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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. UNDOCKETED

In the Matter of
RENEWABLE PORTFOLIO STANDARDS.
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P R O C E E D I N G S

1
2 (Transcript follows in sequence from
3 Volume 1.)

4 MR. FUTRELL: Okay. We're going to get
5 started. Before we get back into the agenda, Mr. Trapp
6 has a question.

7 MR. TRAPP: Thank you. I appreciate your
8 indulgence, but I would like to go back, if I might, to
9 part of the discussion that we had before lunch and
10 maybe elaborate a little bit on what was talked about.
11 And for this, I would like to beg the indulgence of the
12 eminent Commissioner Clark.

13 Susan, we were talking about the boxes that
14 we're finding ourselves or putting ourselves in in this
15 workshop, and maybe thinking outside of that box. And I
16 take you back to all the many, many projects we've
17 worked on together in the area of incentive regulation.
18 And the subject matter, of course, is the topic of
19 utility ownership or utility partnership or cooperation
20 in the development of renewables.

21 And, you know, it occurs to me that over the
22 years, we've developed -- I mean, I started out with the
23 oil backout cost recovery plan, where we incented
24 certain coal unit conversions and transmission line
25 constructions to get rid of or back out of the expensive

1 oil, and we came up with some fairly creative
2 mechanisms, accelerated depreciation for transmission
3 lines and that type of thing, in order to accomplish
4 that, and we've done GPIFs and all kinds of other
5 cost-based and cost-effective incentive mechanisms.

6 I guess what I wanted to do is challenge, on
7 the IOU side of things at least, challenge your segment
8 of the industry to come up with something again.

9 MS. CLARK: You mean come up with ideas for
10 incentives?

11 MR. TRAPP: Yes, utility ownership, utility
12 partnership, utility facilitation of projects that can
13 be both encompassed within what is known as the
14 conventional revenue neutral box of ratemaking, which,
15 you know, employs basically capitalization, return on
16 equity rewards, penalties on equity, partnerships,
17 co-ops, whatever, and then also going into the Moline
18 box, the Barry box, within the concept of rate cap, what
19 segment of rate cap could be used to promote utility
20 sponsored -- and I'm thinking more -- you know,
21 reward/penalty is so harsh to me. Sometimes
22 reward/reward is good, where there are savings and all
23 winners. Go back to the RIM test, the all-winners test,
24 everybody wins.

25 For our next get-together, as we discuss how

1 to develop a rule or a plan, again, I would like to
2 challenge the investor-owned utility side of the
3 equation to think in and out of Barry's box, but think
4 of what you can do as an industry to change regulation,
5 promote, you know, good programs that will benefit
6 ratepayers, consumers, the environment, the public, and
7 the globe as a whole.

8 MS. CLARK: Well, I take your question to be
9 you can answer now and later.

10 MR. TRAPP: It's a challenge at this point,
11 but I would appreciate any reaction you have to it.

12 MS. CLARK: No. We recommend incentives. I
13 personally think they work. I've seen them work. You
14 know, when you mentioned penalties, it seems to me that
15 really the thing you want to make this work is
16 incentives, penalties maybe if they don't,
17 disincentives, I suppose, like you do with GPIF.

18 But some of the things we just thought about
19 were rewards for meeting the goals early. I don't know
20 what they might be, higher returns for investments in
21 clean energy, you know, incentives for research and
22 development in projects that target those things you're
23 concerned with, like solar and wind. Other things we've
24 thought of is incentives for investments in companies
25 developing clean energy technologies and incentives for

1 development of enhanced energy efficiency programs.

2 So I guess in answer to your question, yes, we
3 think incentives should be part of this. More specifics
4 on the incentives we don't have at this point, but we'll
5 think about it.

6 MR. TRAPP: Thank you.

7 MR. FUTRELL: Okay. I think we left off with
8 there were a couple of gentlemen that wanted to speak,
9 and we cut them off for the lunch break. Go ahead.

10 MR. KORNAHRENS: Okay. My name is Rob
11 Kornahrens. I own Advanced Roofing, a state-certified
12 roofing contractor for 25 years, as well as a general
13 contractor.

14 And since we left off with incentives a minute
15 ago, I just want to mention that we're one of the
16 largest FP&L installers of insulation for the rebate
17 incentive program, as well as the coating, and their
18 incentives do work. Our customers generally will go for
19 an upgrade in insulation or a white coating, and that's
20 where we would like to see it go as well to help us.
21 We're a photovoltaic as well as photothermal.
22 Obviously, we're pro going forward, and maybe even a
23 carve-out with that.

24 But we actually answered an RFP that FP&L put
25 out for renewable energy with the solar, and we've been

1 having several conference calls, and they are very
2 proactive in getting ahead of the curve before they're
3 mandated, and I just want to compliment their people.
4 You know, they are getting in front of it from what we
5 can see.

6 I just want to bring a couple of things. You
7 mentioned testing earlier. I think the testing of the
8 actual panel should stay with FSEC, but I want to
9 address the structural part of this. Back in the '70s
10 when things were booming, they allowed air conditioning
11 units to be set right on the roof on 4-by-4s. And the
12 Florida Roofing and Sheet Metal Association had that
13 changed to put them up on stands so we can maintain the
14 roof underneath it, and we need to make sure that this
15 is followed through. We've got on the Internet a couple
16 of people bragging about their solar panels, and I know
17 they're trying to do the right thing, but they're
18 putting it right on the roof, a shingle home, just
19 brackets and roofing cement. It's going to be a
20 headache for leaks.

21 But my bigger concern is the wind uplift. We
22 want to propose that Dade County be the standard. They
23 build to 146 miles an hour. They're the toughest in the
24 state and toughest in the country, and that you look at
25 that, because we don't want to try to solve the

1 renewable problem and create another one if you get a
2 Hurricane Dean coming through here and we've got a
3 billion dollars worth of solar products on roofs. So I
4 just want to make sure we don't lose sight of doing it
5 right and protecting the assets, because it's going to
6 be a big problem if we don't address it up front,
7 because different municipalities, it's obvious, will
8 interpret it the way they want, so I would like to see
9 it written in that it's done to the Dade County.

10 We have a 55-kW photovoltaic we just installed
11 last month, and I can tell you that it's a great, great
12 tool for conservation. We have a monitoring system in
13 our lobby. We track how much we've produced, and it
14 gives you offsets as far as trees replaced and carbon
15 dioxide pounds. And I think with monitoring the data
16 with photovoltaic and solar things gets everybody in the
17 conservation mind.

18 We announced at our office meeting -- we have
19 a large company, 400 employees. We had a staff meeting
20 of 40. We announced no more styrofoam cups. You know,
21 we just go and wash your cup out. And I asked at the
22 end of the meeting how many people were in favor of it,
23 because we didn't take a vote first. You know, we were
24 just implementing this. And everyone in the room raised
25 their hand. Our company is getting much more conscious,

1 turning off computers at night. So there's another
2 effect that happens once we start putting more solar
3 products out there, so I wanted to mention that.

4 Publix Super Markets, you know, they've
5 ordered two systems, but they're only going up to the 25
6 kW, because that's what the \$4 a watt state credit
7 maximizes the return at.

8 So again, I'm just promoting that we get more
9 incentives so our customers will say -- you know, they
10 look at it as a business, return on investment, so if we
11 can get some more incentives, we'll get as much PV out
12 as you want.

13 MR. TRAPP: I get a reward, and I get a
14 penalty (indicating). I broke even, I guess. Penalty.

15 You raised the issue of metering, which I
16 think I would like to ask you a question on. What
17 coordination do you anticipate there needs to be in this
18 program between the metering? I mean, electric
19 utilities now have an electric meter, and we're moving
20 now toward smart meters at the houses. But in terms of
21 the installations on the customer's side, particularly
22 like solar thermal where you're taking a thermal
23 reading, I'm given to understand there are meters now
24 that will do the automatic conversion to kilowatt-hours.
25 Is that data available enough to share with utilities so

1 that we can actually have a good handle on what we're
2 getting in terms of these systems?

3 MR. KORNAHRENS: Yes. The data monitoring is
4 there to do it. And to really get -- you have to have
5 it certified if you're going to be doing something with
6 the RECs down the road. So the technology is there.

7 MR. TRAPP: Do you think it should be the
8 responsibility of the utility to provide that metering,
9 or is it something that's, you know, again a control
10 issue, who should control the meter?

11 MR. KORNAHRENS: I'm not sure. You know, I'll
12 kind of have to leave that up to them.

13 MS. HARLOW: Just a quick point on metering.
14 Mr. Reedy and I had a discussion earlier, and he has an
15 idea on metering for new houses. Would you like to
16 share that?

17 MR. REEDY: Steer me if I head to the wrong
18 question, but one thing I was particularly keen on was
19 the point that a square foot of a roof is a terrible
20 thing to waste, and if you're building a house and you
21 want to have PV, and you have a nice house and you have
22 that infrastructure and you have the switch gear, in
23 other words, you have the step-up transformers and the
24 generation control and protection equipment, that it's a
25 shame that some entity, the utility there or some other

1 entity not jointly partner up and make the maximum
2 installation and share in the cost advantages of the
3 larger economies of scale. So that's another out of the
4 box kind of thing that could fit well with the previous
5 challenge.

6 The metering for that would be all available,
7 and whoever -- it's very simple to submeter and to meter
8 exactly who owns what and what the results are and
9 transmit that to a central location.

10 Is that the particular discussion? We've had
11 so many.

12 MS. HARLOW: Yes.

13 MR. REEDY: Someone like Dell Jones would need
14 to comment on how that meter is certified. Since he's
15 in the REC business, he might be appropriate to answer
16 that one.

17 MR. JONES: With regard to the certification
18 of the meter, it's not typically the certification of
19 metering. There's usually a definition -- if you're
20 going to be trading the RECs, there's a definition of a
21 REC, and that may include a certain accuracy of the
22 meter or even a deemed production based on engineering
23 studies. And there has been quite a bit of discussion
24 within our national group of folks on metered versus
25 unmetered and engineering estimates and ways to do that.

1 So it's really not so much of a technical
2 issue. It's really a policy issue. And I think in the
3 rulemaking, what is a REC and how that REC is measured
4 and verified is probably going to come into discussion,
5 because you can have, for instance, RECs that are only
6 RECs if they're produced in the State of Florida, or you
7 can have RECs that are only RECs if they come from these
8 particular technologies, or only if they're in this
9 vintage period of time. So there's a lot of rules
10 associated with RECs and the metering protocols,
11 standards, accuracy, maximum permissible error rates,
12 et cetera.

13 And thermal meters are oftentimes less
14 inherently accurate than electric meters just because of
15 the energy that you're measuring. It's more difficult
16 with a higher degree of accuracy to measure thermal
17 energy. But there's means of protecting the public
18 safety and expectations of what they're actually paying
19 for, and that gets back to maximum permissible error
20 rates and certifications of meters. But it's not a
21 technical issue; it's a policy issue.

22 MR. TRAPP: I guess my question was more
23 toward, whether you use a system of tradeable credits,
24 whether you use a contract path type methodology, the
25 utility is ultimately going to have to count some things

1 that are going on on the customer side of the meter in
2 order to get a credit for their 20 percent goal, or
3 whatever the goal is. And I guess my point was more to
4 how do we ensure integration of what's going on in the
5 customer's premise versus what's going on at the
6 electrical meter to ensure that the utility can get the
7 information and that it can be verified and that it can
8 be accurate so that it can be counted.

9 MR. JONES: Well, most of the meters that are
10 out there now, at least on the -- certainly on the
11 electric side, and even on the thermal side, have what
12 they call pulse outputs. These pulse outputs can get
13 sent somewhere. And some of the issues I think that are
14 going to become important for us to understand is the
15 small distributed systems, for instance, a single
16 individual water heater.

17 I mean, one of the biggest problems as a REC
18 aggregator that I had in my previous company was that it
19 would be very difficult for me to go to market with your
20 two megawatt-hours a year that you might produce. And,
21 you know, the metering could be 10 percent of the cost
22 of the capital project on your individual home.

23 So then it gets, well, couldn't we just use
24 engineering estimates. And I have my own opinions on
25 that, that maybe we have a deemed performance standard

1 and then you depreciate that over time until somebody
2 comes out and validates that, yes, it's still there,
3 yes, it's still working. You know, you might take, say,
4 a 20 percent reduction in total RECs that would be
5 anticipated each year until someone hits the reset
6 button, metaphorically, and says, "Okay. You're good."
7 Again, that makes it easy for me as an aggregator to not
8 have to go out to your house and read a meter or put in
9 a \$300, \$400-meter just to get the two RECs a year from
10 you.

11 So in small distributed generation systems, it
12 becomes more problematic. On bigger systems, it's just
13 a -- it's such a small cost of the total project, and
14 it's not a technical or a financial issue. It's how do
15 you get these RECs out of somebody's back yard
16 cost-effectively.

17 MR. TRAPP: Well, again, it occurs to me that
18 as our investor-owned utilities, at least the large
19 companies in Florida, move more and more toward these
20 electronic meters where they're actually eliminating
21 meter reading programs, the street traffic associated
22 with them, and they do a drive-by in a van and get a
23 signal, to the extent that you could integrate what's
24 going on in the thermal system or other system inside
25 the house with that reading, you already have a system

1 of collection set up. So to me, integration becomes a
2 central issue.

3 MR. JONES: Yes. These are just -- again, I
4 don't think it's really a technical issue. It's just
5 really coming up with whatever the standard is. The
6 meters, again, some of the thermal meters used in the
7 Lakeland program and some others have the capability of
8 sending pulse outputs, or they're IP addressable. They
9 can be connected with phones. There are several
10 modalities that these things can push the data.

11 MR. TRAPP: Thank you. Go ahead.

12 MR. O'BRIEN: My name is Chris O'Brien. I'm a
13 vice president with Sharp Electronics Solar Systems
14 Group and also the service chairman of the Solar Energy
15 Industry Association in Washington, D.C. I apologize
16 for missing this morning's portion of the meeting due to
17 a flight that was canceled.

18 I wanted to just say first of all, I'm very
19 excited about participating in the workshop. I think
20 that to a large extent, I want to make sure we don't
21 lose sight of the fact that the success of the RPS in
22 the state will be dictated or determined to a large
23 extent by the extent to which private investors are
24 induced to participate and invest in not only the end
25 system, but also in the business infrastructure to

1 deliver renewable energy projects in Florida. So to
2 that extent, I think it's important to look at the
3 policies in terms of how successfully or not they will
4 induce people to make investments, and the policies will
5 reduce risks and induce investments.

6 And that's not just -- you know, in the case
7 of solar systems, it's not just the end customers who
8 are making a decision about whether to invest in solar
9 to put on their roof or on their commercial building or
10 on their home. It also includes companies like Sharp
11 investing in training and programs to train installers
12 in the state and create those jobs, and it includes
13 investing in distributors and investing in manufacturing
14 companies, and in the case of larger project development
15 companies, investing resources to develop those
16 projects.

17 To the extent that there is uncertainty about
18 what the outlook for the program is going to be going
19 forward, that will limit significantly the amount of
20 investment and thereby almost predetermine that the
21 program will not succeed in achieving the renewable
22 energy goals.

23 So I would like to touch on some of the issues
24 that came up earlier, the alternative compliance payment
25 being one example. I think one of the lessons learned

1 in other state markets is that this regime of allowing
2 renewable energy credits to serve as a proxy for the
3 compliance with the renewable portfolio standard allows
4 a great deal of flexibility, and it also allows
5 developers and project investors to have some stream of
6 revenue that they can count on that serves as a
7 financial incentive for them to make their investment.
8 If there is no alternative compliance payment, if there
9 is no binding, hard requirement as to how many renewable
10 credits the energy suppliers need to purchase in order
11 to comply for a given year or will purchase in a given
12 year, then that creates a high degree of uncertainty for
13 making investments, and the investments simply won't
14 happen.

