

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of:

DOCKET NO. 20170274-EQ

PETITION FOR APPROVAL TO
TERMINATE QUALIFYING FACILITY
POWER PURCHASE AGREEMENT WITH
FLORIDA POWER DEVELOPMENT, LLC,
BY DUKE ENERGY FLORIDA, LLC.

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PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 7

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER GARY F. CLARK
COMMISSIONER ANDREW G. FAY

DATE: Friday, April 20, 2018

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

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

1 a phone-a-friend back here if I can't answer, but
2 we support the staff recommendation.

3 Thank you.

4 CHAIRMAN GRAHAM: Okay. Commissioner Brown.

5 COMMISSIONER BROWN: Thank you.

6 I have just a few questions for Duke, probably
7 technical staff of Duke's, regarding the analysis
8 why Duke chose to not to just acquire the facility
9 versus terminating it. What are those costs, and
10 why did Duke opt to pursue termination versus
11 acquiring it?

12 MS. TRIPLETT: So I think I can probably
13 handle that one. So let me see.

14 When we -- we looked at this, the idea of
15 acquiring a facility legally takes on just a whole
16 other host of issues. And we looked at this
17 particular site, it's co-located with some other
18 facilities. So it was -- we didn't see that there
19 was a lot of value in continuing to either operate
20 it, or maybe use the land for a different purpose
21 because of those other industrial uses on the
22 property.

23 And then when we considered the risk of
24 environmental impacts, and liabilities that would
25 go forward when you actually own something, we

1 decided that the termination option was the best
2 way to go.

3 And you will see a negotiated term in the
4 contract that the counter-party will be
5 decommissioning the facility, and they will be
6 giving up their QF status.

7 COMMISSIONER BROWN: Okay. Thank you.

8 And Duke has several PPAs with qualifying
9 facilities, probably more so, would you say, than
10 some of the other IOUs?

11 MS. TRIPLETT: I don't know if I know the
12 numbers, but I think we do have a lot.

13 COMMISSIONER BROWN: I did ask staff that
14 question. I was curious with the cost of natural
15 gas going down, and just curious how Duke is going
16 to handle some of these outstanding QFs moving
17 forward.

18 MS. TRIPLETT: Absolutely. So I think I
19 will -- so first of all, with respect --

20 COMMISSIONER BROWN: And also -- pardon me --
21 and also the price of solar going down, and all of
22 these other type of renewable projects.

23 MS. TRIPLETT: Absolutely. I am going to
24 answer part of that question, and then I'm probably
25 going to have Mr. Gammon come up and answer the

1 second part of that question.

2 So the first part, with respect to our
3 existing qualifying QF contracts. As the
4 Commission knows, we are obligated under your rules
5 that are implementing the federal PURPA rules to
6 negotiate in good faith. And if we can come to an
7 agreement with those qualifying facilities at a
8 cost that, at that point in time, is better, or
9 less than our avoided costs, then we are obligated
10 to negotiate in good faith and bring forward a
11 contract. And that's what we did, you know, with
12 respect to this particular transaction.

13 The -- as you pointed out, several things have
14 changed, and so our avoided cost has gone down.
15 But with respect to those contracts, and we have,
16 you know, a contractual obligation, and we take
17 that very seriously. And so we are obligated to
18 fulfill and complete those contracts, you know,
19 unless there is a mutually agreeable deal that we
20 can reach with those counter-parties.

21 And so I wouldn't want to speculate on whether
22 we think that we are going to have anything like --
23 like this coming up before you with respect to
24 those other QFs. But I think that what you have
25 raised is something that we are aware of as we look

1 forward to our future negotiations.

2 And I would like David Gammon, our wholesale
3 renewable manager to come up and talk about that
4 future look.

5 COMMISSIONER BROWN: Thank you.

6 And this is more of a -- kind of a
7 philosophical discussion about where we are as a
8 state, and the utilities are.

9 MR. GAMMON: Hi. David Gammon with Duke
10 Energy.

11 One of the things I would like to point out on
12 the majority of our QF contracts is that the energy
13 prices float. So they change with fuel cost, and
14 they are generally tied to our as available rates
15 as well. So as natural gas prices have come down,
16 as we have more solar on the system, those -- those
17 prices will adjust accordingly.

