

1 BEFORE THE
2 FLORIDA PUBLIC SERVICE COMMISSION

3 In the Matter of:

4 DOCKET NO. 150248-EG

5 PETITION FOR APPROVAL OF COMMUNITY SOLAR PILOT
6 PROGRAM, BY GULF POWER COMPANY.

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10 PROCEEDINGS: COMMISSION CONFERENCE AGENDA
11 ITEM NO. 11

12 COMMISSIONERS CHAIRMAN JULIE I. BROWN
13 PARTICIPATING: COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JIMMY PATRONIS

14 DATE: Tuesday, March 1, 2016

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

18 REPORTED BY: DEBRA KRICK
19 Court Reporter
(850) 894-0828

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P R O C E E D I N G S

2 CHAIRMAN BROWN: Onto our last item, guys,
3 which is Item 11. And we do have some interested
4 parties that would like to speak after staff goes
5 over the overview.

6 MS. OLLILA: Yes, ma'am. Good afternoon,
7 Commissioners, Sue Ollila for staff.

8 Item 11 is a filing from Gulf Power Company
9 asking for three things. First, a voluntary
10 community solar pilot program addressed in Issue 1.
11 The program would offer all Gulf customers an
12 opportunity to voluntarily contribute to the
13 construction and operation of a one-megawatt solar
14 facility through annual subscriptions. Subscribers
15 to the program would receive monthly bill credits
16 of \$2.11 for the energy produced by the facility.
17 This is a five-year pilot program, with annual
18 reports to the Commission.

19 Gulf committed to build the facility after the
20 Commission issues a final order, and believes,
21 based on its market research, that it will get
22 enough subscriptions to support the annual revenue
23 requirement.

24 The energy generated by the solar facility
25 would provide power to all of Gulf's customers.

1 The avoided energy costs associated with the output
2 of the solar facility would be recovered through
3 the fuel clause; however, there will be a
4 corresponding reduction in the purchase of power.

5 At the end of the pilot program, Gulf will
6 file a petition to continue, modify or close the
7 program and its tariffs.

8 Second, in Issues 2, Gulf requests approval to
9 close its voluntary photovoltaic, or PV, rate rider
10 program whether or not the Commission approves the
11 pilot program.

12 The rider permits any customer to purchase
13 blocks of PV energy; however, until the minimum
14 threshold of 10,000 blocks is reached, no
15 participant is charged.

16 No participants have been billed under this
17 program. Currently there are approximately 40
18 customers.

19 Third, Issue 2 discusses Gulf's request for a
20 depreciation rate for its proposed solar
21 facilities.

22 Public Counsel, the Florida Industrial Power
23 Users Group and the Southern Alliance for Clean
24 Energy are interested persons in this proceeding.

25 SACE filed a letter in the docket. There have been

1 no other customer contacts.

2 Staff recommends approval, and notes that SACE
3 is here to address the Commission, and Gulf is
4 available to answer questions.

5 CHAIRMAN BROWN: Thank you.

6 Gulf, if you would like an opportunity to
7 address the Commission first.

8 MR. GRIFFIN: Madam Chair, we do not have any
9 prepared comments for the Commission. I am Steve
10 Griffin, with the Beggs & Lane law firm here on
11 behalf of Gulf Power Company. With me is
12 Ms. Lonnie Noack in the renewables organization
13 with Gulf Power. And we also have Shane Boyett in
14 the event we need him to respond to questions.
15 And, of course, we would reserve our right to
16 respond to any comments from Mr. Cavros.

17 CHAIRMAN BROWN: Thank you.

18 Mr. Cavros, you have the floor.

19 MR. CAVROS: Thank you, Commissioners, for the
20 opportunity to address you today.

21 My name is George Cavros. I am with Southern
22 Alliance for Clean Energy. Southern Alliance for
23 Clean Energy is a nonprofit, nonpartisan clean
24 energy organization that promotes low cost, low
25 risk resources to meeting our electricity demand.