15 What you're seeing in other states is a move
16 to try to mitigate that risk, so you're seeing -- for
17 example, in New Jersey, they now not only have -- which
18 is, by the way, the second largest solar market in the
19 country, largely on the back of well structured
20 policies. What you're seeing there is that they're
21 coming out now with an alternative compliance payment
22 schedule not only for the current year, but they're
23 looking to extend it up to an eight-year alternative
24 compliance payment schedule that will decrease over
25 time, achieve the policy goal of reducing the cost of

1 this energy over time, but for developers, it will
2 provide some certainty. They'll know in year 6, I know
3 that I have a rough idea of what I might be able to sell
4 my REC for in year 6 or in year 7, and thereby I can go
5 out and get a six- or seven-year loan. You know, it's
6 easy to get financing for the project.

7 That kind of -- just bearing in mind the
8 importance of reducing the risk premium for the folks
9 that are actually investing in the projects is going to
10 be critical to determining the success of the program.

11 I'll be happy to answer further questions
12 about that, but I think another key point is that I
13 think that due to the disparate nature of technologies,
14 due to the disparate costs of renewable technologies, I
15 think what has been proven in a lot of other -- the
16 approach that seems most effective in other states to
17 inducing investments in distributed technologies and
18 solar technologies is an explicit carve-out or an
19 explicit target within the broader renewable portfolio
20 standard that then creates a -- you know, with that
21 established, there is then a great deal of flexibility
22 in similar, you know, solar renewable energy credits
23 that are traded for compliance, and you develop a very
24 competitive market based on the trading of those solar
25 renewable energy credits. And the same arguments as I

1 made earlier about long-term investments apply.

2 I think it's important to bear in mind, you
3 know, within the industry, we've had a lot of discussion
4 about what would be a reasonable target for Florida, and
5 what we think would be reasonable would be a 2 percent
6 target, of the 20 percent, 2 percent for solar PV,
7 2 percent for solar thermal, with both limited by a --
8 you know, I think the cost concern is very legitimate.
9 Our suggestion would be that the costs be limited to a
10 1 percent cost impact for both solar -- you know, for
11 the combined solar share.

12 I think with regard to the cost containment
13 provisions, I think it's important to have some sort of
14 a cap. It's politically important. It's economically
15 important. I think the other key provision for cost
16 containment is to make sure that any -- that the
17 policies are set up in a way that the incentive levels
18 or the value of the solar RECs over time diminish and
19 are directed to diminish, because I think what that does
20 is to create the -- send the right signals to the folks
21 that are making the investment, including companies like
22 Sharp, that, you know, you've got to get your act
23 together and gain efficiencies and drive down the costs
24 between the factory gate and the rooftop to make sure
25 that the installed cost of solar, in our case, is just

1 driven down over time. We've seen that approach adopted
2 and successful in many other markets, both here in the
3 U.S. and abroad.

4 So I think having that -- sending a clear
5 signal to the renewable energy suppliers that the
6 incentives will decrease over time, even as the
7 compliance requirements increase over the time, I think
8 sends the appropriate signals.

9 Let me end there.

10 MR. TRAPP: Could you clarify what you said
11 about the caps? Did I understand you were recommending
12 a 2 percent set-aside for solar PV?

13 MR. O'BRIEN: Correct.

14 MR. TRAPP: A 2 percent set-aside for solar
15 thermal?

16 MR. O'BRIEN: Correct.

17 MR. TRAPP: And then a 1 percent revenue
18 requirement cap for each?

19 MR. O'BRIEN: No. No, 1 percent for the
20 combined, for both.

21 MR. TRAPP: So the remaining 16 percent of the
22 goal would carry some other kind of cap?

23 MR. O'BRIEN: Yes. And I don't pretend to be
24 expert enough in the balance of the other technologies
25 and their costs to suggest a cap for the remaining 16

1 percent.

2 MS. HARLOW: Could I ask you what you base the
3 2 percent for each on?

4 MR. O'BRIEN: A ramp-up of what we think the
5 achievable growth rate would be in the state. Solar
6 thermal has quite a significant lead, a head start. Up
7 to this point, the vast majority of solar businesses in
8 Florida today are selling and distributing, in some
9 cases manufacturing, solar water heating systems for
10 home applications, some commercial applications, pool
11 heating applications. Solar PV systems represent a
12 higher level of investment, both by the end customer and
13 along the value chain, so we expect that it would be
14 starting slower.

15 But we're basing the 2 percent on a trajectory
16 that we've seen -- on a growth trajectory that we've
17 seen in other markets, other state markets. New Jersey
18 has a similar target. Roughly 10 percent, I believe, of
19 its RPS target is for solar PV.

20 MR. TRAPP: To the extent that we entertain
21 interim goals, because of what you just said, would you
22 perhaps set an interim goal for thermal a little higher
23 to begin with, ramping the two, and then for solar PV,
24 maybe a little lower, and then ramping the two?

25 MR. O'BRIEN: I think it's very important to

1 have a gradual ramp-up in both cases. And I think --
2 yes, to your point, I think it's reasonable to start
3 solar thermal at a higher starting point because it has
4 more attraction at the moment. But I'm not advocating
5 out of the box 2 percent. I think it's -- I'm saying as
6 part of the 20 percent goal which is established by some
7 end date, that 2 percent of that end goal be targeted as
8 solar PV and 2 percent of that be targeted as solar
9 thermal.

10 MS. HARLOW: And are you basing that 2 percent
11 on energy or on capacity?

12 MR. O'BRIEN: That's based on energy.

13 MS. HARLOW: Energy?

14 MR. O'BRIEN: Yes.

15 MS. HARLOW: And since in some cases a solar
16 system creates less energy for the level of capacity
17 than, say, a biomass plant that runs 24 hours a day, do
18 you feel like there's some other type of add-on or an
19 incentive or something else that should be part of the
20 RPS in addition to the carve-out so that we meet the
21 goal on solar?

22 MR. O'BRIEN: Sure. Well, I think that one
23 additional -- we're getting into the weeds, but one of
24 the concerns, within a solar carve-out, you know,
25 there's a disparity in the cost between the larger scale

1 systems and the smaller scale systems. And at the same
2 time, I think it is often important for the economic
3 growth in the -- you know, for economic investment and
4 jobs growth and so forth to support a full spectrum
5 of -- to support a state solar industry that includes
6 both folks that go and install solars on residential
7 homes as well as larger project developers.

8 An approach that's being tried in some other
9 states -- the challenge is that under a free market
10 model where you're relying on the solar RECs as the
11 vehicle to provide economic incentive to investors,
12 there is one market price. So what has been proposed in
13 some other cases is that for smaller scale systems, in
14 some cases they either get all of the -- a payment for
15 15 years worth of RECs up front as an inducement to
16 support that part of the market, or in some cases, there
17 would be a rebate on top of the value of the solar RECs
18 that they could trade in the market. So there would be
19 some consideration given to the residential part of the
20 market to enable it to -- to level the playing field
21 with the larger commercial solar systems.

22 MR. KORNAHRENS: Or you can do like a three
23 for one building integrated for the REC value. That's
24 another option.

25 MR. FUTRELL: I need to make an announcement.

1 I've got a note handed to me. There's a Toyota Prius
2 parked in a state spot. The tag number is SOLAR. So if
3 it's not -- you need to move it, because they'll tow it.

4 MR. JONES: I thought when I put that system
5 in years ago, I got a free parking, but I guess not.

6 MR. FUTRELL: Go ahead, Chris.

7 MR. TRAPP: I want to know how Dell got that
8 tag.

9 MR. FUTRELL: Okay. Anyone else want to make
10 any comments, follow up with any comments?

11 MR. REEDY: I would just like to quickly tie
12 on to those comments and say that we, in an entirely
13 different approach, came up with the 2 percent and
14 2 percent numbers, and that was based on what we -- not
15 so much what the infrastructure and development could
16 support, but rather what is available, without really
17 stretching very hard, with new construction that's
18 projected, and that was by 2020. The 2 percent solar
19 thermal and the 2 percent of net energy load PV is quite
20 attainable, and so we suggest and endorse those same
21 numbers.

22 Excuse me. I'm Bob Reedy from FSEC.

23 And then the comment regarding the value, the
24 capacity issues, we always point out that the matching
25 of the electric system's peak load is very well matched

1 with the PV output, and so there's another perspective
2 to support some type of multiplier or weighting process.
3 So there's a rationale for it. It comes straight from
4 the value to the electric system at that time of the
5 day.

6 And, of course, finally, the extreme
7 reliability in aggregate of these systems is in the high
8 nines, very, very, very reliable. If you take the
9 entire output of the PV plant in Florida as an
10 aggregate, there's just almost nothing to break down.

11 MR. FUTRELL: Okay. I think we want to move
12 on in our agenda and go into, unless someone has any
13 other comments, in Section C and see how many of these
14 questions we can plow through for the rest of the
15 afternoon. And I would like to let Casey Hinton restate
16 his question from earlier in morning and see if we can
17 get some dialogue going on Casey's question. Go ahead,
18 Casey.

19 MR. HINTON: This is Casey Hinton with the
20 Commission staff. And a number of people answered the
21 question further down the table after it was asked, and
22 I just wanted to redirect the question toward the
23 utilities. Ms. Clark may have already addressed it in
24 her opening statement, and I may have just been
25 distracted by one of the other compelling points that

1 she had made.

2 But I wanted to ask what your views are with
3 regards to the effect of the Governor's executive order,
4 whether that order is controlling or whether we're here
5 under business under the statutes.

6 MS. CLARK: I agree with the notion that the
7 Commission is a creature of the Legislature, and you get
8 whatever authority you have from the Legislature. But I
9 don't think that means that there isn't -- that you
10 shouldn't take note of what the Governor has suggested
11 as far as the goals for the RPS and the notion of
12 addressing greenhouse gases. And I do note in the
13 legislative authority, it does speak about environmental
14 impacts. So I don't think -- you know, your authority
15 comes from the statute, but I don't think that means
16 what is in the Governor's charge and concerns cannot be
17 taken into consideration in setting those goals.

18 MR. HINTON: So if he has, for example, ruled
19 out nuclear energy, but there has been some discussion
20 that some people wanted to include it, where would you
21 think the Commission would be wise to come down on that
22 if he has suggested nuclear energy should not be
23 included?

24 MS. CLARK: To me, it does boil down to what
25 are the goals you're trying to achieve, and how do you

1 cost-effectively get there, what is the level of the
2 goal, what is the time frame for getting there. All
3 those factor in, I think, to what you would include in
4 the goals and include as an eligible resource to include
5 in the goal.

6 Now, nuclear has been talked about. I think
7 it is a clean resource in the sense of non-emitting.
8 How you would go about including that and factoring it
9 into the goals, I think those are things we need to talk
10 about.

11 MR. HINTON: Thank you.

12 MR. FUTRELL: Bob. Sorry.

13 MR. GRANIERE: How would you respond to this
14 question, and anyone else who has an interest in this?
15 And this is a follow-on on Casey's question. With the
16 executive order saying an emphasis on wind and solar,
17 would that not take into account and meet the
18 requirement of the greenhouse gas portion of that
19 executive -- you know, of taking care of greenhouse
20 gases in the RPS?

21 MS. CLARK: No. I mean, he has set forth
22 goals as far as reducing the emissions, and I don't see
23 how you get there with wind and solar.

24 MR. GRANIERE: Well, that presumes -- isn't it
25 true that that presumes that the only objective of a

1 renewable portfolio standard is to reduce greenhouse
2 gases?

3 MS. CLARK: Well, you asked that -- I don't
4 know that it's the only objective, but it's certainly an
5 emphasis that has been highlighted by the Governor,
6 because in the executive order, he talks about clean
7 resources as well. And the reference to a 20 percent
8 RPS is within the same executive order where he
9 references as the goal being the reduction of the
10 greenhouse gases.

11 MR. GRANIERE: Would it be fair to say that if
12 there was a 4 percent solar carve-out and a 2 percent
13 wind carve-out with a 20 percent goal, which amounts to
14 almost 33 percent of the goal, wouldn't that be
15 sufficient attention being paid to the part of the
16 executive order that says part of the renewable
17 portfolio standard is a reduction in greenhouse gases?
18 Basically, with those two carve-outs, one-third of the
19 renewable portfolio standard would be directly targeted
20 toward the reduction in greenhouse gases.

21 MS. CLARK: I think it goes towards addressing
22 that. Does it meet the goal? I don't think so.

23 MR. GRANIERE: When you say it doesn't meet
24 the goal, does that mean that the only objective in the
25 renewable portfolio standard is the reduction in

1 greenhouse gases?

2 MS. CLARK: No, I wouldn't say under the
3 statute there are other objectives to meeting it as
4 well. One thing that might be worth pointing out at
5 this point is the levels of set-asides suggested for the
6 solar. I just got some numbers on that. For FP&L, by
7 2020, it would mean 3,800 megawatts of solar to meet
8 that goal.

9 MR. TRAPP: How many water heaters does Power
10 & Light service?

11 MS. CLARK: I don't know that.

12 MR. TRAPP: There's a lot of room for solar
13 water heating. Just a comment on my part.

14 MS. CLARK: I think it's important, though, to
15 keep in mind the magnitude of those numbers. When we
16 throw around percentages that don't seem like a lot, you
17 need to translate it into what it means in terms of
18 megawatt-hours or megawatts.

19 MR. TRAPP: According to my calculations, It's
20 approximately three and a half Hiroshima bombs.

21 MR. FUTRELL: Barry.

22 MR. MOLINE: I would just like to comment on
23 that too, Bob. You know, if the goal -- take your
24 question as an example of what is, you know, a proposal
25 for a carve-out. You can set the goal wherever you

1 want, and there has to be a balance of what the cost is
2 going to be for consumers, and there has to be a balance
3 of what is doable. I mean, Susan just said -- what was
4 the number? 3,800 megawatts, 3,500 megawatts?

5 MS. CLARK: 3,800 megawatts.

6 MR. MOLINE: Of PV. You know, at what cost?
7 So we can set the goal wherever we want and set the cost
8 limit at -- you know, hopefully set it somewhere. And
9 if it's get 3,800 megawatts at any cost, there are some
10 folks that might have some heartburn with that.

11 And again, I hate to sound like a naysayer,
12 because we actually want to promote renewables. So it's
13 not unreasonable to have some emphasis on solar or solar
14 and wind. The point is that we would prefer to see,
15 when we talk about setting X percent of KWH or -- well,
16 really, we're talking actual output, so KWH, balanced in
17 the same sentence with what's that going to cost us.
18 And I don't mean us. I mean cost Florida, not only cost
19 the utilities, but cost Florida, because I know it --

20 MR. TRAPP: What is 100,000 gigawatt-hours of
21 growth through 2020 going to cost Florida? I keep
22 coming back to the discussion we had earlier. Can we
23 continue this breakneck pace of energy consumption in
24 Florida? Something's got to give. So I think we need
25 to set realistic goals to try to moderate that, and to

1 the extent we do have to supply it, to supply it wisely
2 and affordably, thus the discussion of rate cap
3 versus --

4 MR. MOLINE: Well, Chris's suggestion there,
5 that was 1 percent for the solar component there. That
6 was a 1 percent cost impact to Florida, essentially?
7 That's what you were suggesting there?

8 MR. O'BRIEN: Right.

9 MR. MOLINE: And if nothing else, there you
10 have a goal that, whether it's -- you know, based on
11 that analysis, the 3,800 megawatts is achievable or not,
12 and over the long run it may be. There you have at
13 least the cost impact, so we have a feel for what the
14 goal is and what the cost impact is. And if everyone
15 can accept that cost impact, then that's the goal.

16 MR. TRAPP: But that was for 4 percent of a
17 20 percent goal. My question to him was, what's the
18 other 16 percent going to cost us? And again, remember
19 what cost means. That's additions to the rates that
20 would otherwise be collected. So if you've got, you
21 know, 1 percent for 4 percent, what's it going to take
22 to get the other 16 percent with all the other
23 technologies that are left on the table?

