

Florida's Strategies for Providing Affordable Electric Service

Presented by

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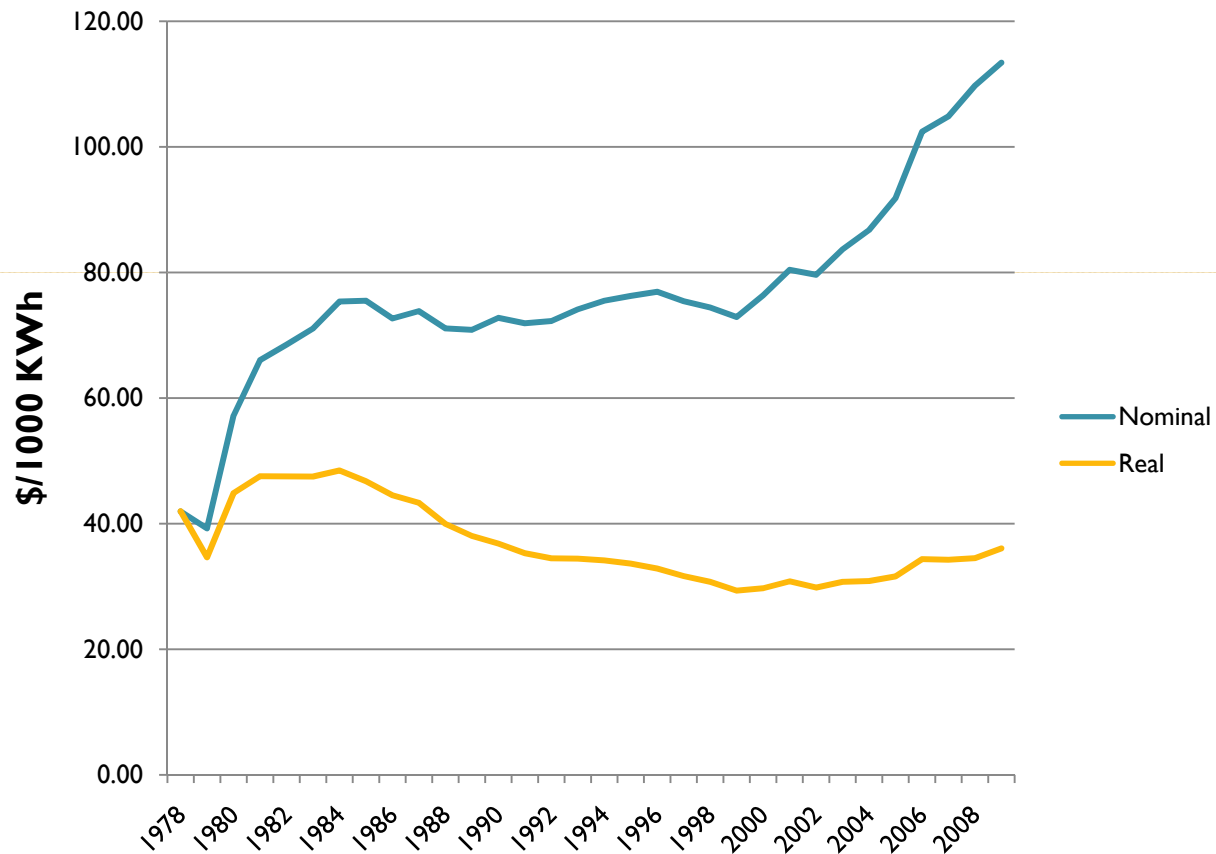
Some Facts:

- 2008 summer peak \approx 51,000 MWs
- 2008 net energy for load \approx 250,000 GWh
- Residential sales \approx 44 %
- Commercial sales \approx 32%
- 10 yr summer demand growth \approx 3%
- 10 yr energy growth \approx 2.5%
- 10 yr forecast energy growth \approx 1.85%

