

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Petition of Southeast Renewable)
Fuels, LLC, for a Declaratory) DOCKET NO. 130235-EQ
Statement Regarding Co-Ownership)
Of Electrical Cogeneration) FILED: October 31, 2013
Facilities in Hendry County)
_____)

**SOUTHEAST RENEWABLE FUELS, LLC'S NOTICE OF FILING RESPONSES
TO DATA REQUESTS NOS. 1-9 PROPOUNDED BY THE STAFF
OF THE FLORIDA PUBLIC SERVICE COMMISSION**

As requested by the Staff of the Florida Public Service Commission, through a letter from Rosanne Gervasi, Senior Attorney, dated October 22, 2013, Southeast Renewable Fuels, LLC ("Southeast" or "Southeast Renewables"), hereby files its responses to the Staff's First Data Requests Nos. 1-9.

Respectfully submitted this 31st day of October, 2013.



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RESPONSES TO STAFF'S FIRST DATA REQUESTS

Preliminary Statement

For convenience, Southeast's responses to the Staff's Data Requests are provided following each part and subpart of the Data Requests, using a different font. The following terms are used in these responses. The Confidential Partner referenced in Southeast's Petition for Declaratory Statement is also referred to as the "CO2 Plant" in these responses. The term "Power Plant" means the electrical generating equipment that will produce the electricity to be used by Southeast's Ethanol Plant and the CO2 Plant. Southeast and the Confidential Partner are sometimes referred to collectively as the "Joint Owners" and individually as a "Joint Owner." The Joint Venture Agreement contemplated by Southeast and the Confidential Partner is sometimes referred to as the "JVA."

In Paragraph 13 of the above-referenced Petition, Southeast states that it and the Confidential Partner will jointly own the electrical generation equipment via undivided ownership interests, and that each party's interest (ownership share) will be at least as great as its maximum power requirements. Please clarify this ownership arrangement by providing responses to the following staff data requests:

1. If Southeast and the Confidential Partner's ownership interests in the electrical generation equipment are undivided, how can they own specific shares in that equipment?

Southeast Renewable Fuels Response

There are no "specific shares" involved in an undivided ownership arrangement. Each of Southeast and the Confidential Partner (CO2 Plant) will own a percentage ownership interest in the proposed Power Plant and the electricity produced by the Power Plant with their rights and obligations defined by a Joint Venture Agreement between them. Essentially, they will each be entitled to receive and use defined amounts of the Power Plant's capacity (measured in kilowatts and megawatts) and electrical energy produced (measured in kilowatt-hours or megawatt-hours) according to their ownership percentages of the jointly owned generating equipment. The undivided ownership interests will be analogous, if not identical, to the "undivided interest in the cogeneration assets" that, in an earlier declaratory statement proceeding, Seminole Fertilizer proposed to lease from the yet-to-be-created limited partnership that would own

the cogeneration assets. In Re: Petition of Seminole Fertilizer Corporation for a Declaratory Statement Concerning the Financing of a Cogeneration Facility, 90 FPSC 11:126, 129.

2. What percentages of the total generation will be allocated to Southeast and to the Confidential Partner?

Southeast Renewable Fuels Response

At least initially, Southeast and the Confidential Partner expect that Southeast will own a minimum of 5,500 kW (22 percent) of the total generating capacity of the Power Plant, and that the CO2 Plant will own a minimum of 1,500 kW (6 percent) of the Power Plant, and that, correspondingly, each will be able to receive and use up to its respective share of the electrical energy produced over any period of time. Ownership of the additional capacity, i.e., the capacity above the sum of Southeast's minimum of 5,500 kW plus the CO2 Plant's minimum of 1,500 kW, will be negotiated and specified in the JVA. It is possible, although not finally determined, that Southeast may initially own the balance of the Power Plant's capacity, i.e., 23,500 kW if the CO2 Plant decides to own only 1,500 kW of the Plant's capacity.

- a. What will happen if the electric demand of one of the owners exceeds its allocated portion of the output of the generating unit?