18 COMMISSIONER BROWN: Now, this agreement is a
19 little bit different than others in that the -- the
20 energy and capacity -- capacity payments are
21 combined?

22 MR. GAMMON: Correct.

23 COMMISSIONER BROWN: Are the other QF -- PPAs
24 with QFs, do they have similar ones that Duke has?

25 MR. GAMMON: No. This is the only contract

1 that we have where the capacity and energy payments
2 are combined. And it's one of the very few that
3 we've done where the price is fixed.

4 COMMISSIONER BROWN: I mean, if a qualifying
5 facility can do it cheaper, then absolutely. But,
6 I mean, we really do need to look at cost today,
7 and where we all are.

8 MR. GAMMON: Right. And so, you know, one of
9 the things that's happened here is because of
10 technology changes, in this case, fracking costs
11 have come down.

12 So we are continually looking at our QF
13 business practices to determine, you know, how we
14 should be -- whether we should fix prices or not.
15 And if we are going to fix prices, maybe how far
16 out we are going to fix prices, that sort of thing.

17 COMMISSIONER BROWN: Well, this particular
18 contract, or this amount is about 11 percent of
19 your firm and renewable cogeneration contracts. So
20 what are you going to do with that? I know it
21 doesn't necessarily escalate or accelerate the need
22 for a new unit. What are you going to do to
23 replace that, or supplant that?

24 MS. TRIPLETT: I'm sorry, I am phoning another
25 friend. Ben Borsch, our Director of Integrated

1 Resource Planning.

2 COMMISSIONER BROWN: You look familiar.

3 MR. BORSCH: Good morning, Commissioners. Ben
4 Borsch for Duke Energy.

5 So in the, you know, term as represented, for
6 instance, by our 10-year site plan, we don't
7 actually have a need for that additional capacity.
8 And, first of all, that's represented by changes
9 over time in our demand and resource needs.

10 But second of all, of course, as we project
11 for the construction of a substantial amount of
12 solar on our system, we will, in fact, be
13 increasing the amount of the renewable percentage
14 of our overall portfolio.

15 COMMISSIONER BROWN: What is it going to be
16 ultimately over the next four or five years?

17 MR. BORSCH: Well, I guess I will say this:
18 So under the settlement that we've recently signed,
19 we have the opportunity to build or acquire up to
20 700 megawatts of solar; which, in firm capacity
21 space, we believe represents about 400 megawatts of
22 equivalent firm capacity. So that more than
23 offsets the 54 megawatts that's represented by this
24 contract.

25 COMMISSIONER BROWN: So is Duke going to

1 continue to seek out, or continue to negotiate PPAs
2 with qualifying facilities since you don't have
3 that need?

4 MR. BORSCH: Under the terms, as I -- this is
5 probably a question as much for David as for me,
6 but I will just say this: We do steadily negotiate
7 with qualifying facilities. Certainly, in the
8 current environment, many of those are represented
9 by solar.

10 COMMISSIONER BROWN: Are they doing it cheaper
11 than Duke is?

12 MR. BORSCH: I would say that we are still
13 negotiating. So it's not fair to say that we know
14 the answer to that question yet.

15 COMMISSIONER BROWN: Yeah. I guess that's it.

16 CHAIRMAN GRAHAM: Was that a motion?

17 COMMISSIONER BROWN: I would move staff
18 approval on all items of this recommendation.

19 CHAIRMAN GRAHAM: It's been moved and seconded
20 staff approval -- recommendation -- approval of
21 staff recommendation on all items -- on all issues
22 on Item No. 7.

23 COMMISSIONER BROWN: Thank you.

24 CHAIRMAN GRAHAM: Any further discussion?

25 All in favor say aye.

1 (Chorus of ayes.)

2 CHAIRMAN GRAHAM: Any opposed?

3 (No response.)

4 CHAIRMAN GRAHAM: By your action, you have
5 approved the staff rec.

6 MS. TRIPLETT: Thank you very much.

7 COMMISSIONER BROWN: Thank you.

8 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

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

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

DATED this 1st day of May, 2018.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020