Residential Rate per 1 MWh July – December 2009

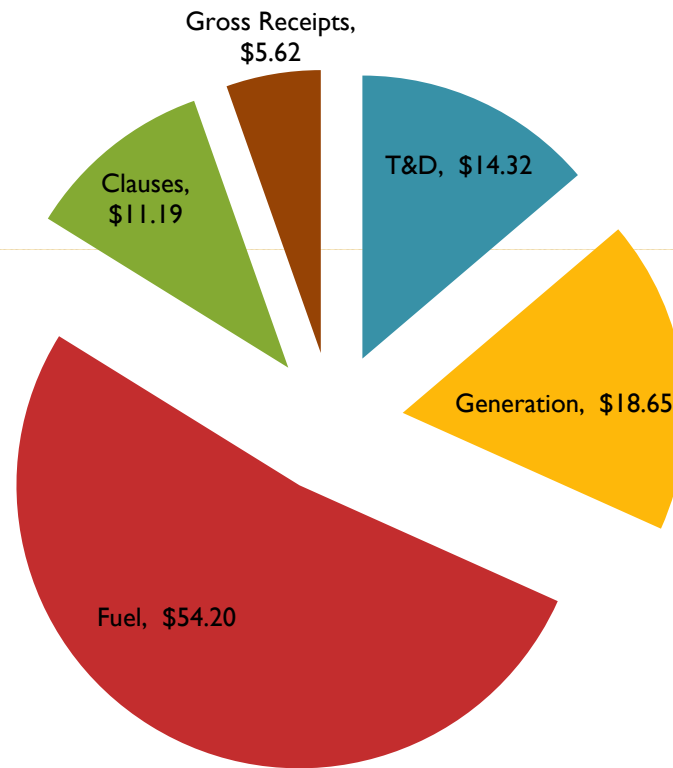
| | FPL | PEF | TECO | GULF |
|--------------------|-----------------|-----------------|-----------------|-----------------|
| Base Rates | \$39.31 | \$43.95 | \$53.37 | \$49.3 |
| Fuel | 53.51 | 56.00 | 47.99 | 57.58 |
| ECCR | 2.03 | 2.23 | 2.21 | 0.85 |
| Environmental Cost | 0.94 | 3.68 | 2.23 | 7.35 |
| Capacity | 8.16 | 3.86 | 5.41 | 3.35 |
| Storm Damage | 0.42 | | | |
| Total | \$104.37 | \$119.72 | \$111.12 | \$118.43 |

Average Rate per MWh Residential Bill (1980 – 2009)



Retail Rate Components | MWh

Total FPL Bill \$103.98 (2006)





Specific Strategies:

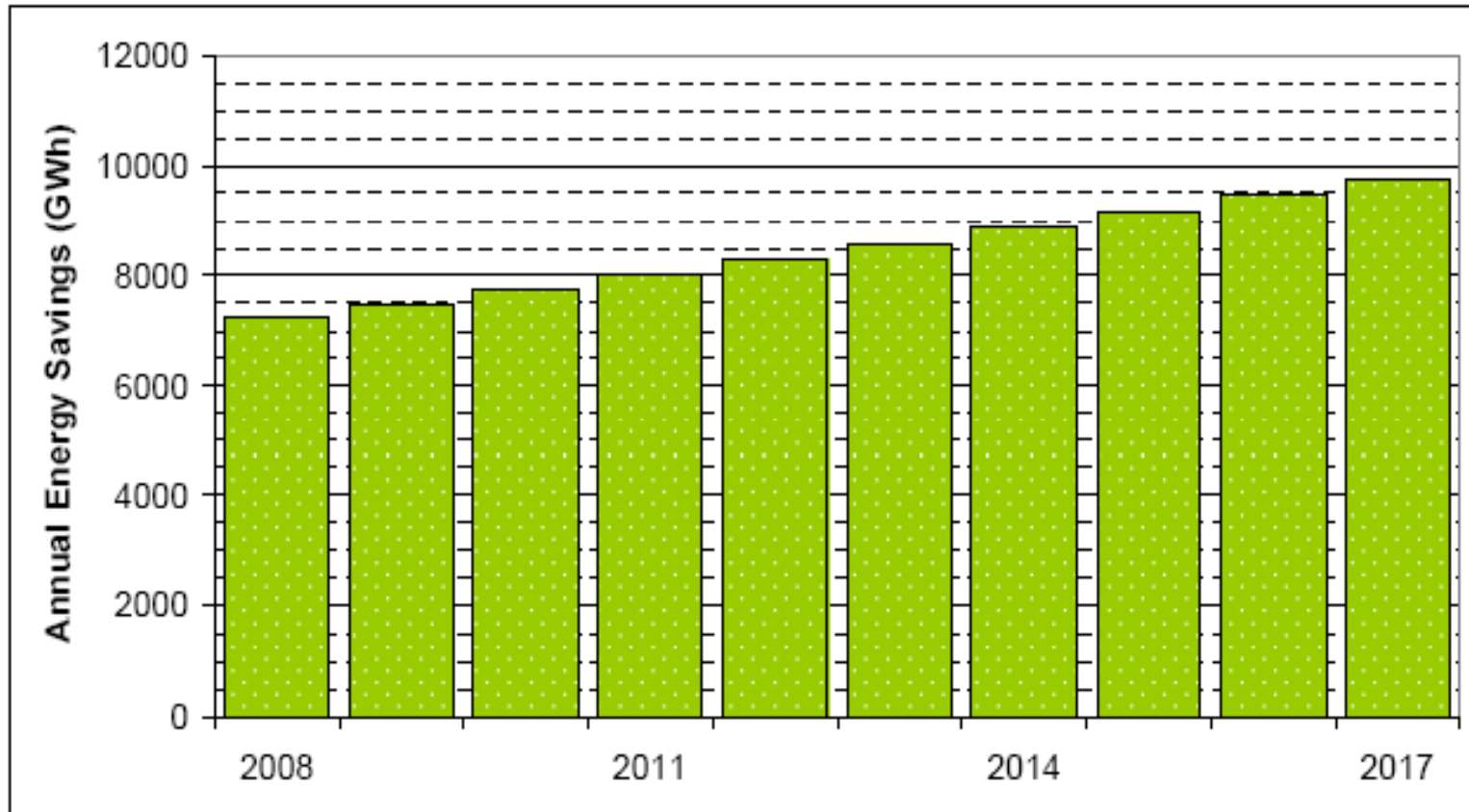
- Use of demand side management to avoid new capacity (RIM test)
- Minimize natural gas usage by repowering to combine cycle
- Upgrade existing and construct new nuclear units
- Inclusion of cost competitive renewables
- Fair and reasonable regulatory system