Southeast Renewable Fuels Response

As contemplated by Southeast and the Confidential Partner, this will not happen. Although the final details have not been determined, one possibility is that the Joint Venture Agreement would provide that each Joint Owner must demonstrate that its total connected load is no greater than its ownership share. For example, suppose that the CO2 Plant has total connected load, including every pump, motor, lamp, light fixture, computer, coffee-maker, radio, television, or any other piece of equipment that uses electricity, of 1,500 kW. The CO2 Plant could be required by the JVA to have an engineer certify that this was and is the CO2 Plant's maximum possible load. Another possibility, obviously not desirable because of the extra expense that would be involved, would be for each Joint Owner to have a circuit breaker or relay switch at its meter that would open - break the circuit - if the respective owner's load were to reach the kW value of its ownership share. For example, assume that the CO2 Plant's ownership share was

1,500 kW; a breaker or interrupting relay could be installed at the meter from the Power Plant to the CO2 Plant that would cause the circuit to open if more than 1,500 kW of load were to be sensed at the meter and breaker.

b. Will the ownership of the generating unit be allocated on a "sliding scale?"

Southeast Renewable Fuels Response

No.

c. Will Southeast and the Confidential Partner be able to change their ownership shares over time?

Southeast Renewable Fuels Response

Yes. The Joint Venture Agreement will contain specific terms providing for such changes in ownership shares.

d. Are there any limits on the frequency of those changes?

Southeast Renewable Fuels Response

Although the details have not been determined, Southeast and the Confidential Partner contemplate that there will be limits on the frequency of any changes, probably annually or semi-annually. Further, the definitive JVA will provide explicitly that neither of the Joint Owners can use more than its percentage ownership share as measured by either kilowatts of demand or kilowatt-hours of electrical energy, at any time.

e. Will there be terms fixed at the outset, or will any change in ownership require new negotiation?

Southeast Renewable Fuels Response

Although the details have not been determined, Southeast and the Confidential Partner contemplate that the terms for purchasing additional ownership interests in the Power Plant (i.e., increasing a Joint Owner's percentage of its undivided ownership in the Power Plant) will be specified in the JVA at the outset of the joint

ownership arrangement. The specified terms may include fixed prices, e.g., a schedule of prices for additional capacity that would apply in each year, or they might include an objectively defined formula for determining the price in any year. Thus, any change in ownership would not require any new negotiations.

f. Will this allocation be based on capacity or total energy production?

Southeast Renewable Fuels Response

Southeast and the Confidential Partner contemplate that their respective undivided ownership interests will be based on the capacity of the Power Plant, and would represent the maximum capacity that either Joint Owner could utilize at any moment. This is the only way to ensure that one Joint Owner is not receiving power from the other Joint Owner's share of the Power Plant at any time. See Southeast Renewable Fuels' response to Staff's Request No. 2.a above.

g. How is this percentage expected to be determined? Is it expected to vary on an instantaneous, daily, weekly, monthly, or yearly basis?

Southeast Renewable Fuels Response

See responses to 2.a and 2.d above. The undivided ownership interests, whether measured in kilowatts or in percentages, will be determined in the Joint Venture Agreement, subject to periodic revision as may be provided in the JVA. The actual percentages of the Power Plant's output that each Joint Owner will use from instant to instant, or from hour to hour, or from month to month, will vary, but neither Joint Owner will ever be able to use more of the Power Plant's capacity than its undivided ownership interest percentage. In the example above, the CO2 Plant will not be able to draw more power from the Power Plant than its percentage ownership interest, e.g., 1,500 kW, and thus it will be unable to use more than 1,500 kWh per hour of electric energy produced by the Power Plant.

3. In Paragraph 11 of the Petition, Southeast states that the electrical generation capacity of the project is initially expected to be 25 megawatts (MW), that the Ethanol Plant will have a maximum electric demand of approximately 10 MW, and that the Carbon Dioxide Plant will have a maximum electric demand of approximately 1.5 MW. Since the total output of the generating unit will be more than twice the total of the maximum demand of both owners, how will the ownership of the portion of the generating unit representing the remaining 13.5 MW be divided?

Southeast Renewable Fuels Response

Initial Note: The statement that the Ethanol Plant would have a maximum electric demand of 10 MW was inadvertently incorrect; the correct value, based on the best information available at this time, is that the Ethanol Plant will have a maximum demand of approximately 5.5 MW.

