

VOTE SHEET

June 14, 2011

Docket No. 110018-EU – Joint petition for modification to determination of need for expansion of an existing renewable energy electrical power plant in Palm Beach County by Solid Waste Authority of Palm Beach County and Florida Power & Light Company, and for approval of associated regulatory accounting and purchased power agreement cost recovery.

Issue 1: Are the Solid Waste Authority of Palm Beach County and Florida Power & Light Company the proper applicants within the meaning of Section 403.519, F.S.?

Recommendation: SWA and FPL are not required to both be applicants within the meaning of Section 403.519, F.S. SWA is a proper applicant within the meaning of Section 403.519, F.S. As a Joint Petitioner, FPL has assumed the responsibility to demonstrate the electrical need for and cost-effectiveness of the proposed project.

MODIFIED

RECOMMENDATION ON ALL ISSUES: Starting from the background of the primary recommendations, staff was directed to amend the PPA by the following: 1) extend the terms of the contract by 26 months, 2) committed capacity to be at a range of 70-80 MW and submit it to the parties. Additionally, include in the order that the advanced capacity recovery will be in the first year. Staff was given administrative authority to deal with the fallout issues, to approve the amended contract issues based on the discussion at the Commission Conference, and to administratively close the docket, noting that staff's administrative authority is separate from the need determination, which is a final order. If staff is not comfortable with an amended contract, this matter will be brought back to the Commission.

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

04159 JUN 17 =

FPSC-COMMISSION CLERK

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Issue 2: Is there a need for the SWA Expanded Facility taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, F.S.?

Recommendation: Yes. FPL is currently projecting a need for more than 370 MW of additional capacity in 2016. The Expanded Facility, projected to provide between 70 and 80 MW of firm capacity by 2015, will satisfy a portion of FPL's projected need. Therefore, the SWA Expanded Facility will contribute to the reliability and integrity of FPL's electric system.

Issue 3: Is there a need for the SWA Expanded Facility, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, F.S.?

Recommendation: Yes. As discussed in Issue 2, the Expanded Facility will satisfy a portion of FPL's projected capacity needs. As discussed in Issue 6, the Expanded Facility is estimated to produce savings to FPL's ratepayers ranging from approximately \$189,000 to \$8,212,000. The incremental bill impact resulting from the advanced funding payment is reasonable at approximately \$0.10 per month.

Issue 4: Is there a need for the SWA Expanded Facility, taking into account the need for fuel diversity and supply reliability, as this criterion is used in Section 403.519, F.S.?

Recommendation: Yes. The Expanded Facility is projected to provide approximately 575,000 MWh each year which will reduce the amount of fossil fuel burned on FPL's system. While the energy from the Expanded Facility should increase the amount of renewable energy on FPL's system approximately 38 percent, the overall contribution from renewable energy will remain small on FPL's system at less than 1.6 percent. Such a result is not surprising given the relative difference in size between the Expanded Facility (70-80 MW) and FPL's existing system (over 23,000 MW).

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Issue 5: Are there any renewable energy sources and technologies, as well as conservation measures, taken by or reasonably available to Florida Power & Light Company or SWA which might mitigate the need for the SWA Expanded Facility as this criterion is used in Section 403.519, F.S.?

Recommendation: No. SWA's conversion of municipal solid waste to electricity by incineration is, by statute, both a renewable energy source and a conservation measure. In addition, The evidence in the record demonstrates that calculation of FPL's reserve margin included projected DSM savings based on the goals established in 2009.

Issue 6: Is the SWA Expanded Facility the most cost-effective alternative available, as this criterion is used in Sections 377.709 and 403.519, F.S.?

Recommendation:

Primary Staff: Yes. The present value of the advanced funding payment (\$55.9 million) is less than the present value of FPL's current avoided costs at 70–80 MW (\$56.1 million and \$64.1 million). As such, the proposed Expanded Facility could produce savings in the range of approximately \$189,000 to \$8,212,000. If either the term of the contract or the committed capacity were increased, the savings to ratepayers would also increase. Therefore, as discussed in Issue 7, staff would encourage both parties to explore extending the term of the contract or increasing the committed capacity in order to maximize ratepayer benefits.

Alternate Staff: No. Because of planning uncertainty, it is not clear that the advanced funding payment to SWA is cost-effective pursuant to Sections 377.709 and 403.519, F.S. The Joint Petitioners should be afforded the opportunity to correct this deficiency by mutually agreeing to amend the proposed PPA. The Commission should not approve the proposed PPA until it can be demonstrated to be cost-effective. However, the electrical need for the WTE facility should be granted to allow SWA to go forward with the power plant certification process.

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Issue 7: Is the proposed contract between SWA and FPL reasonable, prudent, and in the best interest of FPL's customers and appropriate and consistent with the provisions of Section 377.709, F.S.?

Primary Recommendation: Yes. As discussed in Issue 6, the proposed contract between the SWA and FPL is projected to provide benefits to FPL's ratepayers. However, staff would encourage both parties to explore extending the term of the contract or increasing the committed capacity in order to maximize ratepayer benefits.