1 We support utility scale, solar utility owned.
2 And through power purchase agreements, we support
3 demand side solar customer owned, and we support
4 community solar, especially policies that help
5 meaningfully develop that kind of development.

6 Gulf Power should be commended for putting
7 forth a community -- a solar program that's
8 designed to provide a tangible economic benefit
9 directly to participants of the program. This is a
10 core principle in good community solar design, so
11 we commend them for that.

12 We do have some suggestions, though, on how to
13 increase and enhance the value proposition for the
14 participants in that program. The participants in
15 the program will be paying approximately \$99 a
16 year, and receiving approximately \$25 a year in
17 benefits, at least in the first year. And there
18 are some identifiable and quantifiable benefits
19 that this project will produce, and we believe that
20 in order to enhance the value proposition for
21 customers, some of those benefits could flow back
22 to the participating customers in the form of a
23 credit on their bill, and I will mention a few
24 here.

25 The first one is fuel hedging benefits. The

1 largest power companies in the state are encouraged
2 to hedge their fuel costs. They enter into
3 contracts, and those contracts have costs or
4 premiums. Those are passed on to customers.

5 Additionally, if those contracts don't work
6 out as expected, and the company pays an above
7 market cost for fuel, that cost is also passed on
8 to the customer.

9 I am stating the obvious, but solar power uses
10 no fuel, therefore, there is no hedging involved;
11 there is no need to engage in fuel hedge contracts,
12 and that's a benefit that accrues to all
13 ratepayers. So if the customers are covering
14 the -- the participating customers in the solar
15 project are covering the revenue requirement for
16 this project, then we believe that benefit ought to
17 flow back to their bills as a credit on their
18 bills.

19 Likewise, environmental compliance, there are
20 costs with environmental compliance. The company,
21 right now, is complying with Clean Water Act
22 requirements, Clean Air Act requirements. There
23 are costs there. And this commission has
24 recognized the reduction in environmental
25 compliance costs as a benefit in resource

1 decisions, they are considered in need
2 determination proceedings. And during the nuclear
3 cost recovery docket, they are considered there,
4 and even in the energy efficiency proceedings.

5 So again, I am stating the obvious, but solar,
6 especially this project, will not generate any
7 emissions, we will use no water, so that is a
8 benefit that accrues to all of the company's
9 customers, and I believe that it ought to at least
10 flow back to the participating customers as a
11 benefit or a credit on their bill.

12 Lastly, there might be some capacity value
13 that this project provides. You know, granted the
14 company doesn't have any capacity needs in the
15 short-term, but it does reduce loss of load
16 probability. It helps with summer peak, and, you
17 know, there might be some discounted capacity value
18 that they could offer customers.

19 So again, I just want to emphasize that we do
20 support the project. This is definitely a step in
21 the right direction, because it provides a direct
22 tangible economic benefit back to the participants,
23 but think that if these other benefits can be
24 identified, quantified and provided to customers as
25 a credit on their bill, then it would improve not

1 only the value proposition, but the success of the
2 program.

3 Thank you.

4 CHAIRMAN BROWN: Thank you, Mr. Cavros.

5 Gulf, any follow-up?

6 MR. GRIFFIN: Just briefly, Madam Chairman.

7 Before we get into the enhanced value proposition,
8 I was looking at SACE's correspondence from
9 February 15th they included in the docket file.

10 And just for clarity, Mr. Cavros didn't mention
11 this in his verbal comments, but there is a
12 suggestion in that correspondence that the all-in
13 price, the turnkey cost that Gulf anticipates for
14 this facility is significantly above the average
15 price for a facility like this. And I just wanted
16 to make the record clear that the \$1.50 per watt
17 figure that they state there is in direct current
18 as opposed to alternating current, which the \$2.66
19 per watt figure for Gulf is. And when you put
20 those on an even playing field, and you calculate
21 it, the Gulf figure is in the \$1.88 per watt DC
22 range. So they are closer.