The details of the Joint Venture Agreement have not been finalized, nor have the Parties - Southeast and the CO2 Plant - decided on exactly what their ownership interest percentages are going to be; those ownership interests will be negotiated and specified in the JVA. Whatever those ownership interests are, they will apply to the Power Plant's total capacity, and not specifically to the "portion of the generating unit representing the remaining" balance of the Power Plant's capacity above the sum of Southeast's and the CO2 Plant's loads. In other words, using the possible Southeast 94%, CO2 Plant 6% example, Southeast would own an undivided ownership interest entitling it to use up to 23,500 kW of the Power Plant's capacity and also giving it ownership of up to 94 percent of the Plant's output; however, if the CO2 Plant owns an ownership interest entitling it to 1,500 kW of the Plant's capacity and the corresponding amount of electrical energy produced, it will be entitled to the full 1,500 kW, and the full 1,500 kWh per hour of electrical energy produced. As explained in Southeast's response to Request No. 4 below, if the CO2 Plant owns an undivided ownership interest of 1,500 kW, and in a given hour it used only 1,000 kWh, and the Power Plant was operating at full capacity, the CO2 Plant would receive both the 1,000 kWh that it was using to run its operations, and also 500 kWh worth of the revenues from sales in that hour. Following this example, if, the Power Plant was operating at full load and the CO2 Plant was using its full 1,500 kW (1,500 kWh per hour) entitlement, then the CO2 Plant would get its 1,500 kWh for its own use, but it would not share in any of the

revenues from sales to utilities because it would be using its entire ownership interest to serve its own needs.

Southeast believes that this is irrelevant to the declaratory statements requested, because under any scenario, as explained in Southeast's response to Staff's Request No. 2.a above, neither of the Joint Owners will be able to use more power from the Power Plant than its undivided ownership interest percentage.

4. What will happen if the demand of one of the owners is consistently less than the stated maximum? For example, after twelve months of operation, the Carbon Dioxide Plant never reached 1.5 MW of demand, but instead peaked at 1.1 MW. What impact would this situation have on the ownership of the generating unit?

Southeast Renewable Fuels Response

The answer to the second question in this data request is that there would be no impact on the ownership of the Power Plant if one of the Joint Owners consistently used less than its ownership interest amount. If the demand and energy usage of one of the joint owners is consistently less than the amount of its undivided ownership interest, the only thing that will happen is that the Joint Owner who is using below its share will receive a correspondingly increased share of revenues from selling excess power to a utility, assuming that such sales were being made. Each Joint Owner will own its proportionate share of the electrical energy produced by the Power Plant and will also own its proportionate share of the electrical energy being sold to a utility, such that, if there is more energy being sold to a utility, there will be more revenues and each Joint Owner will be entitled to its share of revenues based on the difference between its ownership interest and its usage in the given hour, provided, of course, that neither party can ever get paid for such sales for an amount of electric energy greater than the difference between its ownership interest and the amount of that interest that it used for its own internal purposes. For example, if the CO2 Plant owns an undivided ownership interest of 1,500 kW, and in a given hour it used only 1,000 kWh, and the Power Plant was operating at full capacity, the CO2 Plant would receive 500 kWh worth of the revenues from sales in that hour.

5. If either Southeast or the Confidential Partner's need for energy exceeds its allocation from the generator, how will it serve this extra load?

Southeast Renewable Fuels Response

In this scenario, the Joint Owner who needed additional energy would have to obtain that energy by purchasing it as "supplementary power" (also referred to as "supplemental power") from Glades Electric Cooperative.

6. How will the company operating the generating equipment be compensated by Southeast and the Confidential Partner?

Southeast Renewable Fuels Response

The details of the compensation structure for the O&M Company have not been finalized, but Southeast and the Confidential Partner contemplate that the O&M Company would be compensated on a pre-determined monthly or annual fee basis for the service of operating and maintaining the Power Plant, and that there would not be payments to the O&M Company for specific amounts of energy produced by the Power Plant or consumed by either of the co-owners. That is, the Joint Owners do not contemplate any sort of arrangement where the O&M Company would be compensated on the basis of electricity produced for use by, or consumed by, either of the Joint Owners.

a. Will compensation be a fixed sum or tied to energy production?

