitalize on countless opportunities to pursue much higher levels of energy efficiency. (Wilson, Mims)

Issue 3: Is there a need for the proposed Okeechobee Clean Energy Center Unit 1, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519(3), Florida Statutes?

SACE Position: No. FPL’s 20% RM criterion is excessive, and its 10% GRM criterion is unnecessary. Therefore, there is no need for the proposed OCEC Unit 1 as it will result in a system with excess capacity that exceeds the need for electrical system reliability and thus the costs associated with the OCEC Unit 1 are unreasonable. (Wilson)

Issue 4: Is there a need for the proposed Okeechobee Clean Energy Center Unit 1, taking into account the need for fuel diversity, as this criterion is used in Section 403.519(3), Florida Statutes?

SACE Position: No. FPL has, for a number of years, cited “maintaining/enhancing fuel diversity in the FPL system” as an ongoing concern in the Company’s resource planning. However, construction and operation of the OCEC Unit 1 will only exacerbate FPL’s and its customers’ already precarious overreliance on natural gas. (Mims)

Issue 5: Will the proposed Okeechobee Clean Energy Center Unit 1 provide the most cost-effective alternative, as this criterion is used in Section 403.519(3), Florida Statutes? **(Wilson, Mims)**

SACE Position: No. FPL has had countless opportunities to pursue much higher levels of energy efficiency at a much lower cost than building new power plants, like the proposed OCEC Unit 1, but has failed to take advantage of these opportunities. FPL also continues to underutilize renewable energy sources and technologies, in particular solar PV resources, which are more cost-effective than the proposed OCEC Unit 1. (Wilson, Mims)

Issue 6: Based on the resolution of the foregoing issues, should the Commission grant Florida Power & Light’s petition to determine the need for the proposed Okeechobee Clean Energy Center Unit 1?

SACE Position: No. (Wilson, Mims)

Issue 7: Should this docket be closed?

SACE Position: No position at this time.

STIPULATED ISSUES

None.

PENDING MOTIONS/OTHER MATTERS

None.

PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY

SACE has no pending requests or claims for confidentiality.

OBJECTIONS TO WITNESS' QUALIFICATIONS AS AN EXPERT

None at this time.

COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE

SACE has complied with all applicable requirements of the Order Establishing Procedure, Order No. PSC-15-0394-PCO-EI, in this docket.

DATED: November 3, 2015

Respectfully Submitted,

/s/ James S. Whitlock

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of THE SOUTHERN ALLIANCE FOR CLEAN ENERGY'S PREHEARING STATEMENT were served by electronic mail this 3rd day of November, 2015, to the following:

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