24 MR. MOLINE: Well, the only comment I would
25 make on that is I think that -- you know, Bob may

1 bristle, but to some degree -- and Chris may bristle,
2 but to some degree, I think that solar is one of the
3 higher cost renewable energy technologies today that
4 we're seeing. And I'm talking really about rooftop
5 solar, because there's large scale solar that is more
6 reasonable in cost, and it may be more feasible too in
7 large scale projects. But when we're talking about
8 these things, we tend to think that solar and wind may
9 be more costly, and therefore we're talking about
10 different kinds of carve-outs or multipliers and so on.
11 So --

12 MR. TRAPP: Maybe another 1 percent will get
13 us the other 16 percent?

14 MR. MOLINE: Possibly.

15 MR. TRAPP: I mean, has anyone explored --

16 MR. MOLINE: We don't know.

17 MR. TRAPP: -- what solar has done to
18 determine what their particular favorite technologies
19 should be, you know, costed out?

20 MR. REEDY: I'm going to make -- and then I'm
21 going to defer to Dell, but I'm going to make a comment.
22 Bob Reedy. One of the reasons we're not concerned and
23 we kind of in fact can support a cost cap is that the
24 projection, by many different ways to measure and
25 predict, from different types of studies, from

1 manufacturers, from analogies to other products like
2 flat screen TVs and computers, is that these costs are
3 coming down exponentially. They do reach an asymptotic
4 point where they -- you're talking about some basic raw
5 material limits and things.

6 But in the time frame between now and 2015,
7 everyone expects to be below parity with electric rates,
8 and we won't be having this conversation, because you
9 won't build a house, you won't build a supermarket
10 without covering that roof with PV. So we're talking
11 about providing the kind of certainty and expectations
12 to allow that investment to start now and to give a plan
13 for getting there. But the things that are being
14 discussed today, like a cost cap, I would say from our
15 perspective it's not a problem.

16 MR. JONES: Dell Jones. I just wanted to
17 throw out some numbers just in terms of capacity,
18 although a solar water heating system and a photovoltaic
19 system, the capacity factor of that type of system is
20 around 20 or so. But just to give some orders of
21 magnitude, 500 solar water heaters are roughly a
22 megawatt of capacity, so this 3,800 megawatts, you know,
23 of a requirement is really not such a stretch goal.

24 When I worked for Florida Power & Light
25 earlier in my career, in the Watt Saver incentive

1 program, just my part of the western division -- or
2 actually, I should say systemwide, there were 2,000
3 solar water heating incentives being written every
4 month. So this notion that, you know, that's such a
5 stretch goal to get there, I just don't really see that.

6 And when you look at certainly outside the
7 U.S., you know, the per capita penetration of solar
8 water heating is huge compared to the U.S. In some
9 countries -- in fact, kind of the alarming one is that
10 the world's total production of solar water heating
11 collectors by square meter, 78 percent is used in China.
12 And I hate to say it, but the United States as an
13 entirety is not even 1 percent of the world's market.

14 So I don't think there's really a whole lot
15 to -- you know, like Bob said, I don't think it's really
16 that scary for us to sort of, you know, get to that
17 level of capacity for installation and to be able to
18 come through with that.

19 MS. HARLOW: Dell, I recall a conversation you
20 and I had a while back, and I hope this was you. I hope
21 I'm not having a senior -- well, a middle-aged moment.
22 But you told me that in other countries, and in
23 particular, I think it was Germany, that the cost of
24 those systems was so much lower than in the U.S.

25 And another thought I had that was similar to

1 this is, we had workshops in April on interconnection
2 and net metering, and several representatives of the
3 solar industry were there. And as I recall, one
4 representative said that similar systems on residences
5 were so much more expensive in Florida because the solar
6 industry is stretched in its capacity to produce right
7 now, and so they are concentrating their efforts in
8 those states that have the biggest markets, such as New
9 Jersey.

10 So I'm wondering, to tie that into our
11 workshop here today, do you think that the RPS with the
12 carve-outs will be enough of an incentive for this
13 industry so that our consumers can have those reduced
14 costs of systems compared to even some other states that
15 have lower costs today?

16 MR. JONES: I think it's the case, and a lot
17 of it is -- to some degree, it's be careful of what you
18 ask for. You have to have sort of a ramping up in the
19 ability to deliver on that. When the first incentive
20 programs here for photovoltaics and solar water heating
21 came out last year, the 2.5 million, the build-up or the
22 draw-down of those funds were very slow, because a lot
23 of the guys kind of looked at it with a jaundiced eye,
24 is this for real, I mean, are we really going to do
25 this. And folks like Chris and his distributors, they

1 just didn't really have a lot of pipeline of dealers and
2 installers.

3 And, you know, we do have a lot of things
4 going for the industry. Myself, I'm chairman of a
5 national committee called NABCEP, and I'm on the board
6 of directors, which is basically the certification of
7 solar installers. Now, granted, we have a great
8 professional licensing infrastructure here in Florida,
9 but that's for the guy typically that's -- you know, the
10 license holder that's in the shop. We really need to
11 make sure that we have the boots on the ground, the
12 wrenches guys that have the ability to deliver good
13 quality products onto the roof.

14 So when we do this, I think what we as an
15 industry want to do is understand what the goals are,
16 and with some certainty in the long run that the
17 business will be there not only next year, but the
18 following years after. You're not going to find a lot
19 of businesses that are going to go out and build up
20 infrastructure, trucks and delivery capacity for this
21 stuff unless there's some market certainty.

22 And that's why a lot of these -- you know, the
23 price certainty and predictability of RECs going
24 forward, if that's going to be the mechanism for
25 compliance with the goals, then those are the things

1 that really help businesses grow and build the
2 infrastructure and the capacity for delivering good
3 quality products.

4 You know, having been in the business a long
5 time, I really don't want to see this day that we
6 realized in 1986 when the solar industry lights went
7 out. The federal incentives went away precipitously.
8 Literally overnight, the industry just dried up, and
9 what we had going for us, these 2,000, 3,000 solar
10 systems a month just vanished, and frankly, a lot of the
11 industry went elsewhere. Like I said earlier, I jump on
12 a plane on Monday and ply my trade out of state, because
13 there's not a lot of business here in Florida.

14 And part of it is, just as another thing -- I
15 just want to be sure to mention this. This notion that
16 photovoltaics on distributed generation, it gets to be
17 problematic, because myself, I can't go to a big box
18 store and sell electrons under a PPA model, power
19 purchase agreement model, because, again, the local
20 utility could potentially -- and I think there are some
21 laws that set some uncertainty, that a lot of businesses
22 don't want to come here and ply their photovoltaic trade
23 for fear that the local utility could shut them down on
24 traunching on their eminent domain of selling electrons.

25 And that is one of the things, at least on the

1 photovoltaic side, that becomes problematic. On the
2 thermal side, it's clearly an unregulated product to
3 sell thermal energy. But electrons as distributed
4 generation, that's problematic for me as a renewable
5 energy developer. I don't feel real comfortable doing
6 that unless I have the explicit invitation of a local
7 utility that lets me do that.

8 MR. FUTRELL: Okay. Let's move into Section C
9 of the agenda and see --

10 MR. GRANIERE: Okay. I'm just trying to set a
11 couple of boundaries, because the cost issue was raised
12 again, and I think that's in there.

13 Could anyone from the utilities answer or
14 anybody answer the following question? The idea was
15 that the affordability cap would be 1 percent above the
16 avoided cost. Assuming, which I think is a solid
17 assumption, that the demand for electricity is growing
18 and will continue to grow over the next 15 years, and
19 let's assume also that there's zero renewables now, just
20 for the sake of argument. Of course, it's only about
21 2 percent right now, so let's just assume they're zero.
22 That would say all of the growth would be picked up by
23 renewables, and -- 20 percent of all of the new growth
24 would be picked up by renewables. But if 20 percent of
25 the new growth was picked up by renewables, that would

1 mean 20 percent of the new construction would not have
2 to be constructed for fossil fuel or nuclear.

3 Let us assume that it's a nuclear plant that
4 would meet the entire -- nuclear plants would meet the
5 entire growth because it does greenhouse gas reductions.
6 Wouldn't it be true that the avoided costs that we're
7 taking about here would be 20 percent of the required
8 nuclear construction to meet the growth by 2000 and,
9 let's say, 20?

10 Anybody willing to take a shot at that one?

11 MS. CLARK: You know, you're talking to
12 someone who is generally math challenged, but I guess
13 the concern I would have with that is -- and it's a
14 concern we've always had with the standard offers in
15 getting energy and capacity to avoid a unit. Even if
16 you offered that as a pricing means, you probably
17 wouldn't avoid the need for the plant.

18 MR. GRANIERE: Well, wouldn't you avoid -- I
19 mean, in my example it's 20 percent of the new growth
20 that's being picked up by a facility other than a
21 nuclear or a fossil fuel facility, so it's a pure
22 displacement. It's not a deferral.

23 MS. CLARK: And your question is?

24 MR. GRANIERE: Isn't it true then that the
25 avoided cost, what would otherwise be spent, would be

1 20 percent of that expenditure? This is not a deferral.
2 That is a displacement.

3 MS. CLARK: I don't feel comfortable answering
4 that. It seems simple, but I would want to think about
5 it.

6 MR. GRANIERE: How long do you think you might
7 take to get that answer?

8 MS. CLARK: Well, not sitting here, I can tell
9 you that. But I will certainly think about it and get
10 back to you, Bob.

11 MR. FUTRELL: Does anybody else want to take a
12 shot at that one?

13 MR. WRIGHT: I will, and this kind of loops
14 back to what Bob and I -- Trapp, that is, and I were
15 discussing this morning. It depends on what the "what
16 would have happened anyway" scenario is. I think the
17 answer to Bob Graniere's question is that if the "what
18 would have happened anyway" scenario is zero new fossil
19 construction, and the presumption is that you would
20 otherwise meet everything with nuclear, then I think
21 nuclear is the avoided cost for all purposes.

22 MR. TRAPP: And what we're talking about today
23 I thought was 1 percent above that.

24 MR. WRIGHT: Well, that's Barry's proposal, or
25 it's the FMEA proposal. And again, I'll say right now I

1 think that if realistic nuclear costs are put on the
2 table, I think you will see a lot more renewable energy
3 made available to Florida than people have thought.

4 MR. TRAPP: You will forgo fuel?

5 MR. WRIGHT: Excuse me?

6 MR. TRAPP: You will forgo fuel? Nuclear fuel
7 costs very, very low; capital costs very, very high.

8 But again, if we're going to get into a
9 discussion of what it would cost, pricing principles and
10 everything, let's get down to it. It doesn't really
11 make a difference over a 30-year life-of-plant analysis.
12 Coal, gas, nuclear, if they are the lowest cost
13 resource, they're all going to be within 1 or 2 percent
14 of each other. It's all a matter of when the money
15 flows, capital versus fuel. And we have a system in
16 place, standard offers being proposed, that basically
17 capture all of that.

18 What we're talking about today is not that
19 avoided cost pricing scenario. If you want to talk
20 about that, we could go fight that docket over again.
21 What we're talking about today is a renewable portfolio
22 standard.

23 The proposal that has been put on the table by
24 the municipalities, as I understand it, basically takes
25 the current Commission's conservation and cogeneration

1 revenue neutral approaches to avoided cost pricing as a
2 base. We're not taking anything off the table. It's
3 there. We can argue how to price avoided cost in
4 another forum. Avoided cost is there. It's there.
5 What Barry is talking about is putting 1 percent total
6 revenue requirements on the table in addition to avoided
7 cost. That's what we're here to talk about with regard
8 to his proposal.

9 I'm not quite sure yet what the IOUs have in
10 mind. Maybe it's just soft goals with no revenue
11 impacts. But I think the RPS standard starts from the
12 premise that current revenue neutral systems of valuing
13 alternative power are still on the table and there.
14 Avoided cost is there. Anything else is extra. And I
15 think that's why we're here.

16 MR. WRIGHT: I'll just say what I said this
17 morning. I think that the RPS has to be viewed as
18 existing within the overarching goals of meeting the
19 greenhouse gas goal and promoting Florida's energy
20 self-sufficiency. And 20 percent of 340,000 GWH is
21 68,000 GWH, and that's not enough to meet the greenhouse
22 gas goal as I've done the calculations.

23 MR. TRAPP: I understand. And you understand
24 also I challenged the IOUs earlier to come up with a
25 fossil fuel backout clause for the 20 percent goal, and

1 I hope that Susan will come back with something along
2 that line. We want to see some new proposals.

3 MR. WRIGHT: I understand. And my clients and
4 I are thinking about incentive proposals as well, and we
5 accept the challenge as well, and expect to hear back
6 from us.

7 MR. TRAPP: Great.

8 MR. FUTRELL: All right. Let's try to quickly
9 move through some of these topics about -- first let's
10 see about does the statute, meaning 366.92, require all
11 the utilities to meet the goal. Do we have any thoughts
12 on that?

13 MS. CLARK: Sure. I was going to answer three
14 of those questions and see --

15 MR. FUTRELL: Go right ahead.

16 MS. CLARK: Right off the bat. I'm sorry to
17 jump the gun. I was not going to answer the question
18 about does the statute require all utilities to meet the
19 goal. I was going to rather suggest to you that all
20 utilities should be included in the goal and meeting the
21 goals. It should apply to all the utilities. Everybody
22 should bear the burden of or the privilege of working
23 towards this RPS goal. Likewise, we think the
24 Commission should set uniform goals for each utility
25 based on megawatt-hour sales of electricity.

1 Now, you ask the question, "How should a
2 statewide goal be allocated across the utilities?" I
3 think you can get to the same place if you do a bottom
4 up or a top down. The concern we would have with a
5 statewide goal is, you set it at some percentage or
6 megawatt-hours, or however you set it, and then some
7 utilities are exempted out, so it winds up that the
8 utilities left are getting a higher percentage or having
9 to meet a greater megawatt-hour. We're just suggesting
10 it should be uniform, and it should include all
11 utilities, munis and co-ops.

12 MR. TRAPP: I have a question about using NEL
13 as the measure for that, because it seems to me -- and I
14 don't know how to resolve this, so I put it on the
15 table. If every utility is held to a 20 percent NEL
16 type of goal, does mean that we need to require
17 investor-owned utilities that are providing wholesale
18 power to municipalities to make 20 percent of that
19 wholesale power renewable?

20 MS. GREALY: Bob, just to clarify, and we may
21 have misspoken earlier, but it's a percent of retail
22 sales from electricity, so not net energy for load, but
23 retail sales.

24 MR. TRAPP: Okay. Retail sales. Well, my
25 question still holds. Is Florida Power & Light going to

1 ensure that 20 percent of the wholesale power it
2 provides to non-generating utilities that resell it, is
3 20 percent of your wholesale power going to be
4 renewable?

5 MS. GREALY: I guess eventually it's picked up
6 as someone's -- within Florida, which is what we're
7 talking about, someone's retail sales, so that's what we
8 would be capturing.

9 MR. TRAPP: Well, the Governor's order says
10 production, as I recall. Production to me is
11 generation. My question is, should we drive the goals
12 off of people that are generating or people that are
13 selling? I'm trying to work through the mechanics of
14 it.

15 MR. BRYANT: Might I respond, at least to some
16 of the issues in this topic? I would respectfully
17 suggest that staff consider creating a separate docket
18 and a separate rule for the investor-owned utilities and
19 a separate docket proceeding and rulemaking proceeding
20 for the municipals, and the cooperatives too, if they so
21 choose, much as we did in the storm hardening and wood
22 pole attachment dockets, for several reasons.

23 One, we avoided jurisdictional arguments.
24 Secondly, if you'll just happen to recall, Ms. Clark,
25 the municipal rule on storm hardening is in force and

1 effect, and the IOU rule is still ongoing. So I don't
2 think that she wants to be on behalf of her clients
3 messing around in our docket, and we sure want to stay
4 out of her docket.

5 But if you don't have the wisdom that you had
6 in the storm hardening docket of bifurcating and
7 separating the municipal and co-ops' rulemaking from the
8 investor-owned, then you get caught up in the quagmire
9 of certain people pounding on the desk and yelling
10 jurisdiction and lack of jurisdiction. And if you
11 recall, Mr. Trapp, we pretty much avoided that.

12 At the same time, I'm constantly amused by the
13 big gorillas, the investor-owned utilities, having so
14 much concern about us poor little municipals not
15 participating, while at the same time, we're the ones
16 that came forward with a proposal, and we've yet to hear
17 from the gorillas about their proposal.