Southeast Renewable Fuels Response

The details of the compensation structure for the O&M Company have not been finalized, but Southeast and the Confidential Partner contemplate that the O&M Company would be compensated on a pre-determined monthly or annual fee basis (subject to periodic changes based on changes in market conditions or periodic renewals of the contract with the O&M Company) for the service of operating and maintaining the Power Plant, and that there would not be payments to the O&M Company for specific amounts of energy produced by the Power Plant for consumption by either of the Joint Owners.

b. Will compensation be evenly split between the two parties, divided according to their ownership shares, or by some other percentage?

Southeast Renewable Fuels Response

The details of the compensation structure for the O&M Company have not been finalized, but Southeast and the Confidential Partner contemplate that their respective shares of the payments made to the O&M Company would be based on their respective ownership percentages of the Power Plant on a capacity basis (e.g., 94% paid by

Southeast and 6% paid by CO2 Plant if the CO2 Plant decides to own only 1,500 kW of the Power Plant's capacity, or whatever other ownership percentages are negotiated by the Joint Owners and specified in the JVA), with the possibility that some of the O&M cost responsibility could be billed and paid on the basis of the electric energy each consumed. For example, the JVA might provide that the fixed O&M costs, e.g., the monthly fee to the O&M Company, would be split on the possible initial 94%-6% ownership percentage basis, and that variable costs (bagasse, startup fuel, chemicals, water, etc.) that vary directly according to the amount of electricity produced would be split on the basis of each Joint Owner's respective share of energy produced (including both energy consumed by the Joint Owners and any energy sold to utilities).

7. Will Southeast and the Confidential Partner separately negotiate the sale of any energy produced beyond their needs, or will the company operating the generating equipment make such decisions unilaterally?

Southeast Renewable Fuels Response

Assuming that this question refers to potential sales of power to utilities, while the details of the JVA have not been finalized, Southeast and the CO2 Plant contemplate that any sales to utilities would be made pursuant to standard offer contracts (firm or as-available), or through negotiated contracts for the sale of firm or as-available energy, and that any negotiations with purchasing utilities would most likely be done through an agent, subject to the approval of the Joint Owners as will be provided for in the JVA. It is possible that the CO2 Plant and Southeast could agree in the JVA that Southeast would be the agent for all power sales to utilities.

8. In Paragraph 11 of the Petition, Southeast states that the electrical generation capacity will be capable of expansion to 50 MW. Will the anticipated expansion of the generating unit change the facts set forth in the Petition?

Southeast Renewable Fuels Response

In Southeast's view, the anticipated expansion will not change any of the facts set forth in the Petition that are relevant to the declaratory statements requested. It will still be true that each Joint Owner will own an undivided ownership interest in the Power Plant that is greater than or equal to its maximum usage or load imposed on the Power Plant.

9. If the generating unit's output is increased to 50 MWs, what will be Southeast and the Confidential Partner's respective ownership percentages?

Southeast Renewable Fuels Response

That is not known at this time, because the expansion may be driven by increases in the electrical requirements of one or both of the Joint Owners, or by a mutual desire to expand the Power Plant to produce more renewable energy for sale to Florida utilities, or possibly other factors and business considerations, or the Joint Owners may simply wish to change their ownership shares so as to effect a different allocation of the proceeds from sales to utilities, such that they might change their respective undivided ownership interests at the time of the contemplated expansion. Under any scenario, however, the relevant facts represented in the Petition will not change: each party's undivided ownership interest will be at least as great as its maximum power requirements, and each of Southeast and the CO2 Plant will also own the title to the electricity produced from its share of the Power Plant.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served via electronic delivery this 31st day of October, 2013, on the following:

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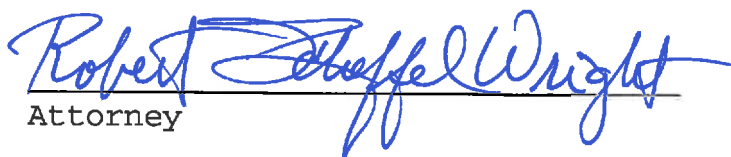
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