23 The other point that I would make in that
24 regard is that the -- according to the publication
25 that SACE cited in support of those cost estimates,

1 that is based on a 10-megawatt facility in
2 California. There are economies of scale
3 associated with a 10-megawatt facility that are not
4 present with a one-megawatt facility in Milton
5 Florida.

6 Also, it appears from that publication that
7 that's not an all-in cost. Gulf's cost includes
8 interconnection, it includes IT, it includes
9 security. So if you were to bake all of that in, I
10 have not run the numbers, but the figure that Gulf
11 has cited in its petition as its anticipated
12 build-out cost, I would contend, is on par, if not
13 more favorable than the national average.

14 Turning to the enhanced value proposition. I
15 don't know that we need to definite into each of
16 those components. What I can commit to the
17 Commission is that the bill components -- the bill
18 credits that are being passed back to participants
19 in this case are being calculated in accordance
20 with Gulf Power's and the Commission's standard
21 avoided cost rules, policies and principles. There
22 are defined components in those standard avoided
23 costs. It's the same methodology that the
24 Commission reviewed, vetted and approved in
25 connection with Gulf Power's large DOD energy

1 purchase agreements, the solar agreements, just
2 last year. Similarly, with Gulf Power's wind
3 project just last year. Those were evaluated in
4 the very same manner, and the benefits associated
5 with those energy purchase agreements were
6 evaluated in the same manner as the benefits that
7 we are providing to participating customers under
8 this community solar program. To the extent that
9 we stray away from that, that would be a change in
10 the Commission policy. We are not advocating that
11 now. We don't believe that this is the appropriate
12 time to engage in that debate.

13 CHAIRMAN BROWN: Thank you.

14 Staff, would you like to provide any follow-up
15 before we bring it back here?

16 MS. OLLILA: Yes, Chairman, we would.

17 With regard to the fuel hedging benefit, staff
18 would note that the output of the one-megawatt
19 facility is slightly less than 0.02 percent of the
20 energy for Gulf. So it's a very tiny facility, you
21 know, in comparison to Gulf's total energy. And
22 from that perspective, staff believes it may be
23 premature to look at hedging benefits.

24 And also staff would like to note that this is
25 a pilot program, and that this is new to us, and we

1 will be able to evaluate the response Gulf gets. I
2 mean, Gulf is, I would assume, looking to get more
3 than the subscriptions it needs for the
4 one-megawatt, because then there would be no
5 facilities. We will just -- we will have to wait
6 and see what happens.

7 And part of that pilot will also enable Gulf
8 to see, and the Commission as well, if there are
9 other benefits that might be necessary to enhance
10 participation.

11 CHAIRMAN BROWN: Okay. He so you will be
12 looking at that during their annual filings in this
13 docket?

14 MS. OLLILA: Yes, ma'am, we will. And I will
15 defer to Mr. Ellis on the other two points.

16 CHAIRMAN BROWN: Okay.

17 MR. ELLIS: Regarding environmental
18 compliance, some of those may be already included
19 in the as available energy rate through variable
20 O&M, although, I would refer to Gulf with regards
21 to that, so those are included.

22 And regarding capacity value, I believe based
23 upon the 2015 standard offer contract, Gulf's next
24 avoid unit is in 2023.

25 CHAIRMAN BROWN: Okay. Thank you.

1 MR. GRIFFIN: Both of those statements are
2 accurate in terms of the avoided environmental
3 compliance costs. Again, our standard avoided cost
4 calculation includes calculable environmental cost
5 benefits associated with SO₂ and NO_x. And at that
6 time extent that SACE is advocating that we
7 quantify other as yet unregulated environmental
8 benefits, we would object to that.

9 CHAIRMAN BROWN: Okay. Thank you.

10 Anything further?

11 MS. OLLILIA: No, ma'am.

12 CHAIRMAN BROWN: Thank you.

13 Okay. We have got a light up here.

14 Commissioner Patronis.

15 COMMISSIONER PATRONIS: Thank you, Madam
16 Chairman.

17 I guess I really want to make it clear to
18 voice my support for this project for several
19 reasons. One, it's a voluntary program
20 diversifying your fuel mix. And there is
21 definitely a benefit to all Gulf Power customers
22 with this. All the extensive reporting
23 requirements that the Commission requires will
24 still be in place, and there is still a mechanism
25 to expand the product -- program if necessary and

1 it's successful. But I applaud your investment and
2 steps taken forward to bring renewable energy to
3 Northwest Florida and the state.

