

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for determination of need)
for Glades Power Park Units 1 and 2)
electrical power plants in Glades County,))
by Florida Power & Light Company.)
_____)

Docket No. 070098-EI

Filed: May 7, 2007

CITIZENS' POST-HEARING COMMENTS

The Citizens of Florida (Citizens or OPC) submit these post-hearing comments pursuant to §350.0611, Florida Statutes.

Statement of Basic Position: In order to determine whether the proposed coal plants are the most cost-effective alternative available, the Commission must take into account the very high probability of carbon dioxide emission regulation during the lives of these plants. It is not enough to say that estimating CO₂ emission mitigation costs is highly speculative or that the uncertainty regarding future CO₂ emission regulation makes it futile to try to resolve differences in CO₂ allowance price forecasts. Some significant level of emission cost is highly probable, and the Commission must make the best determination it can at this time concerning the magnitude of such costs in order to determine whether the proposed plants are the most cost-effective alternative available.

Intervenors Sierra Club et. al, Save Our Creeks, Florida Wildlife Federation, Environmental Confederation of Southwest Florida, Ellen Peterson,

and the Natural Resources Defense Council (Sierra Club et. al.) sponsored expert opinion testimony forecasting the most likely scenario for carbon emission prices in the future, as did Florida Power & Light Company (FPL), who's expert called this the "expected case." The opinion of both experts converged at approximately the level of FPL's "scenario C" for carbon emission prices. Citizens urge the Commission to use no less than this "scenario C" forecast of emission prices provided by FPL to determine the cost effectiveness of the plants.

Beside cost-effectiveness, the Commission must also consider and weigh the need for fuel diversity and supply reliability, the need for electricity at a reasonable cost, the need for electric system reliability and integrity, and the conservation measures taken by or reasonably available to FPL which might mitigate the need for FGPP.

Issue 7: Are the proposed generating units the most cost-effective alternative available, as this criterion is used in Section 403.519, Florida Statutes?

Summary of OPC Position on Issue 7: ** In order to determine whether the proposed pulverized coal plants are the most cost-effective alternative available, the Commission must take into account the very high probability of carbon dioxide emission regulation during the lives of these plants. Some significant level of emission cost is likely. The Commission should use no less

than FPL's medium forecast of CO₂ emission prices (scenario C) to determine the cost effectiveness of the plants. **

Discussion: Ms. Holly Binns, the first public witness appearing in this proceeding, hit the nail on the head with the following testimony:

"...it is increasingly likely that ... Congress will act to restrict carbon dioxide emissions from the utility sector and that this will have a significant impact on the cost of pulverized coal plants, and these are costs that would be passed directly to utility ratepayers.

Currently there are six proposals in Congress to limit CO₂ emissions from the utility sector and all require significant reductions in CO₂ emissions, most in the range of 60 to 80 percent within the lifespan of this plant, and all of these proposals have broad bipartisan support. And in addition, congressional leadership has made a priority of passing legislation to limit global warming emissions a priority. So I think more than ever it's extremely likely that we will have a carbon-regulated economy in the near future, and the utility sector will obviously be a big part of this and that has an impact on the cost of this plant for ratepayers, and particularly for the Glades Power Park, which will emit approximately 13 million tons of carbon dioxide annually every year for, you know, the lifespan of this plant, 30, 40, 50 years. Those are significant ongoing costs that get passed directly to ratepayers.

I understand that you're going to hear more about this from expert witnesses, so I won't belabor the point. But I do believe it's a significant issue related to the cost of this plant and whether it's the most economic option, and so I urge you to carefully consider it." Testimony of Ms. Holly Binns, Tr. 14-15, appearing on behalf of Environment Florida, a non-profit group representing about 5,000 customers of Florida Power & Light Company.

Other public witnesses expressed similar concerns. See testimony of Mr. George Cavros at Tr. 28-29; testimony of Mr. Steven Smith at Tr. 84.

Florida Power & Light Company told the Commission that CO₂ regulation is likely and that it will be good public policy to have legislation that imputes a cost to carbon emissions, either through a cap and trade system or through a carbon fee. Testimony of Florida Power & Light Company President Armando J. Olivera, Tr. 255. In fact, a press release issued by Florida Power & Light Company upon conclusion of the hearings stated that "FPL acknowledged that federal regulation of greenhouse gas emissions is likely to be implemented in the near future. FPL Group confirmed its support of mandatory CO₂ regulation to reduce emissions that contribute to climate change and believes it is likely to be adopted in the near term."¹ FPL's position is further evidenced by the participation of FPL Group in the U.S. Climate Action Partnership (USCAP), a group of businesses and environmental organizations calling on the federal government to quickly enact strong national legislation requiring significant reductions of greenhouse gas emissions. See exhibits 159, 210.