18 So I would like to see staff say, "Well, let's
19 create a separate docket for the municipals, because we
20 have something we can work with with the municipals,"
21 and Ms. Clark can direct her arguments and her theories
22 of what the law is and law isn't as to her clients and
23 stay out of my tent. So I have that as a suggestion as
24 to procedurally how it should work.

25 The other thing I think the investor-owned

1 utilities need to be worried about is, for ten municipal
2 electric utilities, they have an all-requirements
3 contract. And I happened to be reviewing one of those
4 contracts for a Progress Energy municipal utility right
5 this week, and the language in there is absolutely
6 standard in all these contracts that says the company
7 shall sell, Progress Energy Florida and Power & Light
8 shall sell all the requirements to the municipal
9 utility, and the utility shall buy all the requirements
10 from the company.

11 So now we've got ten of those contracts that
12 they have in existence that they're now arguing and
13 saying, "Well, no, the municipal utilities that buy from
14 us wholesale shall be required to buy these renewables
15 in violation of our contract," which, by the way, is a
16 FERC-regulated contract, must go to FERC, is approved by
17 FERC, has been approved by FERC. Okay?

18 At the same time, Florida Municipal Power
19 Agency has for 15 of its cities an all-requirements
20 contract. And not being the sharpest knife in the
21 drawer, when I drafted that contract, I went to the
22 investor-owned utilities' contract and captured that
23 same language, because I thought it was pretty good
24 language, and our 15 cities must buy all their load
25 requirements from the Florida Municipal Power Agency.

1 So how are those cities going to violate their
2 contract with FMPA? How is Williston, Bartow, Mount
3 Dora, and others going to violate their contract with
4 Progress Energy and Florida Power & Light?

5 If you listen to the IOUs say, "Oh, all the
6 utilities have to participate under the rule that the
7 PSC adopts," that's why I think you need two rulemaking
8 proceedings. You have to under your jurisdiction. You
9 know under your jurisdiction it's different with the
10 municipals. You have to work within that jurisdiction.
11 You have to work by what the statutes say. The
12 Administrative Procedure Act and each of your rules cite
13 to law implemented and authority, and you have to have a
14 law on the books giving you authority, and you have to
15 work within that authority, and it's different as to us.

16 So I would respectfully disagree with my good
17 friend Susan that it applies the law. 366.92, which I
18 think she's referring to, applies to all electric
19 utilities. If she'll look at 366.11, I think she'll
20 come up to me afterwards and say, "No, .92 does not
21 apply to municipal electric utilities, but the specific
22 language of .11."

23 So that's the reason I asked earlier what
24 statutes are we talking about, because we must be
25 careful when we implement the Commission's authority.

1 The Commission has got other authority for municipals,
2 and they need to be careful. And that's why I think you
3 might want to consider separate rulemaking for us and
4 keep us from pounding on the table.

5 MS. CLARK: Mark, can I -- I didn't want to
6 suggest that I was reading the statute as applying to
7 them. What I was suggesting is the notion of how should
8 this be applied. And my point is simply that -- I think
9 you've heard Mr. Katofsky say that the RPS is a method
10 to support technologies that cost more than regular
11 generation technologies or methods that you use. And if
12 that is the case, and I think it is the case, then I
13 think it's something that is to be pursued by the State
14 of Florida, and it should be something that's
15 participated in by all the electric customers in the
16 State of Florida. That's my only point. If there needs
17 to be a separate rulemaking to accommodate what they are
18 concerned about, that's fine.

19 MR. BRYANT: And you need to abdicate that to
20 the Legislature, Susan, because that's not what the law
21 says.

22 MR. TRAPP: I think we can take this under
23 advisement with regard to the procedural aspects of how
24 we go from here. You know, personally, I read the
25 Governor's executive order, and it says all utilities

1 should be held to a 20 percent standard, and that's the
2 recommendation that has been put before us. And I don't
3 particularly have a problem with that. I think we can
4 all be held to a 20 percent standard. There may be a
5 different way or a different approach of holding one to
6 that standard, depending on the flexibilities we put in
7 the program and the uniqueness of the systems involved.
8 So I'm not really up here advocating a one size fits
9 all. I think the purpose of the question was to do
10 exactly what it has accomplished, to ferret out the
11 differences.

12 So I want to go back to my question. My
13 question was, if you hold everybody -- if you measure
14 the system on the basis of retail sales, how do you take
15 into consideration wholesale contracts. That's my
16 question. And I would like for you to address those
17 today, if you like, or in your post-workshop comments,
18 if you would.

19 And then I would like to turn behind Fred
20 Bryant and say, Michelle, you've been quiet long enough.
21 Could you please come forward and give us the co-op
22 position?

23 MS. HERSCHEL: I have to evaluate things
24 before I say that I agree with Fred Bryant. I have to
25 evaluate everything he said. But I do agree with what

1 Fred said about the implementing law, that you need to
2 look at 366.92 together with 366.11, which lays out
3 which sections of Chapter 366 apply to munis and co-ops.
4 And that's really all I want to say about the
5 jurisdictional question right now.

6 MR. TRAPP: There was also a gentlemen here,
7 and I'm sorry, I missed your name, from Alabama Electric
8 Cooperative. Did you want to speak to this? Okay.

9 MR. FUTRELL: Let me ask Ryan if you can chime
10 in on this. Have most states exempted munis and co-ops,
11 or how have the treated different utilities as far as
12 the RPSs?

13 MR. KATOFSKY: I would say generally speaking,
14 the RPS rules apply to the regulated utilities, so they
15 generally are not applied to the munis and co-ops,
16 because they're not subject to the regulation of the
17 Public Service Commission.

18 Now, it's not that case in every state. In
19 Colorado, for example, it applies to all utilities above
20 a certain size. What they did in that case is, they
21 gave the municipal utilities the option to opt out and
22 essentially what they call self-certify. So you can
23 create your own program that was substantially similar
24 to the RPS, but you wouldn't have to abide by all the
25 rules of the RPS. So, for example, if the RPS in

1 Colorado has a solar carve-out, a municipal utility if
2 they self-certified could have a different version of
3 that, or perhaps not have a solar carve-out if they
4 didn't want to do that. As long as it was substantially
5 similar to the RPS, then they could opt out.

6 So it for the most part applies to the IOUs,
7 but not in every case.

8 MR. FUTRELL: And do you have any insight into
9 Bob's question about the NEL goals? How have states
10 handled the wholesale sales?

11 MR. KATOFSKY: Right. Generally, the
12 requirements are based on the load-serving entities
13 where the accounting takes place, so it's the retail
14 sales to the customers. So it would not -- so if there
15 was a utility that also sold power to, let's say, a
16 municipal utility, that would not be subject to the RPS.
17 It would only be that load-serving entity that was the
18 obligated party that would be measuring its percentage
19 of sales. So if it was a 4 percent RPS, it would be the
20 load-serving entity's -- 4 percent of their retail
21 sales. It would not include their wholesale sales to a
22 non-obligated party.

23 MR. TRAPP: I'm still confused by the math,
24 though. Maybe it's just my confusion. In Florida we
25 have like 55 utilities, and a dozen of them generate and

1 provide wholesale power, all requirements or partial
2 requirements, to the remaining smaller municipalities.
3 So all of their retail sales are made up from
4 contractual arrangements through wholesale contracts
5 with generating utilities.

6 If we put a 20 percent retail sale renewable
7 requirement on them, at a minimum, it seems like we need
8 to negate the existing wholesale contracts, because
9 they've been obligated to buy 100 percent of their
10 resale from another utility, who may or may not decide
11 to provide that as 20 percent renewable in order for
12 them to meet their obligations. I'm having a disconnect
13 there. It may be a Florida unique problem.

14 MR. KATOFISKY: If I understand correctly, it
15 depends on where you want to measure the percentage. If
16 you want to measure the percentage as a percentage of
17 retail sales, then you look at the obligated parties and
18 see what their retail sales are. There are provisions
19 in existing RPS programs where if you're under an
20 all-requirements contract that would constrain you from
21 meeting the RPS, then you're essentially exempted from
22 it until that all-requirements contract expires. There
23 are provisions --

24 MR. TRAPP: That's what I was looking for.
25 Somebody has already done that somewhere.

1 MR. KATOFSKY: Yes. I think if you look at
2 the Colorado language again as an example specifically,
3 they deal with that question.

4 MR. MOLINE: I just wanted to say a few things
5 without any prejudice to one idea or another, just to
6 put them on the table, because in our proposal, I don't
7 want to recommend our proposal in certain areas and back
8 away in other areas. We did say in our proposal we used
9 the PURPA standard, 500,000 megawatt-hours and above in
10 terms of sales, in terms of who would be included.

11 Clearly, from the perspective of FEECA, we're
12 looking at just -- from municipals, just Jacksonville
13 and Orlando that would be included. That's existing
14 law.

15 Our proposal -- when we developed this, we
16 were thinking this would run through the Legislature, so
17 we didn't imagine this as a rulemaking, and that's why
18 we made the proposal at that level, at the PURPA
19 standard level. That includes 98 percent of all
20 electric sales in Florida.

21 And the reason why we excluded the 2 percent
22 small municipals and co-ops is because there's a lot of
23 administrative issues in terms of implementing programs.
24 Even though they might at some point want to develop
25 programs, we didn't want to overburden them with that

1 administrative issue and the implementation component.
2 And again, 98 percent of all sales would be covered.

3 The idea that Bob is talking about of having
4 the rule, or whatever this turns out to be, legislation,
5 rule, apply to all sellers of electricity has an
6 interesting component, in that because of the
7 contractual issue, you could have Progress Energy as a
8 wholesale power supplier to the City of Chattahoochee.
9 If the City of Chattahoochee wants to engage in
10 renewable energy programs, or if energy efficiency is
11 included in such programs, it could implement those
12 programs and coordinate its credits with Progress
13 Energy.

14 But it would have to be an arrangement between
15 those two, of course, until -- as the gentleman said,
16 until, you know, the contract expired. But the point is
17 that there is a way to include the contractually
18 burdened utilities by having them work with their
19 wholesale power supplier over such period of time until,
20 you know, a new contract is written.

21 MR. FUTRELL: Barry, are there any
22 non-generating utilities that would exceed that
23 threshold that you've looked at?

24 MR. MOLINE: Non-generating utilities that
25 exceed the threshold, the PURPA threshold?

1 MR. FUTRELL: Right.

2 MR. MOLINE: Yes. There's, just off the top
3 my head, City of Leesburg, City of Ocala. Both are
4 wholesale customers. Keys Electric Co-op -- not co-op,
5 Keys Energy Services, and Jacksonville Beach.

6 MR. FUTRELL: Have you thought about how that
7 would be handled? Since they're dependent upon other
8 sources, have you thought through that?

9 MR. MOLINE: They receive their power from --

10 MR. BRYANT: They're a total requirements
11 customer of FMPA, and we're trying to figure that out
12 right now, because the added complexity with our
13 contracts with those cities who own FMPA, who are the
14 wholesale purchasing all-requirements customers of FMPA,
15 is that those contracts have been pledged to our
16 bondholders, because that's the only source of revenue.
17 So the bondholders actually own our contracts. They
18 hold them, because that's the source of revenue.

19 So you cannot get a rule of the Commission,
20 nor under the statutes of Florida, a law in between
21 those contractors and the bondholder, because those have
22 been pledged, validated, and they own the contracts now.
23 So that's the problem that we've been trying to express,
24 is that there are huge differences in what the
25 investor-owned utilities are going to have to do and the

1 municipals. And that's why the proposal that Barry and
2 the board of directors of FMEA have proposed piggybacks
3 onto how we have to run our systems.

4 MR. MOLINE: It doesn't mean it can't be done.
5 It just means we just have to be a little creative and
6 think differently.

7 MR. BRYANT: Certainly.

8 MR. MOLINE: And we just haven't figured all
9 that out yet.

10 MR. BRYANT: FMPA has an RFP for renewables
11 out on the market right now. FMPA is right now doing a
12 study on solar and locating solar units that are FMPA
13 owned, and thus on the FMPA meter, in various cities
14 that we serve. Thus, our contract is not breached.
15 Thus, the bondholder who has the security for that
16 contract is not concerned. So we have to work within
17 what's the world that we live in today.

18 MS. HERSCHEL: Mark, also, I just wanted to be
19 clear also that the co-ops are not just sitting on their
20 hands doing nothing either. In fact, Seminole just this
21 month signed contracts with two landfill gas-to-energy
22 renewable resources. I think about 3 percent of their
23 total portfolio is renewable energy.

24 MR. FUTRELL: Does anyone have any other
25 comments on the Section C questions, particularly about

1 using existing resources or should it just be
2 incremental resources?

3 MS. CLARK: I would just point out, I think it
4 depends on what your purposes are. If it's to focus on
5 new renewables, then obviously you wouldn't include
6 existing. But you have to be very concerned about the
7 level of the goal and the time frame for meeting the
8 goal.

9 A very aggressive goal, such as the one that
10 has been suggested for the Governor, I think argues for
11 the inclusion of some existing resources. And I note
12 the wording of the executive order seems to suggest that
13 it be included, because it says require utilities to
14 produce at least 20 percent of their electricity from
15 renewable resources. So, you know, it depends on what
16 you're trying to achieve by the goal, how aggressively
17 you set it, and the time period.

18 MR. FUTRELL: Okay. Any other questions on
19 that section, or responses?

20 Okay. Let's move on to D on resource
21 eligibility. And we've talked about that off and on
22 today, and it's probably a good time to talk about the
23 spreadsheet we handed out. Again, this was data the
24 staff pulled together from existing resources, 10-year
25 site plan information, responses to data requests, as

1 well as information in the load and resource plan from
2 the FRCC. We tried to break it down by existing and
3 potential resources.

4 Karen, would you like to give us just a little
5 quick walk-through on what all you did to pull this
6 together?

7 MS. WEBB: Sure. Karen Webb, Commission
8 staff.

9 Those of you that have it, and if we need more
10 copies, we can handle that, you can see at the very
11 bottom left the explanation of the asterisks. The
12 capacity and energy figures that are quoted there for
13 utility owned generation, supply side, and demand side,
14 those figures are taken directly from a survey that the
15 Public Service Commission sent out to utilities in June.

16 Someone pointed out during the break that 941
17 megawatts is less than the renewable megawatt count that
18 was indicated in the 2003 renewable report, and we
19 attribute that discrepancy to perhaps a lack of priority
20 with answering the survey or an incomplete survey return
21 to us. We just wanted to point that out and maybe
22 underscore that it's very important that we get accurate
23 reporting requirements. If there's something here that
24 is not accurate, please bring it to our attention.

25 But the other figures for self-generation,

1 conservation, and the figures for net energy load were
2 lifted directly from the Regional Load and Resource
3 Plan. We held renewables constant in doing the
4 projections for what percentage they would consist of
5 net energy load for the shown years at the top.

6 Are there any questions as to the accuracy of
7 the document? As I said, I believe we got it returned
8 from most everybody.

9 MR. FUTRELL: This is our shot to take a look
10 at what's out there now, where we have data, what's out
11 there now, and take a look at how we measure up.

12 MS. CLARK: Can you tell me who you had --
13 obviously, the IOUs answered the data request, but who
14 else answered the data request?

15 MS. WEBB: We got a response from Orlando,
16 Seminole, Gainesville, City of Tallahassee, JEA. We did
17 not get a response from a few of the others that I don't
18 know if I should go through and name, but I don't have a
19 complete listing of everyone we did not receive a
20 response from.

21 MS. CLARK: But it was utilities, whether
22 they're munis, co-ops, or IOUs?

23 MR. TRAPP: Commissioner Clark, this was my
24 fault, my judgment call. We have a sheaf of backup data
25 that lists like every unit, every project, every source,

1 I think, and maybe it would be helpful for us to provide
2 everybody here a copy of what went into this summary
3 table. We wanted to put this out for effect and then
4 ask you to follow up with any corrections you may have
5 to it.

6 I think the point of this is to show -- we
7 were trying to get a feel for where we're starting out
8 at now. And as you can see, as energy grows, that
9 100,000 gigawatt-hours that Schef was talking about
10 earlier today, if we just hold the status quo, we've got
11 a seriously declining percent of renewables, even if you
12 count conservation.

