

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

FILED 5/1/2018  
DOCUMENT NO. 03369-2018  
FPSC - COMMISSION CLERK

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.

10 PROCEEDINGS: COMMISSION CONFERENCE AGENDA  
ITEM NO. 7

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

15 DATE: Friday, April 20, 2018

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

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

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

2                  CHAIRMAN GRAHAM:  Okay.  Let's go back to Item  
3                  No. 7.

4                  MR. WOOTEN:  Good morning, Commissioners.

5                  Item 7 is a petition terminate a 60-megawatt  
6                  power purchase agreement between DEF and Florida  
7                  Power Development that is no longer cost-effective  
8                  for DEF's customers.

9                  This termination would also establish a  
10                regulatory asset to be recovered over the remaining  
11                contract term, which ends in May 2034.

12                This termination is estimated to save between  
13                38 and 59 million for DEF customers and produce  
14                savings -- and produces savings in the first full  
15                year.

16                DEF does not currently have a need for the  
17                firm capacity and energy associated with the PPA  
18                generated from FPD facility.

19                Staff recommends approval of the termination  
20                and is available for any questions.

21                CHAIRMAN GRAHAM:  Okay.  Ms. Triplett, good  
22                morning.

23                MS. TRIPLETT:  Good morning.  I am just  
24                here -- this is Dianne Triplett on behalf of Duke  
25                Energy.  I am here to answer questions, and I have

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.)

9

10

11

12

13

14

15

16

1

## 1 CERTIFICATE OF REPORTER

2 STATE OF FLORIDA )  
3 COUNTY OF LEON )

4

5 I, DEBRA KRICK, Court Reporter, do hereby  
6 certify that the foregoing proceeding was heard at the  
7 time and place herein stated.8 IT IS FURTHER CERTIFIED that I  
9 stenographically reported the said proceedings; that the  
10 same has been transcribed under my direct supervision;  
11 and that this transcript constitutes a true  
12 transcription of my notes of said proceedings.13 I FURTHER CERTIFY that I am not a relative,  
14 employee, attorney or counsel of any of the parties, nor  
15 am I a relative or employee of any of the parties'  
16 attorney or counsel connected with the action, nor am I  
17 financially interested in the action.

18 DATED this 1st day of May, 2018.

19

20

21



22

23

24

25

---

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