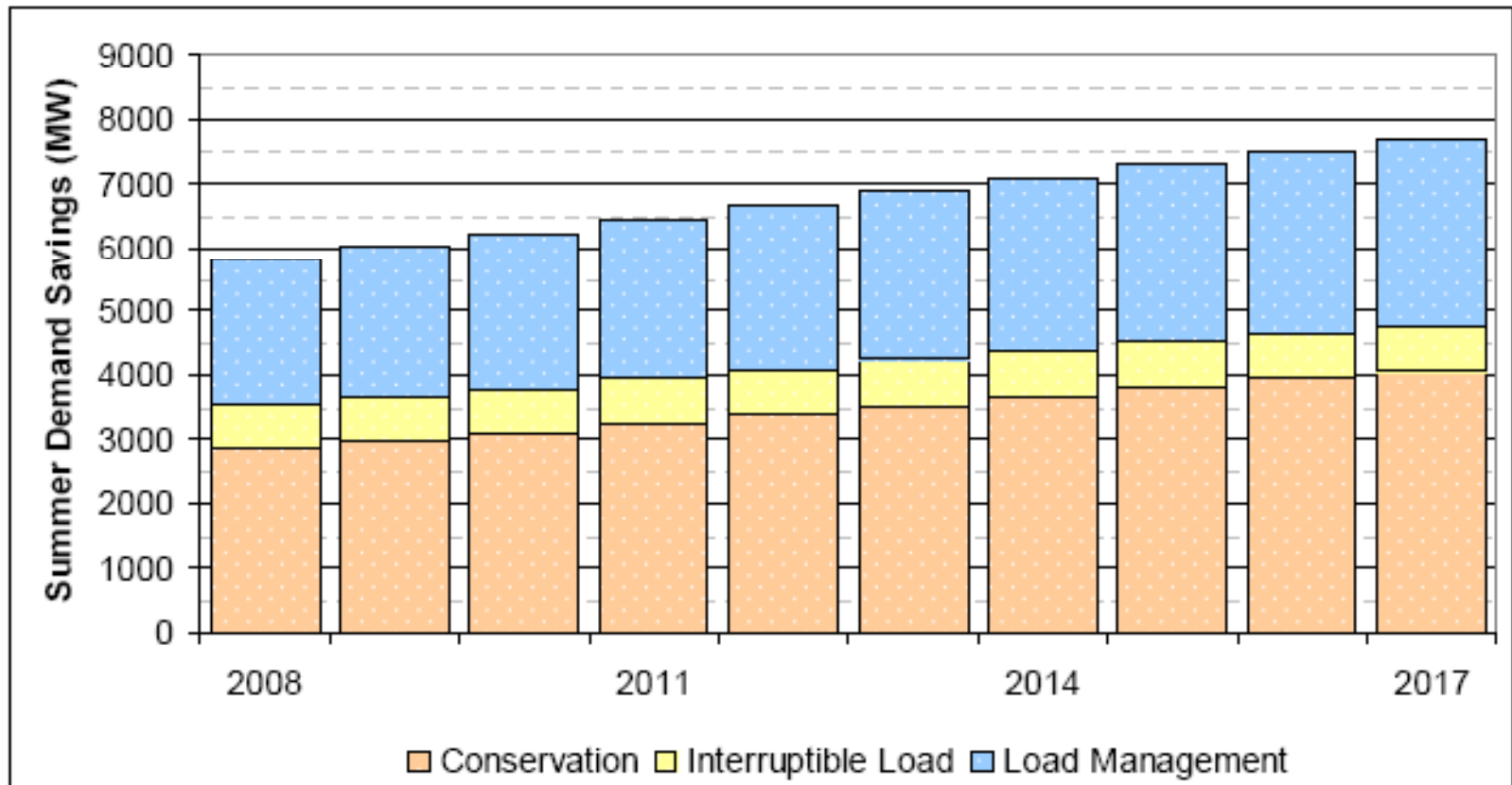
Use of DSM:

- Florida has been implementing DSM for almost 30 years
- FPSC sets DSM goals every 5 years
- Commission looks at the Rate Impact Measurement Test (RIM), Total Resource Cost test (TRC), and Participant test
- FPSC has consistently used RIM test as cost-effectiveness standard

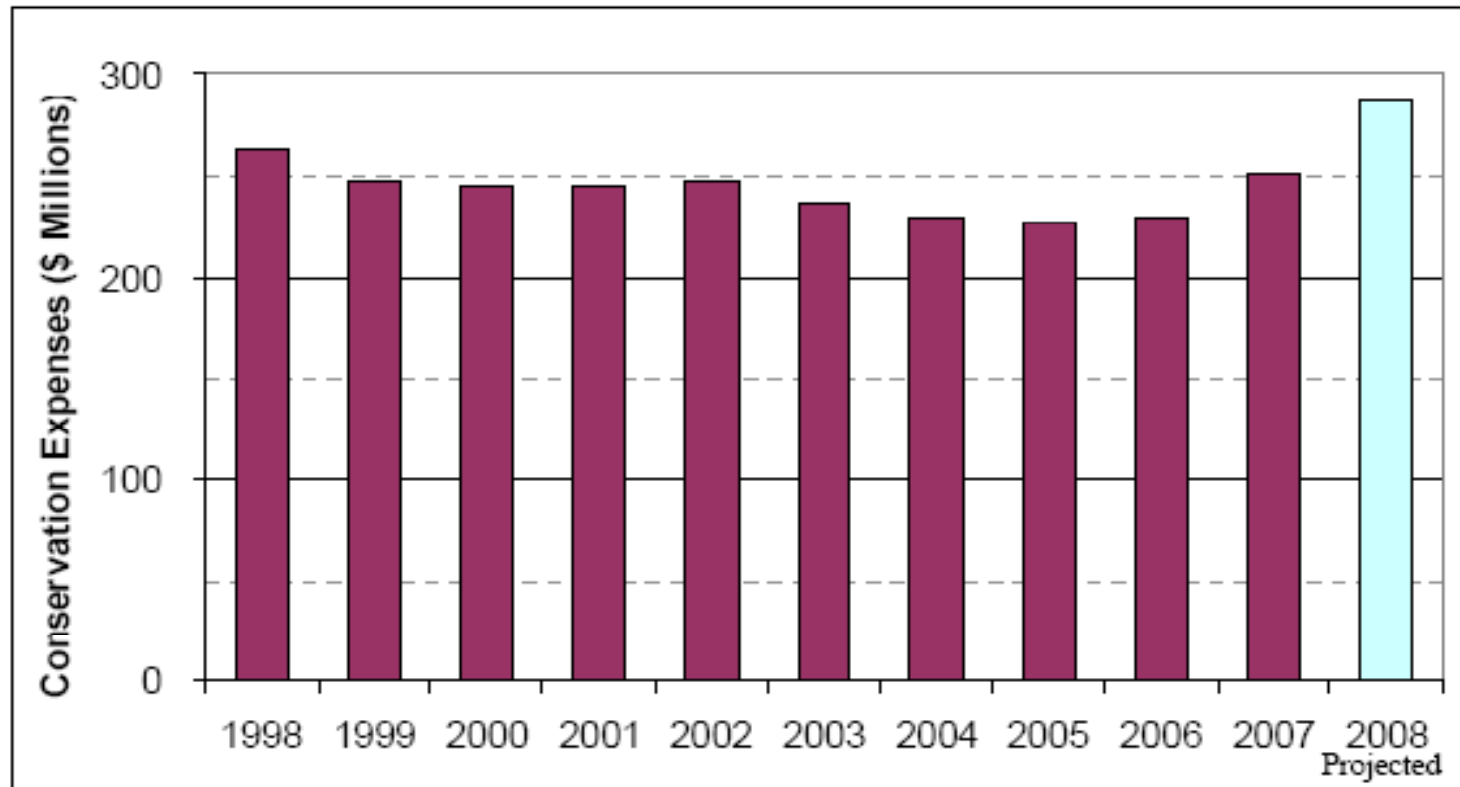
Estimated GWH Savings from DSM



Florida DSM Summer Peak



Conservation Expenses for IOUs

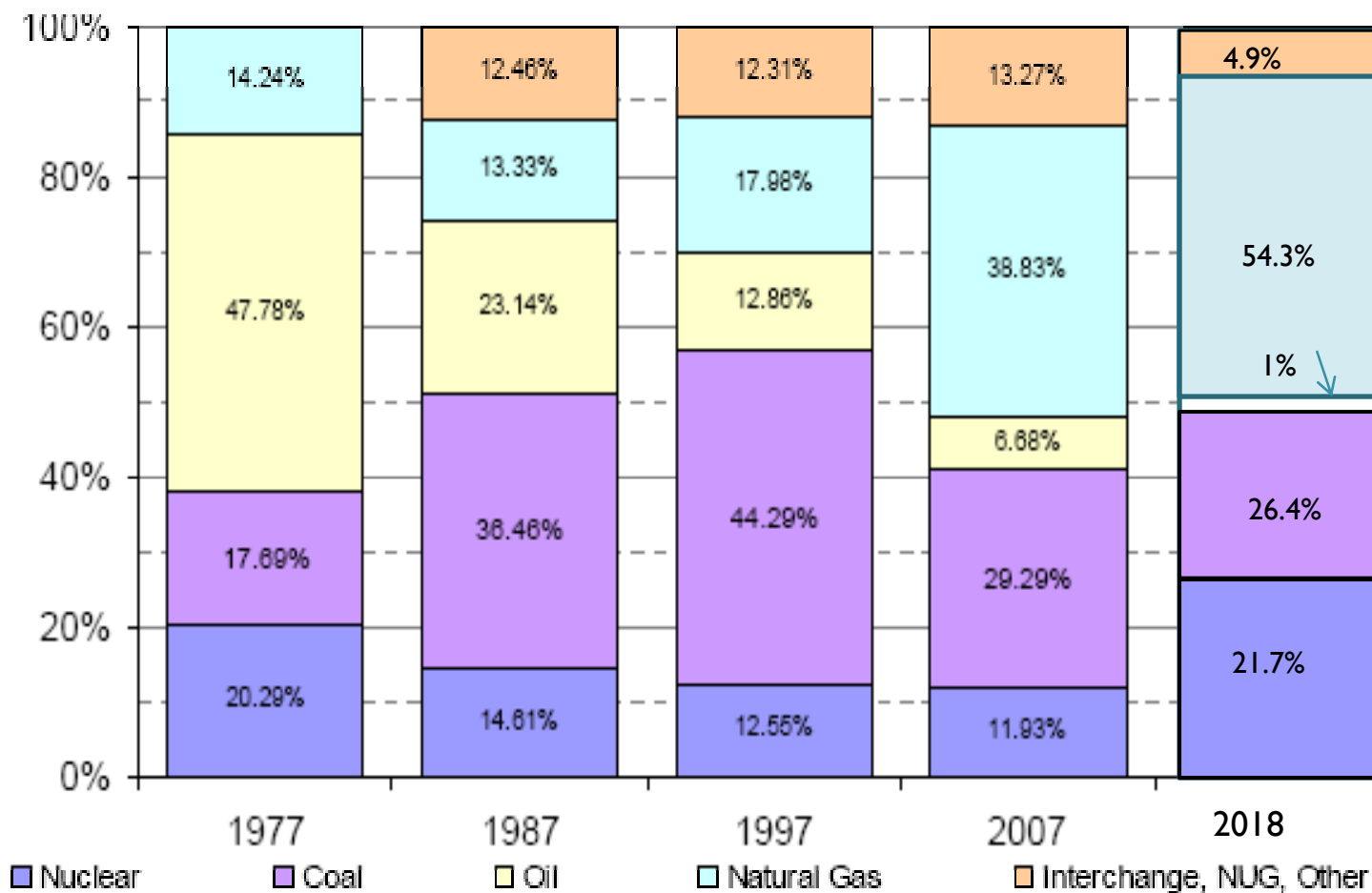




Expansion of natural gas:

- Current governor and uncertainty of greenhouse gas costs has removed coal from the selection mix