13 So our first goal here was to try to get an
14 inventory count, if you would, of what we had now in the
15 ground and what we had prospects for, kind of -- and as
16 Barry was suggesting earlier, trying to get a
17 forward-looking resource inventory looking into the
18 future. So that's what this is.

19 MS. CLARK: I guess my question is, there
20 weren't any potential independent producers of renewable
21 resources that might have given you data?

22 MR. TRAPP: I think there were.

23 MS. CLARK: Oh, okay.

24 MR. TRAPP: And that's why I would offer you
25 the backup material, so that we can all look through it

1 and make sure that we haven't forgotten somebody, lost
2 somebody, or that we've got your numbers correct.

3 MR. ZAMBO: Could I make a comment on these
4 numbers? I was just noticing under waste heat, I did
5 submit information on behalf of the Florida industrials.
6 I'm not sure what happened to it, but their existing is
7 somewhere in the neighborhood of 450 megawatts, with the
8 potential of another 125 to 150. What may have happened
9 there is that most of that is used internally to
10 displace load, but it is a little misleading. I mean,
11 there's a pretty big chunk of that power out there.

12 MR. FUTRELL: That may be captured in the
13 self-generation section, because that came from the FRCC
14 Load and Resource Plan. Some of what you're talking
15 about may be captured there. We may need to look
16 further behind where that number came from. I talked to
17 the FRCC about better understanding their
18 self-generation number, and some of that may be coming
19 -- may be what you're talking about.

20 MR. ZAMBO: But we did file separate. We
21 filed an existing and a potential with all the --

22 MR. TRAPP: We had difficulty, quite frankly,
23 reconciling some of the data submissions, because they
24 are counted for by different people in different
25 organizations. We again relied on -- a lot of this

1 information was from 10-year site plans of the utilities
2 that reported, and they report that in two places. One
3 is the actual contractual amounts that they have, and
4 then they do do a guesstimate, but it is a guesstimate
5 of what is on the meter side of things, and I think
6 that's where you might be able to help us out with some
7 more accurate information.

8 MR. ZAMBO: I'll be happy to. I'll get with
9 Karen on that.

10 MS. WEBB: I would like to clarify -- sorry.
11 I would like to clarify also that there were two
12 separate surveys sent out. One was sent out by Tom
13 Ballinger's group, and that was largely to utilities.
14 And there was separate one that was entitled "Renewable
15 Technology Energy Assessment," something of that nature,
16 and that was sent to a lot of the renewable generators.
17 And we attempted to reduce any duplications attributable
18 to purchased power agreements or self-generation that
19 was taken from the Load and Resource Plan, and
20 eventually we came to the conclusion that we should set
21 aside the renewable energy assessment survey and take it
22 from Tom Ballinger's survey for the purposes of this
23 spreadsheet, and the other survey that was distributed
24 we will hold for future purposes.

25 MR. ZAMBO: My only comment, if I may, is that

1 what it does is sort of -- it's a little misleading,
2 because you don't get the characterization of the
3 different types of renewables. If you lump them all
4 into self-generation, you don't know how much of that is
5 landfill gas or biomass. So I would suggest you break
6 that out so that you get a little better picture of what
7 we've got here, because I think what you want to do is
8 find out what are the resources that you've got, and
9 then take steps to encourage those.

10 MS. CLARK: The purpose is to know what you've
11 got and what the potential is over the near term. Okay.

12 MR. O'BRIEN: I guess to that end, I guess I
13 would take -- this is a survey of what the forecast
14 would be absent an RPS policy? Is that fair?
15 Presumably the question asked was what the forecast
16 would be, and the survey was distributed prior to the
17 RPS being announced and so forth.

18 In other words, I see a forecast of zero
19 percent for solar and wind, for example, and that will
20 change dramatically depending on the structure of the
21 policies that are put in place as part of the RPS. So
22 in terms of a resource forecast, it seems that it would
23 be prudent to have something like this that seems to be
24 a base case forecast for --

25 MR. TRAPP: Let me clarify that the numbers --

1 the numbers past 2007 are meaningless, because it's not
2 an attempt to forecast anything. We probably should
3 have left those columns out, to tell you the truth. All
4 it simply shows is what we think we have now, what we
5 have being talked about now under current the situation.
6 And just for effect, I asked staff to do the percentages
7 out through 2020 to show that if we just stay status
8 quo, we're going to have such a reducing amount of
9 renewables that we're not going to meet any target.

10 MR. O'BRIEN: Thanks for that clarification.

11 MR. TRAPP: You're right. We do need to add
12 to this what we can forecast getting with different
13 scenarios of incentives or what have you, but this was
14 just the first step of where are we now and what happens
15 if we stay here.

16 MR. O'BRIEN: Great. Thanks for the
17 clarification.

18 MR. TRESHLER: My name is Joe Treshler. I'm
19 with Covanta Energy. We are also a renewable energy
20 company that operates waste energy facilities.

21 And with regards to the survey, there's a
22 couple of comments. It appears that the total there it
23 shows is low by over 100 megawatts, so I will get with
24 IWSA, and we will see -- which is our trade group, and
25 see if we can reconfirm the number we have without the

1 addition, which you do show, of the Lee County and
2 Hillsborough County expansions. That 368 should be 505
3 or 506 right now without the addition of those two
4 planned units that will be coming online.

5 The other thing is, I would suggest it might
6 be worthwhile to have two columns on these megawatts,
7 ones that are actually generating and ones that may be
8 on the books, but may not have even broken ground,
9 because that may be a false reality. It's one thing to
10 have a project on the books, but until the turbines
11 start and it's generating electricity, it's not doing
12 anything for the State of Florida.

13 MR. FUTRELL: And most of the -- especially on
14 the megawatts, it was contracted, and so there may be
15 some additional there that's further uses or
16 self-service. So if you give us some data, make sure --
17 if you could break it out between actual capacity and
18 what may be contracted out, it would be helpful, and
19 actual energy produced as opposed to capability. If you
20 have data on actual energy production and could submit
21 that to us, that would help fill this out with more
22 accurate, real data.

23 MR. TRESHLER: I think the distinction I was
24 trying to make was -- you know, for example, I think on
25 the biomass, the number is high, but a lot of that is

1 planned, and those facilities haven't even broken
2 ground, and may never break ground. Not that I'm trying
3 to be negative, but some projects never do go forward.
4 So we need not to kid ourselves. We need to be looking
5 at what actually is being generated.

6 MR. FUTRELL: Okay.

7 MR. TRAPP: Mark, have we worked out the
8 logistics on how to get this information to them and how
9 to get it back?

10 MR. FUTRELL: We can -- I'm not sure. Do the
11 sign-up sheets have e-mail addresses? Okay. What we
12 can do is, if you want the file, if you'll make sure
13 you're on the sign-up sheet and we've got your e-mail
14 address, then we'll send the files as an attachment, as
15 an Excel file, and send to everybody that's on the
16 sign-up sheet. We can get that out -- as soon as we can
17 compile the list, we'll get that out to everybody.

18 MR. TRAPP: And mark it up and send it back.

19 MR. FUTRELL: Okay. We had a good discussion
20 on a lot of these questions in D. Does anyone have any
21 other follow-up to -- we touched on a lot of these
22 questions earlier. Does anybody else have any other
23 comments on Section D?

24 MS. CLARK: You know, what we sort of did was
25 describe what would be in the RPS. And then if you were

1 looking at a clean portfolio standard, there are other
2 things you would likewise include, and let me just run
3 through them. Energy efficiency, demand side and direct
4 load measures. We had in there nuclear energy.
5 Anything post 2006, that would include upgrades. You
6 would also include fossil fuel technology, providing for
7 carbon capture and sequestration, fuel efficiency
8 improvements. Grid improvements, that would go along
9 with the notion of improving efficiency not necessarily
10 on the customer side, but in the grid. Renewable energy
11 credits. And then we also had the notion of global
12 greenhouse gas offsets if you're looking at clean
13 energy.

14 MS. HARLOW: I would like to ask Ryan --
15 earlier we touched on customer-owned renewable
16 generation. How do the other states with RPSs include
17 customer-owned? Do they do it through renewable energy
18 credits, or do they include it at all?

19 MR. KATOFISKY: Most RPS programs use credits,
20 whether exclusively or in addition to what we call
21 bundled renewable energy purchases. Some states do not
22 include customer side generation in their RPS. If there
23 are renewable energy certificates used and if a customer
24 can generate a REC, then they should be able to sell
25 that to the obligated parties if the RPS is set up to do

1 that.

2 In New York, they actually explicitly carved
3 out what they call a customer sited tier within their
4 RPS, but it's fairly small. But they actually said,
5 "Okay, we're going to have a wholesale tier, and we're
6 going to administer that in one particular way, and
7 we're going to have a customer sited tire, and we're
8 going to administer that in a separate way."

9 So there's a range of options, but the notion
10 of RECs, which I guess we'll hopefully get to, does
11 facilitate how you can get customer side generation into
12 the mix.

13 MS. HARLOW: I know it had occurred to me that
14 in our rush to discuss incentives for the utilities to
15 do things, you don't want to lose the incentives you
16 currently have for customers to do things for
17 themselves, and so I thought that should be something
18 we're aware of when we're working on this.

19 MR. KATOFISKY: Correct. Frankly, at the state
20 level, the main focus for customer side generation is on
21 financial incentives as opposed to using the RPS as a
22 big tool for customer side generation. It's more about
23 rebates. In New Jersey, you have the solar RECs, which
24 is a whole different sort of category within their RPS.
25 But generally speaking, it is more about financial

1 incentives than it is about RPS when it comes to
2 particularly small customer sited systems.

3 MS. HARLOW: I also noticed, I believe it was
4 in New Jersey, that in their RPS, in order for a
5 customer owned photovoltaic system to count or a small
6 renewable generator to count, it had to be eligible for
7 net metering. Do some states do that, require --

8 MR. KATOFSKY: I'm not sure. I'm not sure.
9 The other general requirement, of course, is that if
10 you're using a REC-based system, you have to register
11 with the REC registry, which may not be necessarily
12 practical for -- if I have a one or two kilowatt system
13 and I'm going to generate one or two RECs a year, that
14 may present some challenges as well.

15 MR. O'BRIEN: Just for clarification on that,
16 the current New Jersey law does require that the net
17 metered customers -- customers that register to sell
18 solar RECs need to be net metered. The Commission is
19 currently considering whether to modify that to allow
20 for larger solar projects that might be free-standing to
21 also sell RECs and participate in the market.

22 MR. FUTRELL: Okay. We want to take a short
23 break. Before we do, as time goes on, folks may have to
24 leave to catch planes. I do want to let everyone know
25 that we're going to ask -- give you an opportunity to

1 file written comments.

2 The transcript from this workshop will be
3 available on September 4th, and we're going to request
4 that if you would like to submit comments, and we would
5 request that you would, that they be submitted by
6 September 12th. If you want to submit them earlier,
7 that's fine. We would really like for you to provide --
8 use this as an opportunity to give us some concepts, how
9 you see RPSs, react to some of the discussion today and
10 give us some good feedback we can use so we can move
11 forward.

12 Let's take a break and come back a little
13 after 4:00.

14 (Short recess.)

15 MR. FUTRELL: Okay. Let's get started. Let's
16 go back on and continue our discussion on the agenda. I
17 would like to make a comment before more folks have to
18 leave. We talked about comments. One of the things on
19 future workshops for some folks that may have to leave
20 today is that we're looking at an additional staff
21 workshop at the end of September. We haven't finalized
22 the date yet, but the end of September is kind of the
23 period we're looking at for a follow-up staff workshop
24 to continue our discussion and to get into some other
25 topics that we didn't have on the agenda today and to

1 finish up topics that we may not get to today as well.
2 So we'll get the notice out and let everybody know that
3 well in advance.

4 Okay. Let's move on to F, the structure of an
5 RPS. And we've talked a lot about the FMEA proposal,
6 and we've talked a lot about phase-ins and carve-outs
7 and multipliers. Is there anything else anyone would
8 like to make a formal comment on in this section?

9 MS. CLARK: Let me just -- maybe a quick way
10 to do this, I was just going to identify two things that
11 perhaps we wanted to mention today, and then we'll
12 address the remaining issues that you have in your
13 agenda in written comments. But just getting back to
14 what you might do in terms of a short term, we certainly
15 think that starting with that 2003 study is one method
16 of doing that, looking at where that may take you.

17 The other thing we would want to touch on
18 right now is the notion of a carve-out and tiers, and
19 I'm going to ask Bob McGee from Gulf Power to speak on
20 that briefly.

21 MR. MCGEE: I am Bob McGee with Gulf Power
22 Company, and I just want to talk briefly about the
23 carve-out, set-aside, multiplier issue a little bit.

24 Let me start with -- back to Mr. Trapp's
25 comment about what incentives could the utilities come

1 up with that would help us in complying with a renewable
2 portfolio standard. And, of course, let me point out
3 the obvious here. It is the utilities that are being
4 required to comply with the standard. It's not the
5 customers. It's not any other entity than the utilities
6 that will be required to comply.

7 So one incentive that is very useful to us in
8 complying with the RPS would be flexibility. One
9 element of that flexibility would be the ability to
10 determine what is the least cost method of complying
11 with a particular RPS. So I think one way to reach two
12 goals, one is incenting the utilities by giving them
13 flexibility, and secondly, emphasizing solar and wind,
14 for instance, and possibly other types of generating
15 technologies or sources, would be to use the multiplier
16 methodology rather than a set-aside, as a substitute for
17 a set-aside or a tier methodology.

18 Let me give you an example. If a solar
19 kilowatt-hour costs -- let's just use for an example 40
20 cents a kilowatt-hour, and we had a multiplier for that
21 particular type of methodology of five for the REC that
22 came out of that, you're then, in essence, causing that
23 solar kilowatt-hour to cost for the utility's compliance
24 purposes 8 cents a kilowatt-hour. You've reduced the
25 cost of compliance for the utility by a factor of five

1 for that particular technology, which incents the
2 utility then to -- if we're looking at competing
3 technologies, whether it's conservation or biomass or
4 PV, the PV then becomes much more cost-effective in
5 meeting whatever the RPS ultimate requirement is. So --

6 MR. TRAPP: What is the five applied to?

7 MR. MCGEE: The number of RECs -- and we're
8 going to get into a discussion about RECs, I think,
9 eventually. If you took -- let's use kilowatt-hours for
10 an example, and sometimes a REC is determined based on a
11 megawatt-hour. If a solar generator produces a
12 kilowatt-hour of electricity and a multiplier then is
13 applied to that -- many states have these, most of them
14 around 2, 2-1/2, 3 for solar, for instance.

15 Actually, let me go back. At one workshop, I
16 think it was maybe Gwen Rose that made the comment that
17 multipliers haven't been terribly effective across the
18 United States. And I would submit that they're not not
19 effective because it's not a good idea. It may be that
20 they're not effective because the number is not large
21 enough.

22 And when you think about the price of solar PV
23 compared to other competing options, a multiplier of two
24 or three probably isn't effective. But if we set it at,
25 say, five, then a kilowatt-hour generated by a solar PV

1 array would then be worth five kilowatt-hours in
2 complying with the renewable portfolio standard. Does
3 that make sense?

4 MR. TRAPP: Don't I have to increase the
5 standard then to like 100 percent? I mean, 20 percent
6 is 20 percent.

7 MR. MCGEE: Well, it is done in other states.
8 And it's all a matter of mathematics one way or the
9 other, whether the requirement is 20 percent and it's
10 firm and you've got to get that number of kilowatt-hours
11 regardless of what the cost is, or is it 20 percent and
12 solar starts out with a multiplier of five?