4 Thank you, Chairman.

5 CHAIRMAN BROWN: Thank you.

6 Commissioner Brisé and then Commissioner
7 Graham.

8 COMMISSIONER BRISÉ: Thank you, Madam
9 Chairman.

10 My question is to Gulf. I just want to get
11 sense of what is the sample size of customers that
12 were addressed in the market research? And how
13 does that compare to the market research that was
14 conducted for the rider program that is now being
15 Sunsetted?

16 MS. NOACK: I can speak to that.

17 Good afternoon, Commissioners. The market
18 research that we conducted, we conducted research
19 of both residential and small commercial customers
20 prior to doing any program design. We did both
21 focus groups, as well as phone interviews for
22 customers.

23 The focus groups consisted of nine focus
24 groups across our service area, six in the
25 residential class, three in the small business

1 class, to get some qualitative data from customers
2 on their perceptions of solar; their affinity for
3 various aspects of community solar, and kind of to
4 gauge their interest in possibly even paying a
5 premium for solar.

6 We then followed that up with surveys to
7 customers, phone surveys, sample size of about
8 470 -- or 407 residential customers and 157
9 business customers.

10 COMMISSIONER BRISÉ: So can I follow up?

11 What is -- how many customers do you have?

12 MS. NOACK: Right now we have approximately
13 440,000 to 450,000 customers.

14 COMMISSIONER BRISÉ: So what's the percentage
15 of that sample size?

16 MS. NOACK: The percentage of the 407,
17 actually it results in a 95 percent confidence
18 interval, where -- let me -- if you give me a
19 second --

20 COMMISSIONER BRISÉ: Sure.

21 MS. NOACK: -- I can look at the information
22 for the market research.

23 For the residential class, the 406 results in
24 4.9 -- a margin of error 4.9 percentage points at
25 the 95 percent confidence interval. And the

1 results of the residential survey indicates that
2 over half of our customer base was interested in
3 the concept of community solar.

4 And for our small business class, of the 157
5 that we had surveyed, that resulted in a
6 statistical margin of 7.8 percentage points at the
7 95 percent confidence interval, and resulted in
8 also about 53 percent of those customers, of our
9 customer class, interested in the concept of
10 community solar.

11 COMMISSIONER BRISE: Okay. So then the survey
12 was primarily trying to figure out if customers are
13 interested in the concept of community solar. Did
14 it also ask if they were willing to pay for
15 community solar if they were asked to pay a certain
16 amount? I mean, not a specific amount, but just an
17 amount?

18 MS. NOACK: Yes, we did. We also asked the
19 question about what their interest in paying a
20 premium would be, if they would be willing to pay
21 more than what they are currently paying Gulf Power
22 for their standard -- on their standard rates. And
23 that resulted in two percent of the customers who
24 said they were interested in the community solar
25 program also saying that they were willing to pay a

1 premium for solar, as well as one percent of the
2 business customers indicated that they were willing
3 to pay a premium for solar.

4 COMMISSIONER BRISÉ: So two percent of the
5 sample said that they are willing to pay?

6 MS. NOACK: That's right. That's right.

7 COMMISSIONER BRISÉ: Okay.

8 MS. NOACK: So -- and if you translate that to
9 the number of customers, our customer base, you are
10 talking about 4,500 total customers, roughly, that
11 indicated that they are not only just interested in
12 community solar, but they are willing to pay a
13 premium for it.

14 COMMISSIONER BRISÉ: Okay. Did you all do an
15 analysis on the returns of the survey on where the
16 people who responded fall on the economic scale?
17 Household income?