- Abundance of former oil/gas steam units provide easier alternative to green field projects
- Pipelines have provided requisite transportation infrastructure for anchor clients

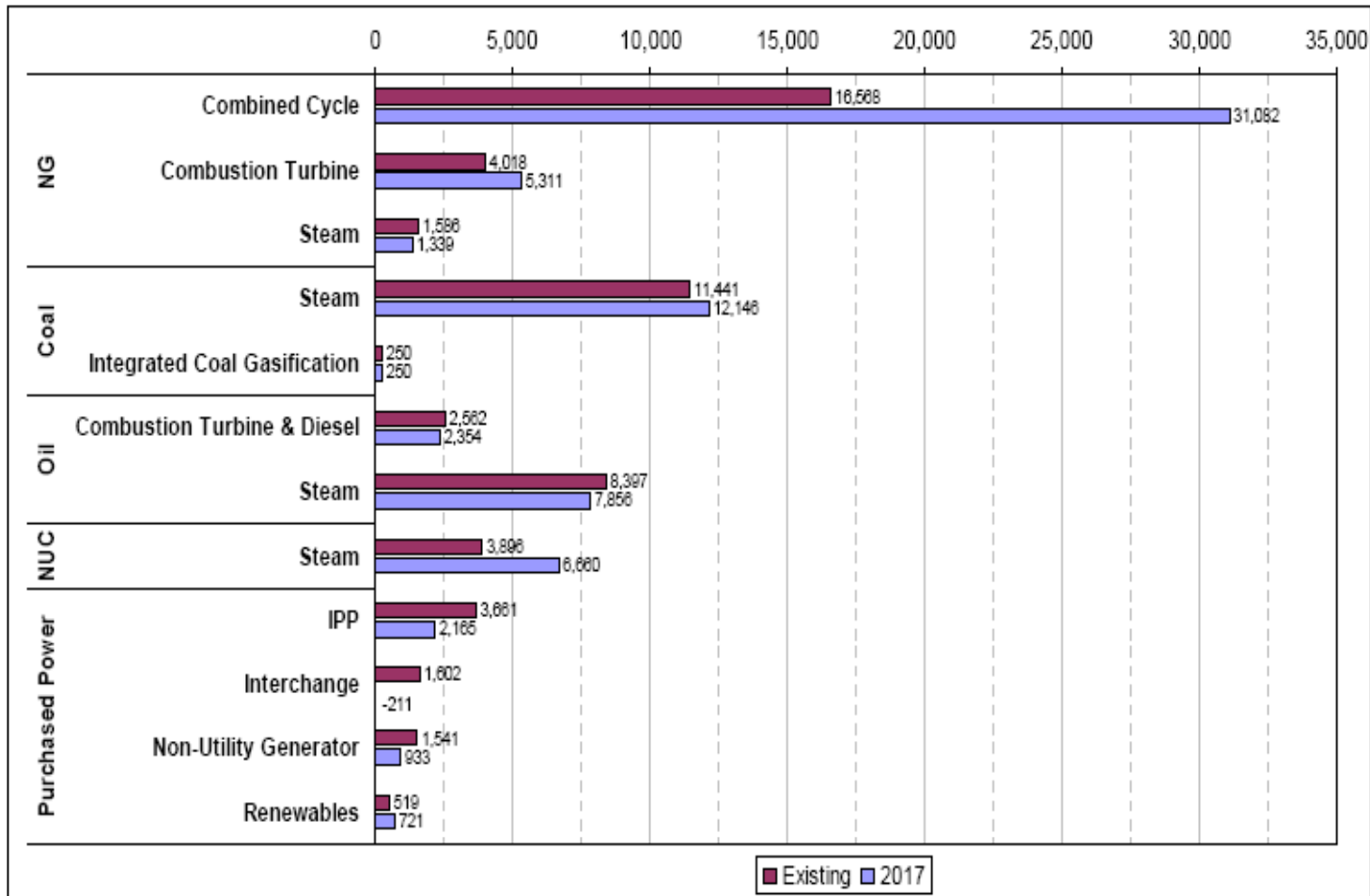
Florida's Generation by Fuel Type (1977 – 2018)