13 And as Mr. Reedy I think accurately pointed
14 out, over time, the cost of solar is expected to
15 actually meet the avoided generation cost. You could
16 phase that multiplier out, decrease it over time, so
17 that in the future don't have a multiplier anymore and
18 you're actually generating the kilowatt-hours that
19 you're retiring --

20 MR. TRAPP: But isn't that tied to the revenue
21 cap too?

22 MR. MCGEE: I'm sorry?

23 MR. TRAPP: Isn't that tied to the revenue cap
24 too? You get five times more out of the revenue cap for
25 that technology, count give kilowatt-hours to one on the

1 energy goal side, but then you've got this -- we were
2 talking about this revenue cap over here that's going to
3 allocate dollars to incent these people. So they would
4 get five to one ratio in the revenue cap too?

5 MR. MCGEE: No, sir. I would submit that you
6 wouldn't need to put a multiplier on the revenue cap.
7 You simply do it on the kilowatt-hours. And the
8 utilities, in attempting to comply with the RPS, look
9 for the lowest cost generation type.

10 If that happens to be PV for some portion of
11 it, they're spending enough money on that to do a
12 cost-effective generation compliance, and then they may
13 buy some biomass over here. All that gets together in
14 the mix, and whatever that revenue amount is would be
15 the revenue cap. You wouldn't have to do a multiplier
16 for that as well.

17 The multiplier applying to the kilowatt-hours,
18 in effect, decreases the cost of complying in allowing
19 that megawatt-hour or kilowatt-hour for solar to be not
20 40 cents, but 8 cents a kilowatt-hour effectively for
21 the utility. It does produce in the end fewer
22 kilowatt-hours when you've got the multiplier high like
23 that, but I think it needs to be set high initially in
24 order for PV to compete.

25 And actually, I would submit to the gentleman

1 in the solar industry an interesting question. What
2 would the multiplier need to be if you didn't have a
3 set-aside or you didn't have a carve-out in order to
4 reach a 2 percent level of PV participation in the RPS
5 long term?

6 MR. FUTRELL: Bob Graniere has got a question.
7 Go ahead.

8 MR. TRAPP: Before you ask your question, Bob,
9 could I ask you to put that example, that hypothetical
10 on a piece of paper and send it to us?

11 MR. MCGEE: Yes, sir.

12 MR. TRAPP: Thank you.

13 MR. GRANIERE: I have a hypothetical for you.
14 I'm Bob Graniere. I have a hypothetical. Let's assume
15 the multiplier is 5 percent and it's on the KWH.
16 Wouldn't it be true then that all we would need is
17 3,800 megawatts of solar, and we meet a 20 percent
18 renewable portfolio standard?

19 MR. MCGEE: Well, I haven't done the math, but
20 you could conceivably --

21 MR. GRANIERE: A 4 percent carve-out times
22 five is 20 percent.

23 MR. MCGEE: Well, it all comes down to how do
24 you want to meet your compliance. Do you want to do it
25 with all solar? Is that really your least cost option,

1 or do you want to do it with a mix of different things?
2 And I believe you meant five times, not 5 percent; is
3 that correct?

4 MR. GRANIERE: No, that was five times, and
5 that was the REC, and the RPS is met by the REC, the REC
6 count. So for every one megawatt of -- for every one
7 megawatt of solar, with that multiplier, you get five
8 RECs.

9 And so basically what happens in that thing is
10 that now the Solar Center people said that they could do
11 4 percent by the end date in some manner, but the math
12 is quite simple at that point. With that kind of
13 multiplier, the actual amount of renewables that goes
14 into the ground is 4 percent solar in that example.

15 MR. MCGEE: I believe you're mixing the time
16 frames there as well, because the 4 percent stated by
17 Bob Reedy earlier was the long-term end goal.

18 MR. GRANIERE: Right.

19 MR. MCGEE: And if you also include his
20 suggestion, which I agree with, that you should phase
21 out the multiplier, that wouldn't be the case.

22 MR. GRANIERE: So how long would the
23 multiplier be in effect?

24 MR. MCGEE: I would submit a logical thing to
25 do would be to take the cost curves that Mr. Reedy and

1 others have provided the Commission in previous
2 workshops and phase it out according to the cost curves
3 that they submitted would be a reasonable approach.

4 MR. GRANIERE: So that says what? It's only
5 worth three after five years and two after eight years
6 or something like that?

7 MR. McGEE: No, sir.

8 MR. GRANIERE: Okay. But in the end, you will
9 agree that it's less -- that the actual amount of
10 megawatts with a multiplier would be less than
11 20 percent?

12 MR. McGEE: Yes, I do. I do agree with that,
13 but I do also agree that it would improve the economic
14 efficiency of meeting the RPS requirement.

15 MR. TRAPP: Again, why wouldn't you just use
16 the five times multiplier on the money side instead of
17 the kilowatt-hour side, just allocate five times more
18 money for solar than you would any other less preferable
19 renewable?

20 Again, I'm troubled by the fact that you're
21 not really meeting a 20 percent goal under that
22 proposal. As Bob said, you're meeting a 4 percent goal.
23 That's not what we were challenged with.

24 MR. McGEE: It's not -- and maybe the
25 gentleman from Navigant can help us with this, but it's

1 not uncommon to use a positive multiplier to up to
2 3 percent, three times for solar PV in order to meet a
3 RPS compliance.

4 MR. KATOFSKY: I think that's right. I think
5 when people refer to multipliers, they're saying it's
6 worth this many kilowatt-hours towards the compliance.

7 And actually, there's an analogue on the
8 renewable fuels standard in the Federal Energy Policy
9 Act where they apply a multiplier. They have a goal of
10 7-1/2 billion gallons of biofuels by 2012, and they
11 apply a multiplier to the cellulosic ethanol portion.
12 So if you had a lot of cellulosic ethanol, you would
13 actually produce less than 7-1/2 billion gallons, but
14 still meet the standard.

15 But I think you could structure it any way
16 that you wanted to do it. If you wanted to structure it
17 with the multiplier approach on the kilowatt-hours, you
18 could do that it way. You could choose to do it another
19 way. You know, in New Jersey, they've done it by
20 setting a higher alternative compliance payment for
21 solar RECs, which is I think more similar to what you're
22 suggesting. Just for reference purposes, there it's a
23 factor of six, 300 versus \$50 a megawatt-hour. So the
24 ratio there is six, so that's similar to your five.
25 It's just one approach of two or three different

1 approaches.

2 MR. FUTRELL: Does New Jersey have a
3 phase-out, or how does -- do you know if they --

4 MR. KATOFSKY: I don't know if they have a
5 phase-out on the alternative compliance payment itself,
6 but the way that market should work is that as the cost
7 of solar decreases, then the value of a solar REC in the
8 market should come down.

9 MR. O'BRIEN: I can speak to that. This is
10 Chris O'Brien. I think in New Jersey, one of the -- New
11 Jersey's current program provides both an up-front
12 rebate and then revenue from the sale of solar RECs at
13 the \$300 per -- subject to a cap of \$300.

14 Their intent is to phase out the rebates up
15 front and to shift to a program that is entirely
16 dependent on the SREC revenue. So actually, the
17 anticipation is that the price for solar RECs will in
18 the near term actually increase from current levels,
19 currently trading about \$200 or so, and then decrease
20 over time as the costs come down.

21 To the point of what's the right multiplier
22 level, I would just like to respond to that quickly,
23 because I think that depends to a large extent on the --
24 we talked again about revenue certainty, investor
25 certainty. To the extent that you're certain about how

1 long you're going to get that price and how long you're
2 going to get that multiplier, you come up with a
3 different answer. If there is no certainty about what
4 the RPS requirement is going to be or what the rules are
5 going to be two years out, then the SREC price or the
6 multiplier level would both need to be substantially
7 higher than if you knew that for 15 years you were going
8 to get a certain -- you knew what the rules were going
9 to be 15 years out. So that's a consideration for
10 either the multiplier or for the SREC-based approach.

11 One relative advantage of the SREC-based
12 approach is that with the multiplier, given the dynamism
13 of the change in solar installed costs, you would need
14 to -- one of the beauties of having a separate solar ACP
15 and solar REC trading system is that it will
16 automatically adjust for those reductions in cost over
17 time. So as costs get cheaper, the market price for
18 solar RECs will get cheaper, because customers won't
19 need as high a price to finance their projects.

20 If you are relying on a multiplier, then you
21 would need the administrator to be smart enough to
22 adjust that multiplier in response to those changes in
23 market price. So you would be -- you know, the beauty
24 of having the market setting the solar REC price is that
25 it can be very responsive as the cost of the technology

1 changes over time.

2 MS. HARLOW: Chris, so if you have that
3 separate solar REC, is that combined with a system where
4 you have a set-aside for solar?

5 MR. O'BRIEN: That's correct. That's
6 typically the -- the regime would be that at the end of
7 a year, depending on who bore the burden, the energy
8 supplier of the energy would have a record of the number
9 of kilowatt-hours sold and would need to produce
10 renewable energy credits for -- solar renewable energy
11 credits for the compliance, the solar share portion of
12 the obligation, and renewable energy credits for the
13 difference, and then to the extent that there was a
14 shortfall, pay an ACP for the shortfall, regular RECs
15 and the solar ACP based on the solar compliance
16 shortfall. That's the way it works currently in New
17 Jersey.

18 MS. HARLOW: And did I understand you
19 correctly that initially you would expect the price of
20 that solar REC to increase? And if that's the case,
21 why?

22 MR. O'BRIEN: I'm sorry. That was a little
23 confusing. I was referring specifically to the regime
24 in New Jersey, where currently new solar projects
25 receive -- if you were putting solar on your house, you

1 would receive a rebate that was funded by an assistance
2 benefit charge. So you would receive a rebate up front,
3 maybe \$3 a watt or so, and then you would also be
4 eligible to sell your solar RECs into the market.

5 So the price that you -- you would be
6 calculating -- you would pencil that out, and depending
7 on -- the price that you would need for those solar RECs
8 wouldn't be quite as high as it would be if you weren't
9 getting any rebate and the only incentive you were going
10 to get was the solar RECs. So as the state phases out
11 rebates, we expect that there will be a compensating
12 increase in the solar REC price, but then it will
13 decrease as the cost of the technology comes down.

14 MR. FUTRELL: Bob, did that conclude your
15 remarks, or did you have anything else to follow up
16 with?

17 MR. MCGEE: I do have one additional comment
18 in that vein, and that is, I just wanted to point out
19 that renewable resources are very geographically
20 oriented, in the sense that in our service area, for
21 instance, we don't have a phosphate industry, but we do
22 have other industry. We've got the paper industry and
23 that sort of thing. So in your consideration of tiers
24 and of set-asides and that sort of thing, it would help
25 us tremendously to be as flexible as we can in meeting

1 the renewable portfolio standard, to allow us to choose
2 from our particular service area those things that are
3 most easily available and least cost for us as a
4 particular utility.

5 Thank you.

6 MR. TRAPP: As you address these proposals in
7 your post-hearing workshops, I really would appreciate
8 it if you would go to Section 3 of the Governor's
9 executive order and reconcile any of your proposals to
10 the statement or to the request from the Governor
11 requiring that utilities produce at least 20 percent of
12 their electricity from renewable sources, with strong
13 focus on solar and wind. And again, my struggle is,
14 your math gets me 4 percent, not 20 percent.

15 MR. MCGEE: Yes, sir, I understand. And
16 ultimately, if the phase-outs were to occur before --
17 and this the way it would work ideally, before you got
18 to the 20 percent requirement in whatever year that is,
19 2020, 2025, then you would be at a full 20 percent
20 renewable energy generation.

21 MR. TRAPP: That's why I would like you to
22 give me a hypothetical on a piece of paper. Show me how
23 that works.

24 MR. HINTON: Mark, if we're at a lull, I've
25 got a question over here. I know we've talked about it.

1 A couple of times it has been mentioned, but I want to
2 make sure that we talk a little bit about it in
3 specifics. And if you all could address it in your
4 written comments as well, that would be great.

5 I notice that some states -- and I'm talking
6 about compliance. Some states have alternative
7 compliance payments, where if a utility doesn't make a
8 benchmark, they would make this payment, and that
9 payment would go into some form of public benefits fund
10 earmarked for subsidizing renewable projects. What do
11 you think about some form of alternative compliance
12 payment that would be earmarked to go into, say, the
13 renewables grant program at the Energy Office over at
14 DEP, something along those lines associated with
15 Florida's RPS?

16 MS. CLARK: We have generally talked about the
17 fact that it should be available as a means of meeting
18 that goal, and it should be just that, an alternative
19 compliance payment, not a penalty. If you don't have it
20 for whatever reason, you can make that payment, and then
21 it can be used for pursuing the renewables. We do have
22 concerns about who, you know, administers it, what do
23 you use it for, and that sort of thing.

24 MR. HINTON: Do you have a problem if it went
25 to someplace like the Energy Office, who is already

1 dealing with providing grants for renewables and that
2 type of thing, or would you prefer a third party even
3 outside of the state agency?

4 MS. CLARK: Well, those are things that I
5 think you need to think about, and I would hate to
6 see -- I don't think it's wise to do what I've seen in
7 some states, particularly California, where they have
8 this huge bureaucracy that does those sorts of things.
9 I think it's far better if you can keep it in the
10 utilities to pursue and acquire the renewable resources.

11 MR. HINTON: So the funds would be
12 administered by the utilities?

13 MS. CLARK: Perhaps. I'm just trying to
14 think. It seems to me if you have an alternative
15 compliance payment, it's because you can't meet that
16 goal for that year, for whatever reasons. Do you want
17 to have the compliance payment with the idea that it can
18 be used in future years to inspire further through more
19 funds available to meet the goal next year?

20 MR. HINTON: What distinction do you draw
21 between that and a penalty?

22 MS. CLARK: Because one is you're complying
23 with the goal, and the other one is you're saying you
24 didn't comply with the goal. And you provide -- it goes
25 back to the notion of flexibility, in being able to have

1 a variety of ways available to meet that goal and not be
2 viewed as not meeting the goal and being penalized for
3 it.

4 And as I look through the other states, I
5 think there was only one that sort of characterized it
6 as a penalty. The others were careful to say it's an
7 alternative way of complying with the goal.

8 MR. HINTON: Now, what do you think about cost
9 recovery for alternative compliance payments? Is that
10 something that should go into the rates?

11 MS. CLARK: Absolutely. It's another way of
12 complying with it. And I believe in those other states
13 it was recoverable. There may have been one or two
14 where it wasn't recoverable, and it would seem to me
15 that it's maybe not accurate to call it an alternative
16 compliance method.

17 MR. HINTON: More like a penalty.

18 MS. CLARK: But the other states had -- I saw
19 in the other states where they had that alternative, it
20 was recoverable in the same way other expenditures to
21 meet the goal are recoverable.

22 MR. TRAPP: What's the difference between an
23 alternative compliance payment and an affordability rate
24 cap? Are they on top of each other, or are they part of
25 each other?

1 MS. CLARK: I guess I saw it that even if you
2 had a rate cap and you had a goal, there's a chance that
3 there was not enough near term renewable resources out
4 there within the time period that you had to meet that
5 goal, so you would make the alternative compliance
6 payment.

7 MR. TRAPP: So you have two tiers of dollar
8 boxes out there.

9 MS. CLARK: No. I guess maybe I misstated it.
10 It seems to me that --

11 MR. TRAPP: You take money --

12 MS. CLARK: Here's the rate or the cap, and
13 you would be considered to have met the goal if you
14 either meet the goal or you bump up against your rate
15 cap. If you've done neither, you could make an
16 alternative compliance payment which brings you up to
17 that rate cap.

18 MR. TRAPP: Which means to me that the
19 affordability rate cap and the alternative compliance
20 payments are the same thing. Both are being recovered
21 through some cost recovery mechanism from ratepayers.
22 Both put you in compliance with the goals. It just
23 seems to me that you deal with an affordability rate
24 cap, and you set it at the proper level to spend the
25 amount of money we need to to get the goals.

1 MS. CLARK: I guess maybe I could agree with
2 you if the goal you have set is something that's
3 achievable and the rate cap is set so that the two are
4 going to match.

5 MR. TRAPP: Yes.

6 MR. MOLINE: A comment on that as well. I
7 think that Susan explained it extremely well, you know,
8 the idea of hitting the resource goal versus the rate
9 cap, the affordability rate cap goal. And ultimately,
10 what we're talking about sort of round and round today
11 is to balance the issue of that 20 percent goal versus
12 how much might rates change or might customers' bills
13 change. And, you know, we heard from Charlie earlier
14 that he didn't want rates to change at all.