18 MS. NOACK: Yes, we did. We did collect
19 demographic data on all the customers, and there
20 was no direct link to a certain economic level. It
21 actually kind of spanned a wide economic range.

22 COMMISSIONER BRISÉ: Okay. All right. Thank
23 you.

24 CHAIRMAN BROWN: Commissioner Graham.

25 COMMISSIONER GRAHAM: I guess this question is

1 to staff. Is this program scheduled to Sunset at
2 the five-year mark, or do we have to take some
3 action at that point?

4 MS. OLLILA: At the close of the pilot
5 program, Gulf will file a petition, and based on
6 the results, it will ask the Commission to continue
7 it, to modify it or to close it.

8 COMMISSIONER GRAHAM: Thank you.

9 CHAIRMAN BROWN: Thank you.

10 Commissioner Edgar.

11 COMMISSIONER EDGAR: Thank you. Thank you
12 Madam Chair.

13 To Gulf, if I may. I think it's clear in the
14 item, but for today's discussion purposes, is it
15 accurate to say with this project, as it is
16 proposed before us today, that those ratepayers who
17 do not choose to participate would not be
18 contributing to or subsidizing the project in any
19 way through rates at any time?

20 MR. GRIFFIN: That is accurate during the
21 period of the pilot, Commissioner Edgar. We
22 responded to a data request in that regard. And I
23 want to be very clear, that during the five-year
24 pilot period, Gulf Power is committing that
25 nonparticipating customers will not be impacted, as

1 you just suggested. However, the company would
2 request the flexibility to come back in and ask the
3 Commission for alternative treatment should
4 circumstances change and warrant alternative
5 treatment at that point in time.

6 We are not asking that the Commission make a
7 decision in that regard at this period in time, but
8 we would at least like the opportunity to seek
9 alternative treatment in the future, and we would
10 have to justify that based on the facts and
11 circumstances as they exist at that point in time.

12 COMMISSIONER EDGAR: And when you say "in the
13 future", my understanding, but I want to make sure
14 that I am hearing correctly, is that would be at
15 some point after the five-year pilot program that
16 is before us today, and the information has been
17 reviewed and analyzed and assessed, et cetera?

18 MR. GRIFFIN: That is correct.

19 COMMISSIONER EDGAR: I think it's a very
20 important point that this program, as it is before
21 us, is completely voluntary. I think that the
22 protection to participants, by virtue of, again, it
23 being an affirmative choice, and also that there
24 would not be an impact on bills until that project
25 was in operation, is my understanding.

1 I also think it's very important to point out,
2 as you have stated, that in the item before us, and
3 it's on page six, that it is clear that we are not
4 addressing prudence at this point in time. And
5 should there be a time where that request is made
6 after five years, that that burden would be on the
7 company to prove, and that then it would come back
8 before this commission for a full consideration.
9 And that the additional point that we just
10 discussed, that ratepayers who do not choose to
11 participate are protected.

12 With that in mind -- or with those points
13 made, I do believe that the company has addressed
14 many of the concerns that I have raised at times
15 with voluntary programs, and I appreciate the
16 opportunity to discuss it.

17 CHAIRMAN BROWN: Thank you, Commissioner
18 Edgar.

19 And I did want to also point out and commend
20 the utility for exploring ways to incorporate solar
21 into its marketplace, into its territory. And
22 there is, it appears, based on your data, to be a
23 growing appetite market for this type of project.

24 With that, I do want to point out my hoping
25 and my three objections for -- objectives for this

1 project. One, which Commissioner Edgar just
2 pointed out, that the general body of ratepayers
3 are insulated from costs, and that the costs are
4 being paid for strictly by the participants, and
5 possibly of, under subscription, the shareholders.

6 Also ensure that the bill credits and avoided
7 energy costs are accurate, and they are directly
8 attributed to the output of the solar facilities.

9 And then the third one is that before any
10 additional facilities, which right now we have an
11 initial program subscription before us limited to
12 one megawatt, but before any additional facilities
13 are in construction, to make sure that there are
14 adequate subscriptions that will more than likely
15 be obtained based on your evidence, your market
16 research and your actual data that is -- occurs
17 with that initial program.