2008 Planned Capacity Additions

| Unit Type | Summer Capacity Changes (MW) | |
|----------------------------------|------------------------------|------------------------------|
| | 2007 Forecast (2007-2016) | 2008 Forecast (2008-2017) |
| Natural Gas (NG) | | |
| Combined Cycle | 11,775 | 14,514 |
| Combustion Turbine | 1,573 | 1,293 |
| Steam | -246 | -247 |
| Coal | | |
| Steam | 3,628 | 705 |
| Integrated Coal Gasification | 854 | 0 |
| Oil | | |
| Combustion Turbine & Diesel | -10 | -208 |
| Steam | -432 | -541 |
| Nuclear (NUC) | | |
| Steam | 1,305 | 4964 (by 2020) |
| Firm Purchases | | |
| Independent Power Producer (IPP) | -2,324 | -1,496 |
| Interchange | -101 | -1,813 |
| Non-Utility Generator (NUG) | -614 | -608 |
| Renewables | -103 | 202 |
| NET CAPACITY ADDITIONS | 15,305 | 14,565 |

2008 Florida Capacity Mix



Proposed Nuclear Up-rates and Additions

| Utility | Name | Summer Capacity (MW) | In-Service |
|--------------|-----------------------------------|----------------------|-------------------------|
| PEF | Crystal River Unit 3 ⁸ | 37 & 129 | 12/2009 & 12/2011 |
| FPL | St. Lucie 1 & 2 ⁹ | 103 each | Fall 2011 & Spring 2012 |
| FPL | Turkey Pt. 3 & 4 ⁹ | 104 each | Spring 2012 & Fall 2012 |
| PEF | Levy Units 1 & 2 ¹⁰ | 1,092 each | 6/2016 & 6/2017 |
| FPL | Turkey Pt. 6 & 7 ¹¹ | 1,100 each | 2018 & 2020 |
| Total | | 4,964 | |