Alternate Recommendation: No. Because of planning uncertainty, it is not clear that the advanced funding payment to SWA is cost-effective pursuant to Sections 377.709 and 403.519, F.S. The Joint Petitioners should be afforded the opportunity to correct this deficiency by mutually agreeing to amend the proposed PPA. The Commission should not approve the proposed PPA until it can be demonstrated to be cost-effective. However, the electrical need for the WTE facility should be granted to allow SWA to go forward with the power plant certification process.

Issue 8: Is FPL's proposal to recover the advanced capacity payment to SWA through the Energy Conservation Cost Recovery clause pursuant to Section 377.709, F.S., consistent with Rules 25-17.200 through 25-17.310, F.A.C.?

Recommendation: Yes. Both, Section 377.709, F.S., and Rules 25-17.200 through 25-17.310, protects ratepayers by limiting cost recovery to the utility's avoided cost. The proper method of recovery is discussed in Issue 9.

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Issue 9: Should the Commission allow FPL to recover from its customers the advanced capacity payment associated with the Expanded Facility's electrical component made to SWA pursuant to and/or resulting from the proposed contract, as well as the carrying costs and administrative costs incurred by FPL, through the Energy Conservation Cost Recovery clause, pursuant to Section 377.709, F.S.?

Primary Recommendation: Yes. Pursuant to Section 377.709(3)(b)4, F.S., FPL should be allowed to recover the fixed advanced funding amount of \$56,643,942 as well as the carrying costs and prudent administrative costs incurred by FPL through the Energy Conservation Cost Recovery clause. As discussed in Issue 7, the parties should explore extending the term of the contract or increasing the committed capacity in order to maximize ratepayer benefits.

Alternate Recommendation: No. Because of planning uncertainty, it is not clear that the advance capacity payment to SWA is cost-effective pursuant to Sections 377.709 and 403.519, F.S. The Joint Petitioners should be afforded the opportunity to correct this deficiency by mutually agreeing to amend the proposed PPA. The Commission should not approve the proposed PPA until it can be demonstrated to be cost-effective. However, the electrical need for the WTE facility should be granted to allow SWA to go forward with the power plant certification process.

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Issue 9A: If yes, what amount should FPL be allowed to recover from its ratepayers?

Primary Recommendation: Yes. FPL should be allowed to recover the fixed advanced funding amount of \$56,643,942 as well as the carrying costs and prudent administrative costs incurred by FPL.

Alternative Recommendation: No. Because of planning uncertainty, it is not clear that the advance capacity payment to SWA is cost-effective pursuant to Sections 377.709 and 403.519, F.S. The Joint Petitioners should be afforded the opportunity to correct this deficiency by mutually agreeing to amend the proposed PPA. The Commission should not approve the proposed PPA until it can be demonstrated to be cost-effective. However, the electrical need for the WTE facility should be granted to allow SWA to go forward with the power plant certification process.

Issue 9B: To the extent FPL incurs firm capacity costs associated with the contract between SWA and FPL that are not recovered through the ECCR clause, should FPL be allowed to recover those costs through the Capacity Cost Recovery clause?

Recommendation: No. An electric utility is authorized to seek recovery for the financing of an electrical component plus all carrying costs and reasonable and prudent administrative costs pursuant to Section 377.709(3)(b)4, F.S. The contract contains no other capacity payments except those made for the advanced funding. Therefore, FPL should be authorized to recover the funding payment, carrying costs, and reasonable and prudent administrative costs through the ECCR clause.

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Issue 10: Should FPL be allowed to recover from its customers all payments for energy made to SWA pursuant to and/or resulting from the proposed contract between SWA and FPL through the Fuel and Purchased Power Cost Recovery clause?

Recommendation: Yes. FPL should be able to recover all reasonable and prudent payments for energy made to SWA to and/or resulting from the proposed contract between SWA and FPL through the Fuel and Purchased Power Cost Recovery clause.

Issue 11: Based on the resolution of the foregoing issues, should the Commission grant the Joint Petition for modification to determination of need by SWA and FPL and for recovery of purchased power contract costs?

Primary Recommendation: Yes.

Alternative Recommendation: Yes. The electrical need for the WTE facility should be granted allowing SWA to go forward with the power plant certification process. However, because of planning uncertainty, it is not clear that the advance capacity payment to SWA is cost-effective pursuant to Sections 377.709 and 403.519, F.S. The Joint Petitioners should be afforded the opportunity to correct this deficiency by mutually agreeing to amend the proposed PPA. The Commission should not approve the proposed PPA until it can be demonstrated to be cost-effective.

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Issue 12: Should this docket be closed?

Recommendation: Yes. Upon issuance of a final Order addressing the Solid Waste Authority and Florida Power & Light Joint Petition to determine need for the Expanded Facility, the docket should be closed when the time for filing an appeal has run.