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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

PETITION FOR APPROVAL OF DOCKET NO. 130068-EI
AMENDED STANDARD OFFER CONTRACT
(SCHEDULE COG-2), BY PROGRESS
ENERGY FLORIDA, INC.

PETITION FOR APPROVAL OF NEW DOCKET NO. 130069-EI
STANDARD OFFER CONTRACT
(SCHEDULE COG-2A), BY
PROGRESS ENERGY FLORIDA, INC.

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 5

COMMISSIONERS
PARTICIPATING: CHAIRMAN RONALD A. BRISÉ
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Tuesday, June 25, 2013

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

REPORTED BY: LINDA BOLES, CRR, RPR
Official FPSC Reporter
(850) 413-6734

1 P R O C E E D I N G S

2 **CHAIRMAN BRISÉ:** Okay. Moving on to item
3 number 5.

4 **MR. GRAVES:** Good morning, Commissioners.
5 Robert Graves with Commission staff. Also with me is
6 Penelope Buys.

7 Item 5 addresses two petitions by Duke Energy
8 Florida seeking approval of two Standard Offer
9 Contracts.

10 The first Standard Offer Contract discussed in
11 staff's recommendation is an amended contract based on a
12 2018 combined cycle power plant. This contract is
13 amending a contract previously based on a 2019 power
14 plant of the same technology.

15 The second Standard Offer Contract is a new
16 contract based on a 2022 combustion turbine. Both
17 avoided units are consistent with what the utility has
18 shown in their Ten-Year Site Plans [sic]. Staff is
19 recommending approval of both Standard Offer Contracts
20 and is here for any questions you may have.

21 **CHAIRMAN BRISÉ:** Thank you.

22 Commissioners? Commissioner Edgar.

23 **COMMISSIONER EDGAR:** Thank you. Recognizing
24 that this process of a Standard Offer Contract in order
25 to put out pricing information for renewables in

1 particular is based on the next avoidable fossil fuel
2 generating unit. Why are there two?

3 **MR. GRAVES:** Commissioner, our rule, and I
4 don't recall right off the top of my head which rule it
5 is, but it states that it's for each technology type.
6 So the differential is the combined cycle power plant
7 and the combustion turbine power plant, and that's why
8 there's two, even though they're both natural gas-fired
9 power plants.

10 **COMMISSIONER EDGAR:** And the combined cycle
11 unit is at this point planned within the ten-year
12 planning horizon?

13 **MR. GRAVES:** Yes, ma'am, both of them are.

14 **COMMISSIONER EDGAR:** The CT as well within the
15 next ten years?

16 **MR. GRAVES:** Yes, ma'am.

17 **COMMISSIONER EDGAR:** Okay. Thank you.

18 **CHAIRMAN BRISÉ:** Okay. Commissioner Balbis.

19 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

20 I have a few questions, and I don't see
21 Mr. Ballinger up at the table. If I could have him come
22 up. He can't hide.

23 I guess one of the concerns that I had on this
24 and that, number one, we had approved last year the
25 Ten-Year Site Plan for all of the utilities, and I know

1 that there's been some changes to the next unit. It was
2 moved up a year and then this is a new Standard Offer
3 Contract for the combustion turbine, if you will. And I
4 just want to make sure we're not doing things before --
5 the cart before the horse, if you will. So,
6 Mr. Ballinger, could you kind of explain the process on
7 approving the Ten-Year Site Plan and the changes that,
8 by approving this, will initiate?

9 **MR. BALLINGER:** Certainly. First off, when
10 you approve a Ten-Year Site Plan, you're looking at it
11 as a planning document. It's not an official order.
12 It's an acknowledgment of, of suitability. But we did
13 that last year looking at Progress's Ten-Year Site Plan.
14 That had a 2019 combined cycle showing in the window of
15 the ten-year horizon.

16 If you recall, during the review of that we
17 noticed that CR3 was, there was some up in the air
18 whether CR3 would return to service or not, and also
19 CR1 and 2 were other units that potentially could come
20 out of the mix. So staff did some analysis looking at
21 what ifs if these units came out.

22 So we were aware that, let's say, if CR3 was
23 retired, that it would accelerate the need for capacity
24 either through building or purchased power. Now that
25 we're in this year's Ten-Year Site Plan that is in fact

1 a decision made by the company to retire CR3, but also
2 to retire CR1 and 2. That is showing up in this year's
3 Ten-Year Site Plan. And that is what's showing now the
4 need being accelerated up to 2018, which is where the
5 combined cycle is filling in. Approving a Ten-Year -- a
6 Standard Offer Contract is, as Commissioner Edgar said
7 earlier, sending out a pricing signal for renewable
8 generators. It's not an approval, it's not a need
9 determination for a plant, but it puts out avoided cost
10 pricing information for renewables. So hopefully
11 renewable developers out there have this information and
12 can get together with utilities and negotiate contracts.

13 And, in fact, the acceleration of this unit a
14 year enhances, if you will, the value of renewable
15 generators because the pricing, the total dollars have
16 increased a bit because you've moved that capacity
17 forward. So the need is a little greater; therefore,
18 the need to have renewables is a little greater and the
19 price that's paid a little higher. I hope that answers
20 your question.

21 **COMMISSIONER BALBIS:** Yeah. I think it does,
22 and I'd like to elaborate a little bit on some of your
23 comments.

24 I guess the first question that I have is --
25 and I want to be very careful. Phase II of the

1 CR3 docket is the decision to repair, retire, and the
2 Commission has yet to move forward with that hearing
3 process.

4 What will our determination in that docket on
5 that phase, how can that affect this Standard Offer
6 Contract? So, for example, if the Commission decides
7 that decision was not prudent, does it change everything
8 and we would have to go back and look at their next
9 unit?

