Most Cost-Effective Alternative and Risk Mitigation Measures

The purchased power from the GREC project may initially increase the cost of electricity for GRU's customers by $3 to $13 dollars per month. The evidence continues to indicate that the only scenario where the GREC Project would become the most cost-effective alternative would be if pending legislation regarding CO_2 emissions is enacted. While we are concerned about what risk mitigation measures have been taken or will be taken in order to minimize any adverse rate impacts, the Gainesville City Commission is ultimately responsible to its citizen-ratepayers for the rate impact associated with the project. During the supplemental hearing, witnesses described risk mitigation techniques and indicated that the Gainesville City Commission considered other aspects of the project such as additional tax revenues, local job creation, bond ratings, and other matters outside the need determination statutes. Again, if projections presented at the hearing do not materialize, then we would expect GRU and the Gainesville City Commission to respond accordingly in order to minimize any adverse rate impacts.[4]

Fuel Availability

The evidence contained in the record shows that there is an adequate supply of woody biomass available to support the output of the GREC facility. While no contracts have been signed to date, there are letters of intent and GREC LLC continues to negotiate with area suppliers. During the public testimony phase of the supplemental hearing, forestry representatives from near-by communities offered their support of the project and the resulting employment opportunities. We note that since this is a purchased power agreement, GRU's ratepayers will only pay if power can be produced. In other words, if the GREC facility were not able to secure enough woody biomass to meet its performance obligations, then GRU's ratepayers would be held harmless.

Summary of Findings

After considering all the evidence contained in the full record, we approve the application for determination of need for the GREC Project. In support of this decision, we find that the GREC Project will: enhance the overall reliability of the GRU system and can replace older, less efficient generation; satisfy a need for GRU to improve its fuel diversity and supply reliability; promote the development of renewable generation in Florida; and become the most cost-effective alternative if pending legislation regarding CO_2 emissions is enacted. This order reflects our decision and serves as our report under the Power Plant Siting Act, as required by Section 403.507(4)(a), F.S.

[4] Florida Statutes and our Rules related to purchase power contracts provide safeguards such that regulated investor owned utility (IOU) ratepayers would not pay above avoided costs for purchases of renewable capacity and energy. See § 366.051, Fla. Stat. (2010) and Rules 25-17.0825, 25-17.0832, 25-17.240, and 25-17.250, F.A.C. Such is not the case with the current proceeding because GRU is not rate-regulated by this Commission. We note, therefore, that if the applicants were an IOU, our decision may have been different.

average of approximately 1,200 kWh per month. In addition, GRU anticipates this value to decrease in the future.

Based on the analyses above, the purchased power from the GREC project is projected to increase the cost of electricity for GRU's customers. As illustrated by the table below, the initial residential customer bill impact ranged from approximately $18.75 per month in the worst case scenario to as low as $4.36 per month in the best case scenario. The updated residential customer bill impact ranges from $3.22 to $13.40 per month.

Residential Monthly Bill Impact Summary

Initial Rate Impact in 2014 ($/831 kWh-mo)				
Scenario	Revised Original Estimate		Current Estimate	
	Title	Value	Title	Value
Base	Resale	$7.35	Contract Resale	$7.13
Case	No Resale	$18.75	Market Resale	$13.40
Regulated	Resale	$4.36	Contract Resale	$3.22
CO_2	No Resale	$13.18	Market Resale	$6.41

We will not review the final costs or establish rates resulting from the proposed GREC project because GRU is not rate-regulated by us and any rate impact would be the result of the Gainesville City Commission's policy decisions. The Gainesville City Commission is ultimately responsible to its citizen-ratepayers for all rate impacts associated with the project. The record indicates that both the Gainesville City Commission and GRU made many efforts to inform GRU's customers that their rates could increase when the plant is operational. We would expect that the Gainesville City Commission will continue to review the project's total costs as well as other impacts associated with the project such as increased jobs, property taxes, traffic patterns, and future off-system power sales before establishing retail electric rates for its citizens.

Biomass Supply Concerns and Contract Protections

As of the date of this decision, GREC LLC has not entered into any firm fuel contracts, but has signed a letter of intent for approximately one-third of its fuel supply with Wood Resource Recovery, LLC. Witness Schroeder also testified that GREC LLC has identified and begun negotiations with various landowners for biomass.

The GREC Project will require approximately one million green tons of biomass annually to operate. Intervenors raised significant concerns that the biomass prices utilized for the cost-effectiveness analysis are unreasonable. Several contract measures serve to protect GRU in the event that sufficient biomass is unavailable, or not available at a reasonable price. If the GREC Project is unable to find sufficient biomass to operate, it would be considered unavailable, and GRU would not be responsible for any payments, either energy or non-energy.

In the event that biomass prices are higher than projected by GRU, the cost of the GREC Project would increase, with a cost-sharing mechanism being utilized, as described above. Under the contract, GRU has the option to dispatch the GREC Project, which can reduce the unit's output. A reduction in dispatch would reduce fuel consumption, thereby reducing fuel