The intervenors Sierra Club et. al. sponsored the testimony of Mr. David A. Schlissel, who forecasted the enactment of significant carbon emission regulation by the federal government. See Schlissel, Tr. 573-577. All parties agree that carbon emission regulation will affect the cost of the proposed power plants; the only question is when and to what extent. And the two experts appearing in this proceeding -- Mr. Judah Rose, who appeared on behalf of Florida Power & Light Company, and Mr. David A. Schlissel, who appeared on behalf of Sierra Club et. al. -- not only believe that CO₂ regulation is likely, but

¹ <http://www.fpl.com/news/2007/0430071.shtml>

both believe that the expected or most likely level of carbon emission prices will exceed the levels set forth in the no carbon cost ("A") and low carbon cost ("B") scenarios presented by FPL in their scenario analyses.

Mr. Judah Rose, a managing director of ICF international, described three forecasts of carbon prices prepared by his company and used by Florida Power & Light Company to analyze the cost of the proposed Glades power plants. The mild CO₂ scenario ("B") reflects Senator Bingaman's proposed bill. Rose, Tr. 1578. According to Mr. Rose, the debate in Congress over the last several years has coalesced around three types of proposals. Senator Bingaman's is the most mild of the three and explicitly incorporates a safety valve to accommodate economic growth. Rose, Tr. 1589. The stringent CO₂ scenario ("D") reflects the McCain-Lieberman bill and includes a specific cap on carbon emission which decreases over time. Unlike the Bingaman bill, the McCain-Lieberman bill contains no provision for a safety valve, although it does provide allowances for those most adversely affected by the cap. Rose, Tr. 1590.

The moderate CO₂ ("C") scenario reflects a weighted price stream using the Bingaman and McCain-Lieberman policies, plus an analysis of Senator Carper's policy introduced in 2006. Rose, Tr. 1578.

During cross-examination Mr. Rose discussed what his firm explicitly calls the "expected case" for air regulation. The expected case includes a CO₂ component based on a probability weighted outcome of several CO₂ reduction trajectories, with the probability weighting reflecting a shift from a very mild cap in the near term to an increasingly tighter domestic cap, and then complete integration with international markets by 2030. It reflects a range of studies,

including the Bingaman, Carper, Feinstein, and McCain-Lieberman proposals. Exhibit 194, pages 2,4; Rose, Tr. 1591 - 1594. The actual trajectory is shown in confidential exhibit 195, which was reviewed by the Commissioners during the hearing. Mr. Rose described the "expected case" as generally above the mild ("B") case and generally lower than the stringent ("D") case. Rose, Tr. 1594 - 1595.

Mr. Rose also confirmed the current validity of the "expected case." Although the current versions of some bills are moderately more stringent than previous versions, new allowances offset those more stringent provisions. Rose, Tr. 1604 - 1605. Thus, the "A" and "B" scenarios continue to understate the price of CO₂ emissions expected by FPL's expert witness Mr. Rose.²

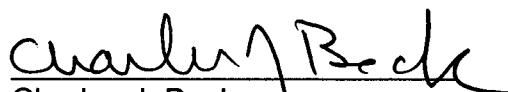
The most likely carbon emission prices projected by Mr. David A. Schlissel, the witness sponsored by Sierra Club et. al., are strikingly similar to the expected case projected by the expert for Florida Power & Light Company. Mr. Schlissel's firm prepared three forecasts for carbon dioxide allowance prices -- a "low" case, a "mid" case, and a "high" case. Exhibit 128, page 52. The study concludes that the most likely scenarios will be closer to, though not equal to, the low case scenarios rather than the high case scenario. Exhibit 128, page 53. On the witness stand, Mr. Schlissel stated that although his firm hasn't assigned probabilities to their forecasts, he thought that the more likely scenario would be "somewhere in the middle, perhaps our mid forecast or lower." Schlissel, Tr. 603.

² Dr. Sim expressed some optimism that the carbon allowances contained in some bills might permit the use of a lower carbon forecast (Sim, Tr. 1812 - 1813), but those allowances were already taken into account when Mr. Rose reconfirmed the validity of his expected view (Rose, Tr. 1604 - 1605).

FPL's witness Rose described the similarity of his forecast to that provided by Mr. Schlissel. Referring to Mr. Schlissel's forecast, during cross-examination Mr. Rose stated that "we're pretty close on the mid and expected cases" (Rose, Tr. 1600), and on redirect examination he stated that "proper use of his own data would show that the company and his numbers are fairly close" (Rose, Tr. 1610).

While no one knows for certain what the future holds for carbon regulation, the Commission should take some comfort in the fact that different expert witnesses, sponsored by parties with divergent views of the case, actually have very similar views about the most likely scenario for carbon emission prices in the future. The views of both witnesses converge at about the mid level or "scenario C" emission price forecast provided by FPL. The Commission should use no less than this level of projected CO₂ prices to determine the cost effectiveness of the plants.

Respectfully submitted,



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CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a copy of the foregoing has been furnished by
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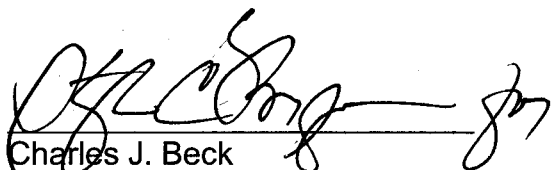
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