10 **MR. BALLINGER:** In my mind it doesn't. We're
11 faced with the facts as they are today, and this is the
12 utility's current plan. They have to move forward to
13 provide power and make sure the lights stay on. So the
14 current plan is to have the next unit be a 2018 combined
15 cycle.

16 I think even if you were to decide to -- that
17 the decision to retire was the wrong one, you have two
18 choices: A financial penalty, if you will, to the
19 company for making that choice, or requiring them to
20 repair the unit. I think either of those choices are
21 going to take several years either in litigation or
22 physical construction of the unit.

23 So I still think 2018 is probably a good date
24 of meeting capacity. So I'm getting a little
25 uncomfortable going into another docket here, but I

1 don't think it should have any impact on the
2 CR3 delamination docket.

3 **COMMISSIONER BALBIS:** Okay. And so I guess
4 the real question is, you know, my first concern is that
5 is this -- moving forward with this amended Standard
6 Offer Contract and new Standard Offer Contract, is this
7 premature? So I guess your answer is no.

8 **MR. BALLINGER:** I don't, I don't believe so,
9 no, sir.

10 **COMMISSIONER BALBIS:** Okay. And then I just
11 want to focus or shift gears a little bit into more
12 comfortable ground, and that is last year's Ten-Year
13 Site Plan, Progress did provide an exhibit that showed
14 seasonal reserve margins with certain units coming
15 offline. I believe it was either Crystal Rivers 1, 2,
16 and 3, which now they've announced Crystal River 3's
17 retirement and also 1 and 2. So I guess the first
18 question is that Figure 5, does that include all three
19 units or is that just Crystal River 3?

20 **MR. BALLINGER:** I talked with my staff early
21 this morning. That only includes Crystal River 3, the
22 assumption that Crystal River 3 would not return to
23 service.

24 Later on in staff's review, in fact on the
25 next page, it would be Figure 7, that is where we looked

1 at replacing Crystal River 1, 2, and 3 with natural gas
2 generation just to get a sense of what the fuel
3 diversity would look like for Progress if that was to
4 occur. But from a reserve margin only, back to Figure
5 5, that was only the retirement of CR3.

6 **COMMISSIONER BALBIS:** Okay. Then so we never
7 received a -- let me ask you this. The latest Ten-Year
8 Site Plan submittal, did that include -- does this show
9 an accurate chart that shows all three of the units that
10 are now planned to be, remain offline?

11 **MR. BALLINGER:** My understanding is Progress's
12 current plan, ten-year plan, has obviously CR3 retired.
13 So that's out of the mix starting today. CR1 and
14 2 coming offline in, I think, 2015 and 2016, and I'll
15 look to my staff to -- if that sounds right.

16 **MR. GRAVES:** I believe that's correct,
17 Commissioner. Also they show a purchased power
18 agreement, a rather large one, I believe, of
19 1,500-megawatts or higher in the 2016 time range.

20 **COMMISSIONER BALBIS:** Okay. And I'm sure
21 we'll continue those discussions when we get into that
22 Ten-Year Site Plan.

23 And I just want to, want to clarify because,
24 again, looking at the order of things, looking at the
25 different options, once we get to approving those plants

1 in the need determination process, that's when we will
2 look at are there other options out there, whether
3 they're purchased power agreements that are out there or
4 there are other third parties that can provide this
5 needed power.

6 **MR. BALLINGER:** Correct. Part of the
7 Commission's procedures for any IOU that goes through a
8 need determination process must first issue a request
9 for proposals for purchased power agreements from
10 either non-utility generators, renewable generators, or
11 other utilities, out-of-state utilities. So they have
12 to test the market first to see is there purchased power
13 available rather than building a new unit. That process
14 is completed before they even file a need determination.
15 And I would think for a 2018 combined cycle, if there
16 was going to be a need determination, that would be
17 sometime in 2014.

18 **COMMISSIONER BALBIS:** Okay. And then just
19 last question or comment, which is one of the reasons
20 why I pulled the other items, is looking at the
21 different payment terms on similar capacity factors
22 there was a somewhat significant difference within each
23 utility. And just on a -- from my review it does appear
24 that if you are -- for a renewable energy facility, if
25 you were to look at which area of the state has perhaps

1 better payment terms, it appears that Progress Energy's
2 territories and Progress Energy's Standard Offer
3 Contracts included in this docket may be more attractive
4 in Progress's territory; is that correct?

5 **MR. BALLINGER:** Off the top of my head, I
6 think that sounds right. You have a combined cycle
7 unit, and I think Progress is the earliest in-service
8 date of all the utilities. So that, that sounds right.

9 **COMMISSIONER BALBIS:** Okay. Thank you, Mr.
10 Chairman. That's all the questions I have.

11 **CHAIRMAN BRISÉ:** Okay. Any further questions?
12 Okay. Any further comments? Okay. We're in posture
13 for a motion.

14 **COMMISSIONER GRAHAM:** Move staff.

15 **COMMISSIONER BROWN:** Second.

16 **CHAIRMAN BRISÉ:** Okay. It's been moved and
17 seconded. All in favor, say aye.

18 (Vote taken.)

19 Thank you very much. Okay. So we've covered
20 items 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, and 11, so it seems
21 we are at the time for adjournment. And we will have --
22 we will go into Internal Affairs at 10:20; give
23 everybody about a ten-minute break. With that, we stand
24 adjourned.

25 (Agenda item concluded.)

1 STATE OF FLORIDA)
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

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I, LINDA BOLES, CRR, RPR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 20th day of June, 2013.

Linda Boles
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