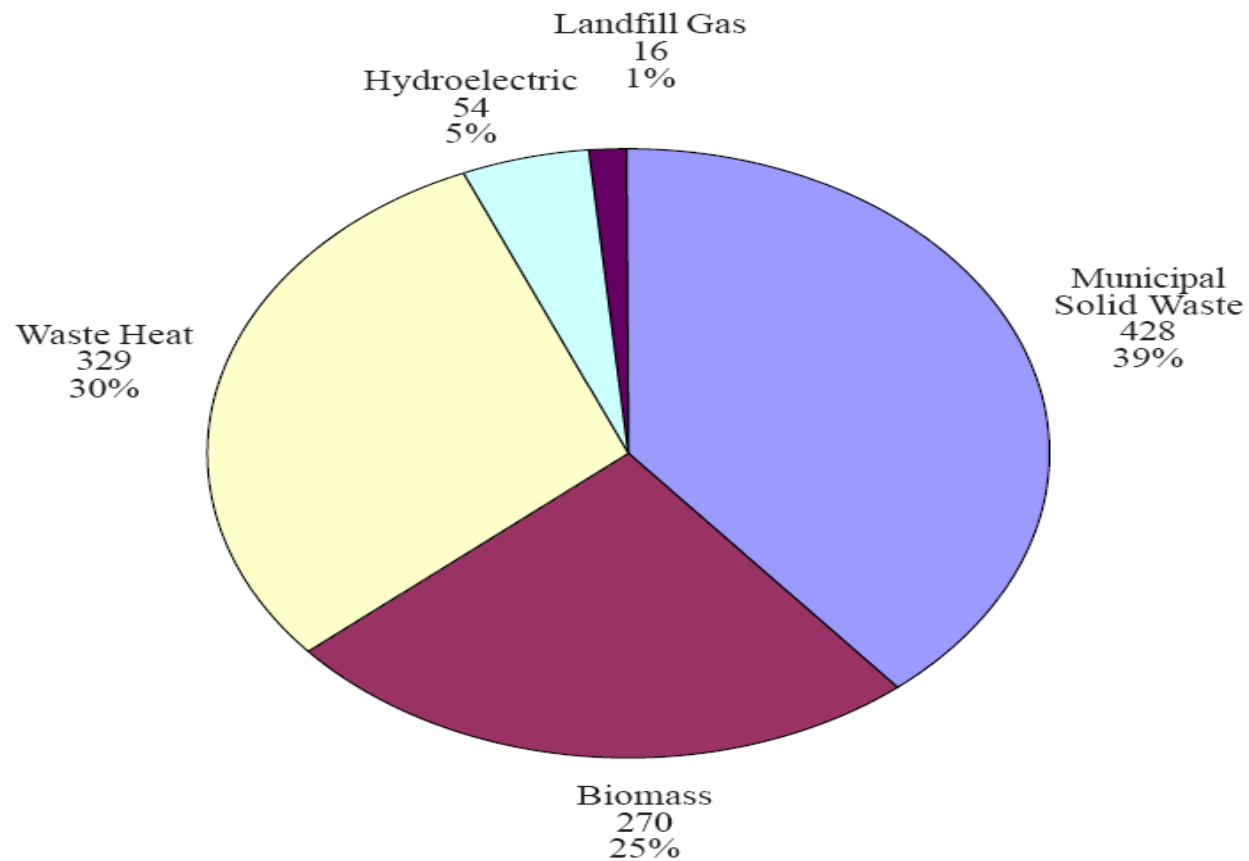


Integration of Renewables:

- FPSC proposed a 20% renewable portfolio standard by 2020
- Subsequent legislature did not require a RPS
- Utilities continue to use avoided cost as benchmark for power purchase agreements
- Systems less than 2 MWs can net meter

Existing Renewable Generation

Total Installed 1097 MWs



Contribution of Firm Renewable Energy to Net Energy for Load

| Utility | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------|------|------|------|------|------|------|
| Progress Energy Florida, Inc. | 3.4% | 3.3% | 3.1% | 2.8% | 3.0% | 2.5% |
| Seminole Electric Cooperative | 2.4% | 2.2% | 2.4% | 2.7% | 2.6% | 2.6% |
| Tampa Electric Company | 1.9% | 1.8% | 1.7% | 2.2% | 2.4% | 2.6% |
| Orlando Utilities Commission | 1.7% | 1.6% | 1.6% | 1.6% | 1.5% | 1.4% |
| Florida Power & Light Company | 1.5% | 1.5% | 1.5% | 1.4% | 1.5% | 1.3% |

Planned Florida Renewable Additions (2008 – 2017)

| Fuel Type | Capacity (MW) |
|-----------------------|---------------|
| Biomass | 326 |
| Hydro | 0 |
| Landfill Gas | 11 |
| Municipal Solid Waste | 20 |
| Solar | 111 |
| Wind | 14 |
| Waste Heat | 0 |
| Total | 482 |



Issues with Renewables

- Florida has limited renewable resources
- Technology is unlikely to fundamentally alter the potential for renewables
- For the most part, renewables do not provide firm capacity resources
- Costs are and will likely remain higher than traditional fossil resources



Regulatory Environment:

- Florida PSC historically recognized as predictable and fair
- Utilities ROE & capital structure allows them to maintain adequate debt ratings
- Legislature has allowed prompt recovery mechanisms (hurricane securitization, nuclear recovery, environmental)

**Costs Recovered Through Clauses as a Percent of Annual Revenues by Generating Utility
1999 – 2007**

| | FPL | PEF | TECO | Gulf Power Co. |
|----------------------|------------|------------|-------------|-----------------------|
| December 1999 | 38% | 43% | 34% | 33% |
| December 2000 | 40% | 45% | 39% | 35% |
| December 2001 | 48% | 45% | 41% | 39% |
| December 2002 | 46% | 48% | 43% | 37% |
| December 2003 | 50% | 49% | 44% | 37% |
| December 2004 | 52% | 53% | 48% | 38% |
| December 2005 | 53% | 56% | 47% | 44% |
| December 2006 | 60% | 62% | 56% | 47% |
| December 2007 | 58% | 61% | 57% | 48% |

Source: Earnings Surveillance Reports, Schedule 4.