15 Not to be dramatic, but I printed out this
16 picture, because this is not -- this is not a political
17 statement, but there's an elephant in the room here, and
18 that's cost. And we keep dancing around this issue of
19 cost, and you know we have to deal with it at some
20 point. You know, how much are customers' bills going to
21 change? In some cases they might go down because
22 they're cost-effective measures. In some cases they
23 might go up. But the point is that in order to meet
24 20 percent, there may be a change in customers' bills,
25 and the idea of the affordability rate cap is to hold

1 down that cost, make a significant investment, and see
2 what that does.

3 By the way, I did look at some states'
4 alternative compliance costs, and they range wildly.
5 And I think, without knowing -- maybe Ryan can shed some
6 light on it. Some are very low, which seem to reflect
7 an affordability rate cap, and some are high, which seem
8 to reflect a penalty.

9 I won't go through them all. There are 11
10 that I found. They range from New Mexico, sort of 1 to
11 2 percent of gross revenues, Washington, 4 percent of --
12 actually, this is a sliding scale up, but ultimately up
13 to 4 percent of gross revenues, to other states that are
14 in the range of 5-1/2 cents a kilowatt-hour, which is a
15 -- to us, that would be a doubling of our wholesale
16 rates, essentially, which is pretty stiff. So they
17 range from where we are in our proposal, you know, in
18 the 1 percent range, all the way up to a doubling of
19 wholesale rates, although Wisconsin has -- their
20 language is make a good-faith effort, but I don't know
21 that we would be satisfied with that here.

22 The point is that we have to address cost at
23 some point, and I think that we can't be glib about it.
24 We have to put the issue on the table. And if we want
25 to -- if you as the staff want to take the executive

1 order and say, "Here's 20 percent, and here's what we
2 think that will cost," well, that's fine. Maybe there's
3 value to putting several options on the table for the
4 Commissioners so that they can see the cost of the
5 original order and then maybe the cost of some
6 creativity and doing things different ways.

7 MR. FUTRELL: Who? Oh, Bob Graniere.

8 MR. GRANIERE: Instead of a question this
9 time, I just want to offer this as an explanation of the
10 difference when an alternative compliance penalty is a
11 penalty and when it's an alternative compliance payment.

12 Regardless of its level, it would seem, and
13 what the literature seems to show is that when the
14 alternative compliance payment is put into some sort of
15 mechanism that guarantees that renewables will get on
16 the ground in the future, it becomes an alternative
17 compliance payment. If, however, it is put in some
18 mechanism where some of that money, or even all of that
19 money does not find its way into a fund, where it does
20 not guarantee that renewables will get on the ground
21 sometime in the future, then it looks just like a
22 penalty.

23 The other thing we have -- the other pieces of
24 information that we've gotten in other workshops is that
25 there is a ranking of the level of these payments. In

1 general, an alternative compliance payment is higher
2 than the most cost-effective renewable facility
3 alternative, which is also generally higher than the
4 price of the REC. So the general ranking for these
5 things to be workable and to do what they're supposed to
6 do, the lowest priced thing is the REC, the next lowest
7 priced thing is the cost of the lowest priced renewable
8 energy facility, and then the alternative compliance
9 payment is above that. Any other ranking, the incentive
10 structure is destroyed. So as a result, that's why --
11 so those are the criteria to make it an alternative
12 compliance payment and not a penalty.

13 MR. KATOFSKY: I guess I would just like to
14 add a couple of things on this topic. An ACP is meant
15 really to do two things. One is to cushion impacts to
16 ratepayers, but it also needs to be high enough to
17 create an incentive for renewable generators to come
18 into the market. So in Massachusetts, we have one
19 that's 5 cents a kilowatt-hour adjusted for inflation.
20 It's around 55, \$56 a megawatt-hour today, and that
21 should be enough to get a lot of generation into the
22 ground.

23 At the same time, when you multiply that
24 through, assuming that there was no generation built and
25 everybody was paying the alternative compliance payment,

1 when you multiply that on the percentage of the RPS, it
2 amounts to a fairly small overall rate increase. So if
3 the Massachusetts requirement is 4 percent in '09 times
4 5 cents a kilowatt-hour, it's a tiny fraction of, you
5 know, 1 cent. If you had a similar ACP in Florida times
6 20 percent, it would increase the bill by about 1 cent a
7 kilowatt-hour, which would be a fairly high impact.
8 That was assuming that everybody was paying the
9 alternative compliance payment.

10 The one other comment I would make is that the
11 notion of cost recovery and ACPs was also developed when
12 states were doing their unbundling, so a lot of these
13 early RPS programs included restructuring. And
14 competitive suppliers, of course, are not subject to
15 cost recovery.

16 So I think it would actually be very
17 instructive to go through all the states and see in
18 which states do ACPs get included in cost recovery and
19 in which ones do they not, because I think in a
20 vertically integrated market such as Florida, I think
21 it's worth looking at that issue very carefully as
22 opposed to -- you know, if Massachusetts' restructuring
23 is wildly successful, we would all be on competitive
24 suppliers, and they would just be pricing their products
25 in the market subject to the market. And if they had to

1 pay alternative compliance, that would be their tough
2 luck, basically, and if they could pass that on to
3 customers, great. If they couldn't because the market
4 price for power would not allow them to do that, then
5 they would have to absorb that in that particular year.

6 I think those are all things to think about as
7 to how you structure if you want to have an ACP as part
8 of the RPS or have some other mechanism in Florida.

9 MR. FUTRELL: Ryan, let me step back to one
10 thing we were talking about earlier, about the idea of
11 using alternatives for compliance and to encourage
12 different types of renewable resources as far as the
13 tiers, carve-outs. We talked a lot about multipliers.
14 How have states wrestled with deciding which of those
15 types of methodologies are better? What kind of
16 considerations have gone into that? Obviously, there's
17 a whole host of them out there. What's your impression
18 of the states' experiences in that?

19 MR. KATOFSKY: I'm not sure I'm going to have
20 a very good answer for that question. I think it
21 depends on the situation in that state.

22 We've talked a fair bit about New Jersey, and
23 they're actually a good example of a state that has done
24 quite a number of things. And they had a strong
25 interest in solar because they looked at their in-state

1 resources, and they don't have a lot of onshore wind in
2 New Jersey. They're geographically quite small, so they
3 don't have a lot of biomass resources in New Jersey.
4 But what they do have is, they have an awful lot of
5 rooftops. They have about 8 million people in New
6 Jersey. I think one of the people there referred to
7 them as the Persian Gulf of flat roofs.

8 So they had a strong interest in solar, so
9 they structured their RPS program with a solar
10 set-aside. And then, as the earlier comments were made,
11 in order to facilitate a phasing out of a subsidy, of a
12 rebate program, which is a fairly expensive proposition
13 for a state that has a large solar target, they created
14 a solar REC market. So they have sort of a logic there.

15 I think every state just pursues that sort of
16 based on their own needs. In Pennsylvania, they wanted
17 a broader set of technologies to qualify, so they
18 created tiers. They have a tier that includes coal bed
19 methane and energy efficiency, clean coal technology.
20 Municipal waste is in one tier. They have sort of the
21 more traditional renewables in a separate tier. So
22 every -- and they had their reasons for doing that.
23 Obviously, they're a coal state, so they had some other
24 technologies included in their definitions of
25 eligibility. But at the same time, they created tiers

1 to recognize that there are differences among them.

2 MR. FUTRELL: Okay. We can move on to the --

3 MS. GREALY: Mark, could I --

4 MR. FUTRELL: Yes, go ahead, sure.

5 MS. GREALY: It just occurred to me, this has
6 been very helpful, but it has been in response to, you
7 know, particular questions. And when we talked about
8 the next workshop and the next workshop, as you were
9 speaking -- and again, very helpful, very informative.
10 I've been obviously trying to do as much education,
11 self-education as possible.

12 But I was wondering if it might be useful for
13 all of us if we could get some sort of overview, summary
14 presentation about what is happening in each of the
15 states. You know, if some you think are more relevant
16 than others given our market, fine. But I for one would
17 find that extremely helpful and maybe of beneficial use
18 for the next workshop.

19 MR. FUTRELL: That's a good idea. That's
20 something we may want to talk about. That's a good
21 idea.

22 Okay. Let's talk in the remaining time to try
23 to see what we can get through on renewable energy
24 credits. Again, we've talked about that somewhat today.
25 Would anyone like to open up with any comments on some

1 of these questions we've got on renewable energy
2 credits?

3 MS. CLARK: I think, Mark, more extensive
4 comments will be something we'll do in a written filing,
5 but, yes, we do think that RECs should be used for
6 compliance purposes.

7 One of the things, you asked about
8 out-of-state renewable energy credits. We think, of
9 course, if you are focusing on the Florida market, you
10 want to use them to the extent they're available, but
11 would suggest that utilities be permitted to purchase
12 the out-of-state RECs.

13 One of the things we've been sort of trying to
14 toss around is, in order to meet the notion of inspiring
15 or trying to incent in-state revenues, maybe you
16 should -- not revenues, renewable resources. If you're
17 going to allow the RECs, which we think you should, is
18 there some way to value the in-state RECs in a different
19 way to recognize that they are an in-state resource?
20 You might discount the out-of-state RECs.

21 You also asked how long should they be used
22 for. And let me go back. Absolutely, we think there
23 needs to be a tracking system, a tracking and trading
24 system. I looked at one website on RECs, and they
25 listed some of the entities that undertake this

1 third-party administration of the RECs, and we saw ERCOT
2 and NEPOOL among those third-party entities.

3 As far as how long the credits should be used
4 for compliance, I understand that typically the RECs are
5 allowed to be used for compliance up to three to five
6 years from when they are generated. Of course, a longer
7 period would minimize costs to customers, so that's
8 something to think about when you think about
9 incorporating a REC system into this endeavor.

10 Absolutely, on the banking, we agree that
11 banking should be allowed of those RECs.

12 As far as what it may do to the voluntary
13 green power programs, we're still sorting through that.
14 It seems to me that if you have more demand for a
15 limited number of RECs, it will certainly drive up the
16 price for that. So to that extent, to the extent the
17 voluntary programs are purchasing RECs, it will increase
18 the price of those RECs if the supply of RECs is not
19 also increased. And given that there will likely be a
20 rate impact, you may see some customers dropping out of
21 the voluntary program, because now there is, in effect,
22 a mandated program.

23 MR. FUTRELL: Go ahead.

24 MR. BRYANT: May I ask a question first, Bob,
25 just to make sure I understand, on the topic about

1 should out-of-state renewable energy credits be counted.
2 Just so I understand, let's assume that Tallahassee
3 contracted with a biomass facility 32 miles north of
4 Tallahassee, which would place it in Georgia, give or
5 take a mile. Does that question then anticipate or ask
6 whether or not that biomass facility should be countable
7 for the City of Tallahassee for renewable energy
8 credits?

9 MR. TRAPP: I have a question for you. Are
10 you combining the attributes of kilowatt-hour production
11 and environmental attributes to your REC, or are you
12 divorcing them? That was my question to Susan. Do you
13 have to buy the power with the REC, or is the REC
14 detached?

15 MS. CLARK: Well, let me --

16 MR. TRAPP: Because that goes to my next
17 question. I'll give you the whole series. You gave me
18 your whole series, so I'll give you my whole series
19 back.

20 MR. BRYANT: In response, my question -- and I
21 don't mean to interrupt.

22 MR. TRAPP: I don't know, because it depends
23 on whether you tie the energy with the REC, and then how
24 you account that for the goal.

25 I go back to my question earlier. Please

1 address how this reconciles with the Governor's request
2 to the Commission that 20 percent production be from
3 renewables.

4 Therefore, if you tie the kilowatt-hours to
5 the RECs, I see how you count that toward that goal. If
6 you disassociate them, then all we're doing is trading
7 money, and I go back to my previous premise: Why don't
8 you just do it on the dollars instead of the
9 kilowatt-hours and let the kilowatt-hours stand alone,
10 because you get into all these questions about does Fred
11 have to get physical transmission rights across the
12 state line to get a REC out of Georgia --

13 MR. BRYANT: See, actually, my --

14 MR. TRAPP: Or does he just get the REC out of
15 Georgia because it floats as a piece of paper, a
16 certificate to him. And I think that's what all these
17 questions go to. We're asking y'all.

18 MR. BRYANT: And that's the reason -- and,
19 Susan, I apologize for interrupting you, because I think
20 you were responding to it differently than I was
21 thinking of the question. In my terms, I assumed the
22 question was -- the reason I used Tallahassee is because
23 they have a transmission line that goes to Georgia.

24 MR. TRAPP: You're right.

25 MR. BRYANT: So I was assuming that

1 Tallahassee would then receive the power, the energy
2 from the biomass facility, so that was part one of my
3 question. And in that case --

4 MR. TRAPP: It depends on whether we say it
5 has to be generated in Florida or not.

6 MR. BRYANT: Yes. I would think that --

7 MR. TRAPP: Should it be received in Florida?

8 MR. BRYANT: I would think the biomass
9 facility --

10 MR. TRAPP: Should it be totally disassociated
11 and a certificate come to Florida? I mean, those are
12 the three options I think we need to come to resolution
13 on, and I don't have an answer, so I look to your
14 comments to tell us what to do.

15 MS. CLARK: Well, in answer to his question
16 about out of state, I should have been maybe a little
17 more precise. If it's energy being delivered into the
18 state, then it would be actually replacing some energy,
19 presumably.

20 Now, your question about you buy the energy
21 and then you buy the REC, what I've seen in the websites
22 and I think what you need to care about is no double
23 counting of something as a renewable, and that's what
24 the RECs do address. If you are selling it as a package
25 or a part of whoever is purchasing that power pays for

1 is renewable energy as opposed to energy, there's no REC
2 associated with that generation. So you want to prevent
3 that double counting, and that's why you would have the
4 trading and tracking system, so one source for the same
5 generation of electricity doesn't get two credits or
6 double counted.

7 MR. TRAPP: I also wanted to ask a question
8 about the volunteer programs out there. If customers
9 still want to -- notwithstanding a 1 percent revenue
10 increase or whatever the affordability cap might be set
11 at, if a body of customers still wanted to contribute
12 another 10 bucks on top of that to a voluntary program,
13 what's wrong with that, and what's wrong with counting
14 the kilowatt-hours toward the goal, but just not taking
15 any more money out of the total cap? Use their \$10 if
16 they want to give us \$10. It takes -- it means \$10 less
17 you have to take out of the affordability cap, but we'll
18 count the energy anyway.

19 MS. CLARK: I think to the extent you let the
20 customers volunteer to do that, it's better.

21 MR. TRAPP: Yes.

22 MS. CLARK: And I wasn't suggesting that --

23 MR. TRAPP: I was just seeking clarification.

24 MS. CLARK: You were asking for the effect on
25 the volunteer programs, and I wasn't suggesting that

1 they would be done away with.

2 MR. FUTRELL: Ryan has a comment.

3 MR. KATOFSKY: The issue of double counting is
4 I think very important. And to your last point,
5 generally speaking, if an either -- the terms we use
6 are -- we talk about bundled renewable energy, so that
7 is energy with attributes.

8 And to the first point about the sort of
9 out-of-state RECs or out-of-state eligibility, generally
10 speaking, just about every RPS, maybe with one or two
11 exceptions, defines a geographic boundary in which the
12 renewable generation can qualify. So, for example, the
13 PJM states generally use the PJM control area, so if
14 Delaware has an RPS, but it's generated in Maryland,
15 that counts. And they use a REC tracking system, so
16 they use the RECs from anywhere within PJM to qualify.

17 New England does the same thing with the six
18 New England states. Texas is its own control area with
19 very little interconnection, so in Texas, if it's not
20 made in Texas, it doesn't count. You can't bring it
21 into the control area.