18 With that, I have just one question regarding
19 the additional facilities. During the five-year
20 period, what has your research showed you on the
21 sale -- the scale, the size, the location for
22 future installations?

23 MR. GRIFFIN: And I will let Ms. Noack jump in
24 if I misstate this, but I think that, at this
25 point, we are just trying to focus on the initial

1 implementation. Certainly, there has been no
2 decision to expand beyond the initial phase. We
3 would never do that in the event that we thought we
4 would not have sufficient subscriptions over and
5 beyond the initial phase to cover those costs. And
6 our anticipation would be that we would provide
7 both pre-construction and post-construction
8 notification to the Commission.

9 With that pre-construction notification, in
10 the event that the Commission had questions, had
11 questions about subscription, pre-enrollment, if
12 you will, customer interest, costs, we would be
13 happy to share that information with the Commission
14 so that it could be fully vetted.

15 CHAIRMAN BROWN: Thank you. And thank you for
16 coming to us.

17 Commissioner Edgar.

18 COMMISSIONER EDGAR: Thank you. I did have --
19 think of one additional question I wanted to ask.

20 Recognizing the research and analysis that has
21 gone into the proposal to bring it forward to us, I
22 want to make sure I am clear on the timing. So
23 will this project move forward regardless as to the
24 number of subscriptions, or you will be waiting to
25 see what the number of subscriptions are before you

1 begin the next steps?

2 MR. GRIFFIN: Our expectation is to commence
3 construction before we necessarily have full
4 subscription, and we believe that that's an
5 important element to the marketability of this
6 program. We feel like -- I don't want to say if
7 you build it they will come, but it is a tangible
8 asset that the customers can see, can drive by, can
9 potentially tour. And when you can point to that,
10 we feel like the existence of that facility is
11 going to be attractive to customers.

12 And so it's our expectation that we are going
13 to be fully subscribed, perhaps not before we
14 commence construction, if that answers the
15 question.

16 COMMISSIONER EDGAR: It does. Thank you.

17 CHAIRMAN BROWN: Thank you.

18 Any further comment or questions by the
19 Commission?

20 If not, ready to entertain a motion on all
21 issues.

22 COMMISSIONER EDGAR: Move approval.

23 CHAIRMAN BROWN: Is there a second?

24 COMMISSIONER PATRONIS: Second.

25 CHAIRMAN BROWN: All those in -- Commissioner

1 Brisé.

2 COMMISSIONER BRISÉ: Thank you. Since we are
3 in, I guess, the discussion section of our motion,
4 I think I am going to support the motion today,
5 recognize all the facts and comments that my
6 colleagues have made. But I certainly hope that
7 every effort is made to ensure that customers
8 across the economic spectrum see the value in this,
9 and everything is done to ensure that we have
10 participation across the spectrum.

11 I do believe that we do need to transition our
12 generation mix as much as possible, and this is one
13 step in the right direction. So I want to commend
14 Gulf in that regard. But we -- we certainly have
15 to make sure that, not only the current generation,
16 but the next generation sees the value in doing it
17 in a responsible manner.

18 CHAIRMAN BROWN: Thank you, Commissioner
19 Brisé.

20 Any further comment before we take the vote?

21 Seeing none, all those in favor, say aye.

22 (Vote taken.)

23 CHAIRMAN BROWN: Opposed?

24 Motion carries.

25 Thank you. And this concludes our agenda

1 conference. Thank you all so much. Drive
2 carefully home. Thank you.

3 (Whereupon, the proceedings were concluded at
4 1:00 p.m.)

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1 CERTIFICATE OF REPORTER

2 STATE OF FLORIDA)
3 COUNTY OF LEON)

4

5 I, DEBRA KRICK, Court Reporter, do hereby
6 certify that the foregoing proceeding was heard at the
7 time and place herein stated.8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED this 9th day of March, 2016.

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DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #EE212307
EXPIRES JULY 13, 2016