22 If power is -- if RECs are to come in from
23 outside the geographic area, the general way that the
24 RPS programs approach that is that the REC can come in
25 if there is also a contract path for the energy. So

1 there are projects in New York State that are Mass. RPS
2 qualified. The only way they can sell their REC to
3 Massachusetts is if the power is delivered to the New
4 England Power Pool. It doesn't have to go to the same
5 place, but it has to come into the New England control
6 area, the energy. So you can contract for RECs out of
7 state as long as the energy -- or out of region as long
8 as that energy also comes into the region. So that's
9 sort of one issue, but that's generally how people have
10 approached it, with geographic boundaries.

11 MR. TRAPP: Is there a difference between --
12 going back to the regulated versus deregulated markets,
13 it seems to me I read that there's more of a propensity
14 for contract path type of systems in vertically
15 integrated regulated states, whereas the REC trading
16 programs are more prolific in the dereg states.

17 MR. KATOFSKY: That's correct. But you could
18 apply similar criteria. You could say -- I guess if you
19 were only doing contract path and you were only dealing
20 with a bundled product, then you don't really have much
21 of a choice. You have to deliver it to the obligated
22 party.

23 MR. TRAPP: So then the only value to a REC
24 would be if they had an extended life attached to them
25 and banking attached to them so that if you created a

1 surplus in any one year, you could carry it over into
2 another year.

3 MR. KATOFSKY: Correct, so the REC gives you
4 that flexibility and can smooth out some pretty volatile
5 ups and downs in REC pricing.

6 MR. TRAPP: So even in a regulated state like
7 Florida or a vertically integrated state like Florida,
8 RECs would have some value to --

9 MR. KATOFSKY: You could still do it that way,
10 yes.

11 And to the other point about voluntary versus
12 mandatory programs, generally states that have both,
13 they have green power pricing, or in unbundled states,
14 they're called green checkoff programs, they generally
15 try to avoid counting any renewable energy that is paid
16 for in a voluntary program as counting towards an RPS
17 target.

18 MR. TRAPP: And why is that?

19 MR. KATOFSKY: I think they just want to avoid
20 the potential for double counting. If you decide, hey,
21 someone has paid for this out of their own -- sort of
22 the goodness of their heart or the guilt that they feel,
23 or whatever it is that makes them purchase green power,
24 you could say to yourself, well, that's still helping
25 meet a statewide goal, and that's okay, as long as you

1 made sure that it wasn't sold twice. That would be
2 really -- obviously, it would be really important to
3 make sure it wasn't sold twice.

4 MR. TRAPP: I agree with that.

5 MR. KATOFSKY: Because that's a really good
6 way to make money, if you can sell the same thing twice.
7 But you could set up an accounting system based on
8 kilowatt-hours that would look at the physical
9 quantities separately from the who paid for it. You
10 could do that.

11 MR. MOLINE: We've grappled with this issue a
12 bit too. And interestingly, the issue of where the RECs
13 are generated or where the renewable energy is generated
14 and if it's far away, you know, we sat and talked about,
15 you know, FPL has been a leader in wind nationally, and,
16 you know, should they get credit in Florida. And we
17 thought it was probably a good idea for them to get
18 credit in Florida for that.

19 Simultaneously, you also want to provide --
20 you know, one of your initials goals talked about
21 economic development. We want to develop these
22 resources in Florida, and those two issues would sort of
23 go against each other.

24 There may be a way -- and we talked about the
25 idea of out-of-state RECs, where a KWH would be worth 75

1 percent of in-state or something like that. And
2 Colorado does that as well.

3 There may be another way to do it, and that is
4 to have is a limitation, a quantity limitation of so
5 many kilowatt-hours of your goal can come from out of
6 state. And that way it allows us to do get credit for
7 whatever it is that we're either purchasing or maybe
8 investing in elsewhere to a certain degree. We
9 recognize the value of building in Florida as well, so
10 that way there's not a penalty for doing that for every
11 kilowatt-hour that's generated.

12 MR. TRAPP: So we have a carve-out for RECs.

13 MR. MOLINE: Yes. Well, we do like RECs for
14 the -- as Bob was suggesting, for flexibility. I don't
15 think anybody is going to comply 100 percent with RECs,
16 but to smooth things out, as Ryan said.

17 And we also have that issue of regional
18 markets. You know, do we do the Southeast? You know,
19 we don't have the same control area issues as PJM and
20 others, but can we just claim the Southeast as a place
21 where, you know, we're just commingling, or do we just
22 say, you know, as I suggested in the first place, a
23 certain quantity of renewable energy can come from
24 elsewhere? And ultimately, it goes back to the idea of
25 what are we trying to do here. You know, it's a

1 planetary issue, so does it really matter where it's
2 generated if it actually is generated and we can account
3 for it?

4 The issue of trading RECs, there might
5 ultimately be an in-state market and an out-of-state
6 market, because the out-of-state RECs tend to be -- have
7 to be certified. Green-e is one certification
8 mechanism. If our definition goes beyond -- if
9 Florida's definition of renewable energy goes beyond
10 what would qualify as a Green-e REC or a qualified REC
11 from somewhere else, we couldn't trade that elsewhere.
12 We might not be able to trade an MSW REC elsewhere, but
13 we might be able to trade that in-state. So there might
14 be two mechanisms, you know, our definition versus a
15 national definition.

16 MR. TRAPP: Who administrates this thing?
17 Who's going to go out there and verify -- and don't
18 point to me.

19 MR. MOLINE: I don't know.

20 MR. TRAPP: I've been to ISO land, and I've
21 been to the broker land, and I've been to all these
22 lands, and it seems like you need an administrator to
23 keep track of these things, verify them and all that
24 kind of stuff. Sounds like more money.

25 MR. KATOFSKY: You have REC registries. In

1 all these jurisdictions that use RECs, you have to have
2 someone who, you know, provides that sort of initial
3 registration and certification, and then the tracking.
4 It's all -- these are functions that if you go to a
5 REC-based system you need to maintain, whereas if you do
6 a contract path, you just have to make sure that that
7 resource qualifies, and then you have a power purchase
8 agreement or what have you between the two parties.

9 MR. TRAPP: Has anybody done
10 self-certification and gotten away with it without a
11 whole lot of finagling and corruption and what have you?

12 MR. JONES: Yes. I can say in JEA, in their
13 RPS, their self-imposed RPS, it was self-certification
14 when we were there. We decided to not buy into the
15 Green-e rules. We did our own self-certification by our
16 own rules. So you can go naked, if you will, and not
17 have a certification, like follow Green-e or ERT or the
18 Bonneville rules. But I think if you adopt a certain
19 rule, then you're just following all the standards of a
20 Green-e certification.

21 MR. TRAPP: Did you have audit follow-up or
22 anything to check on the --

23 MR. JONES: Well, you know, actually, GRU,
24 actually, as I understand it, they have an independent
25 auditing company that comes in and tracks the RECs sold

1 in a voluntary program with a CPA, and they certify
2 their own. So you can. I don't know that I would
3 endorse that. But I think you could, you know, address
4 the issue of the certification by using a third-party
5 verification compliance methodology like Green-e. We're
6 not saying the Green-e rules, but there are several
7 different types of rules, and you could just adopt those
8 standards.

9 And even with some minor variety to that,
10 speaking to what I had mentioned earlier, is the idea
11 that some other non-electric energy production
12 facilities could be counted toward the RPS. Again,
13 we're talking about an energy portfolio standard
14 perhaps. I would hope that the Governor's intent was a
15 renewable energy portfolio standard, not a renewable
16 electricity standard. And so, you know, you can
17 certainly just adopt a certain set of rules.

18 And just to give you some background too on
19 the cost of the tracking mechanisms, in New Jersey, the
20 company I was with previously, we bid on the
21 administration portion of that. I think we bid it at
22 375,000 to administrate it for a year. Somebody else
23 bid it at something like 40 or so thousand, and they
24 won.

25 So it's not a fortune to set up a tracking

1 mechanism. It's really just -- once you define what the
2 rules or a REC are, the third-party verifiers will come
3 in and do the audits and look at what -- make sure that
4 the RECs complied and that they match up with the sales.
5 You can get into processes like New York, you know, with
6 conversion transactions, and they get very complicated,
7 or you can do something very sensible and very easy.

8 MR. FUTRELL: Has there been any discussion or
9 thought about using a phase-out on RECs and using them
10 in the near term to help maybe meet some near term goals
11 and then phasing them out to help develop real projects?

12 MR. JONES: Well, I think the RECs and the
13 megawatt-hours that are behind the RECs are just a unit
14 of measure, and it's just sort of -- if you can't
15 measure it, you really can't tell whether you got to
16 certain goals. So phasing out RECs would be almost like
17 saying you're just going to stop counting. So RECs are
18 just -- in my mind, just a unit of measure or a
19 mechanism or a matrix to tell whether you've got to a
20 certain goal or not.

21 So I'm not sure if I addressed that correctly,
22 but to phase them out -- and actually, at some point in
23 time, when greater than, let's say, 50 to 60 percent of
24 the total generation is renewable, RECs become
25 irrelevant. Like why bother counting at that point?

1 MS. HARLOW: Ryan, are there any states that
2 use contract paths in their RPSs rather than a REC
3 counting system? And if they do use contract paths, or
4 if Florida decided to do that, if our Commissioners
5 decided to do that, how would we prevent our utilities
6 or our generators from selling RECs outside the state
7 into other RPS programs so there would be a double
8 counting, it just wouldn't be happening in Florida?

9 MR. KATOFSKY: California certainly does not
10 use RECs, and neither does New York, so California is
11 probably the best example of a state that uses a
12 contract path approach. I believe there are some states
13 for which they permit both. I think Arizona and New
14 Mexico have RECs as an option, but also would allow
15 direct purchases of bundled renewable energy.

16 I think if you went with the contract path
17 approach and you wanted to ensure that the utilities
18 didn't double count, you would have to develop a system
19 where you could monitor that and make sure that they
20 weren't selling RECs elsewhere. It wouldn't just be a
21 question -- a general issue for anybody who has
22 renewable energy these days is that there is a voluntary
23 REC market out there. And I buy RECs for myself, you
24 know, on a voluntary basis, and it's fairly easy to do.
25 So I buy -- you know, I'm hopefully buying it from a

1 reputable source, and I would hope that they're not also
2 selling those RECs to somebody else.

3 MS. HARLOW: I'm just wondering about the
4 issue with double counting with RECs, even if we do have
5 this administrator, because like you're saying,
6 different states have different administrators. How do
7 those administrators know what's going on in the other
8 states so it's not double counted?

9 And it reminds me of a situation where you
10 have a snow bird, and they vote for the president in
11 Florida, and then they fly home and they vote in New
12 York because they're so patriotic they want to vote
13 twice, you know. And it's because you have two
14 different systems checking on the votes in two different
15 states.

16 MR. KATOFSKY: Right. And actually, that's a
17 good question, and I'm not sure that I have a
18 satisfactory answer, but you would need to ensure that.
19 And there are projects that are RPS certified in
20 multiple states, and then they can choose, presumably,
21 which states they will sell their RECs to in a given
22 year, depending on what their contractual obligations
23 are. And this is a -- you know, we have a patchwork
24 system of RPS in this country, and that's just the
25 reality.

1 MS. CLARK: Judy, I would just respond to
2 that. I'm not sure that would be a concern if they're
3 selling two RECs. I mean, I would presume they have to
4 certify that they're selling the attributes to you, and
5 if they then certify to somebody else, they're selling
6 the attributes, there's a fraud somewhere.

7 MR. JONES: Judy, if I can clarify, just from
8 a practical operational point of view, what happens is
9 that at the year end, a REC entity who has to comply
10 either for voluntary or compliance purposes gathers up
11 their attestation forms. And these attestation forms
12 come from the generator of those RECs, and they attest
13 that these are the true and correct meter readings and
14 that they have not sold these to any other party. Then
15 you have these third-party entities that are separate to
16 the transaction that ostensibly go in and do audits and
17 match up the attestation forms with the generation and
18 make sure they're not double counted.

19 So there are third-party entities, and then
20 there's also a whole 'nother set of guidelines that the
21 National Association of Attorneys General have written
22 on the rules and ethics and standards and practices and
23 things like that. So there's a fairly good amount of
24 understanding of how REC transactions are supposed to
25 work. And knock on wood, so far there has not been an

1 Enron-ish sort of thing that has gone on, and most
2 people really recognize that the way to assure that is
3 to have the third-party entity certify the RECs. That's
4 not to say that it's foolproof, but at least you've got
5 a third party that's not part of the transaction that's
6 assuring that these were only sold once and from one
7 specific generator and meet certain rules.

8 MS. HARLOW: So that third party is outside of
9 that entity that you said earlier won a bid for a
10 statewide contract for \$40,000?

11 MR. JONES: No, that was actually the
12 registry.

13 MS. HARLOW: The registry.

14 MR. JONES: The entity that basically had the
15 computer interface with the RECs that went up for sale
16 and then sold those RECs. The third-party verifiers,
17 usually how that worked is, if you're a seller of RECs,
18 then you basically have to pay Green-e, you know, \$5,000
19 a product, or you might pay them \$100,000 for a whole
20 list of products for the year, and that pays for all of
21 the audits, the certificates, the verification that they
22 met those rules, whatever the rules. So if the State of
23 Florida has these rules, they're going to verify that
24 they met those rules in terms of what a REC is and when
25 it was generated and that it wasn't sold twice, and so

1 on.

2 MS. HARLOW: And who is providing the funds
3 to, say, Green-e? Is it the state, or is it the
4 renewable generator?

5 MR. JONES: In the case of Florida, probably
6 the generators. Probably the generators would -- well,
7 it really depends. Whoever basically conveys the REC,
8 that's usually who pays for these audit services. So if
9 its a utility who has the generator and is retiring the
10 REC, then they'll probably have to pay for the Green-e
11 audits. Otherwise, you could have an intermediary party
12 that buys RECs from a generator, sells them to the
13 utility for retirement, and they would as a broker
14 intermediary pay those audit fees and assure that the
15 public interest was met, that they weren't double
16 counted, and so on.

17 MR. TRAPP: I think the certificates should
18 have original lithographic Disney art on them, and that
19 way --

20 MR. JONES: And that is --

21 MR. TRAPP: -- they will have more value
22 than --

23 MR. JONES: Actually, they can actually just
24 be certificates, or they can be electronic. In New
25 Jersey, there's not actually a physical certificate.

1 It's all electronic.

2 Now, in the voluntary green power programs,
3 people like to have that plaque that they want to show
4 that they -- demonstrate that they, like Ryan, has gone
5 above and beyond. He knows probably full well -- I'm
6 not sure where you live, Ryan, but if his state has an
7 RPS, he knows that some of his power is being created
8 from renewable energy, but he wants to go above and
9 beyond that.

10 And I have to stress that there's a lot of
11 entities within the State of Florida on a voluntary
12 basis that absolutely would probably have renewable
13 generation on their own building and use it for their
14 own compliance purposes, and that now is out of play for
15 purposes of a utility complying with it, so again, back
16 to that tenet of you can only sell it once. So if an
17 on-site generator wants to do it for himself, for their
18 own internal voluntary goals, then they're making claim
19 to those attributes, and they have retired it for their
20 purposes. It's out of play for RPS purposes.

21 Just a note of clarification.

22 MR. FUTRELL: Do we have any other comments or
23 questions on this section?

24 MR. TRAPP: Two minutes.

25 MR. FUTRELL: Well, I think we've come to the

1 end of the day, unless anybody has any other comments
2 they want to add. Thank you for attending.

3 And again, a reminder that we're looking at a
4 transcript on the 4th of September. And we would
5 request that to the extent you can, provide comments by
6 the 12th of September. And we're looking at another
7 staff workshop at the end of September, and we'll let
8 you know about that date. And again, we will get out
9 the spreadsheet, the entire spreadsheet with the backup
10 data within -- as soon as we can compile the sign-up
11 sheet, we'll get that out to you.

12 Thank you for coming.

13 (Proceedings concluded at 5:29 p.m.)
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CERTIFICATE OF REPORTER


STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 119 through 236 are a true and correct record of the aforesaid proceedings.

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

DATED THIS 3rd day of September, 2007.


 MARY ALLEN NEEL, RPR, FPR
 2894-A Remington Green Lane
 Tallahassee, Florida 32308
 (850) 878-2221