

LEE COUNTY ELECTRIC COOPERATIVE

PURPA HEARING

Transcript of proceedings had at the public hearings conducted by Lee County Electric Cooperative, at 4980 Bayline Drive, North Fort Myers, Florida, on March 2, 2007, commencing at 9:00 a.m.

PRESENT:

James L. Nulman, Presiding Officer
John A. Noland, Attorney at Law
Lewis Walton, Manager of Marketing and Energy Services, LCEC

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1 MR. NULMAN: We'll go ahead and begin.

2 My name is Jim Nulman. We're here at LCEC's
3 headquarters, North Fort Myers, Florida. We are here
4 for a PURPA hearing.

5 In August, 2005, the Energy Policy Act became law.
6 The Energy Policy Act added five new standards to
7 PURPA, which is the Public Utility Regulatory Policy
8 Act. Those five standards are listed in the agenda, I
9 believe. If not, let me state them.

10 They are net metering, fuel sources, fossil fuel
11 generation efficiency, time-based metering and
12 communications and interconnection.

13 The purposes of the PURPA standards are to
14 encourage conservation of energy supplied by electric
15 utilities, optimal efficiency of electric utility
16 facilities and resources and equitable rates for
17 electric consumers.

18 A decision on the adoption of any or all the
19 standards will not be made today. Today our purpose is
20 to take comments from the public and from those who are
21 consumers of LCEC's services. The comments will be
22 presented to the Board of Trustees for consideration
23 and determination on each of the standards.

24 All of these standards may not be applicable to
25 LCEC.

1 And at this time I would turn the floor over to
2 Louis Walton, the manager of marketing and energy
3 services of LCEC, to make some opening remarks.

4 MR. WALTON: Well, thank you all for coming here
5 today. I'm here to offer testimony on behalf of LCEC
6 staff, first regarding the background of PURPA.

7 On August 8th, 2005, Congress issued the Energy
8 Policy Act of 2005, or EAct 2005, which includes
9 updates to the Public Utility Regulatory Policies Act
10 of 1978. Included in those updates is a requirement
11 that each state regulatory authority and each
12 nonregulated electric utility with retail sales greater
13 than 500 million kilowatt hours shall consider five new
14 ratemaking standards proposed in the EAct 2005 in a
15 public process and within certain defined time lines.

16 Lee County Electric Cooperative, or LCEC, is
17 considered a nonregulated utility under EAct 2005.

18 In accordance with this directive, LCEC management
19 has reviewed existing practices and has provided
20 comments for consideration by LCEC's Board of Trustees
21 as part of a public process regarding the proposed
22 standards.

23 The procedures for that public process followed a
24 schedule of events and activities in the following
25 order: Notice posted October 16th, 2006, posting on

1 the LCEC website; the abbreviated notice in the
2 November, 2006, LCEC newsletter to all customers;
3 initial comments that were due by December 15th, 2006;
4 reply comments that were due January 26th of 2007;
5 request to participate in the public hearing, which was
6 offered until February 9th of 2007; the public hearing,
7 which is being held today, March 2nd, 2007; and then
8 LCEC's Board of Trustees will offer a determination or
9 render a determination before July 31st, 2007.

10 Each of the standards is to be evaluated in the
11 context of the stated purpose of PURPA, as given in
12 Title I, which is to encourage conservation of energy
13 supplied by electric utilities; optimal efficiency of
14 electric utility facilities and resources; and
15 equitable rates for electric consumers. A primary
16 responsibility of the regulatory body considering the
17 implementation of these standards is to determine
18 whether implementation is appropriate in order to carry
19 out the Title I provisions.

20 The first goal relates to retail energy users and
21 promotes conservation of end use consumption. The
22 second goal applies to electric utilities, their use of
23 energy and the facilities they utilize to deliver
24 energy. By including the third goal, PURPA recognizes
25 a need for proper development and administration of

1 retail rates, thereby providing a check and balance
2 relative to the other two goals so that the programs,
3 policies and rates employed by electric utilities to
4 achieve the first two goals reflect their associated
5 costs and are not arbitrary, unfair or unduly
6 discriminatory.

7 LCEC's Board of Trustees will make a determination
8 regarding each of the PURPA standards based on whether,
9 due to LCEC's particular circumstances, the standards
10 will accomplish any one of the three purposes outlined
11 above while not negatively impacting the other two. If
12 implementing any of the five standards negatively
13 impacts any one of the three goals, LCEC's Board of
14 Trustees can decline to implement the standard.

15 The purpose of my testimony today is to briefly
16 state the practices at LCEC and enter comments
17 regarding the five new PURPA standards on behalf of
18 LCEC staff.

19 I would also like to enter into the record a
20 reference to the initial comments filed by Dan
21 Morrissey on December 14th, 2006; Ray Judah on December
22 15th, 2006; and myself on behalf of LCEC staff on
23 December 15th, 2006. In addition, I would also like to
24 enter reference to the reply comments I filed, again on
25 behalf of LCEC's staff, on January 26th, 2007.

1 In both the initial and reply comments, further
2 information and explanation of LCEC's practices and
3 considerations were explained in much greater detail;
4 but I will offer a summary of those comments for each
5 standard.

6 First is net metering. Net metering violates the
7 terms of our wholesale requirements with Seminole by
8 effectively putting LCEC in the position of purchasing
9 energy at the retail rate from the generating customer.
10 However, generating customers of ten kilowatts or less
11 do have the option of a net billing program that,
12 through the customer's agreement with Seminole, allows
13 for compensation of energy exported to the system at
14 the avoided cost of producing that same amount of
15 energy.

16 Second is the fuel sources standard. LCEC cannot
17 implement the fuel sources standard in EAct 2005
18 because it is not a generating utility, but should
19 encourage the examination and use of diverse fuel
20 sources by Seminole.

21 Third is the fossil fuel generation efficiency
22 standard. LCEC cannot implement the fossil fuel
23 generation standard in EAct 2005 because it is not a
24 generating utility, but should encourage Seminole to
25 employ efficient practices in the production of

1 electric power.

2 Fourth is the time-based metering and
3 communications standard. Currently there are no true
4 time-based price signals contained in the wholesale
5 rate SECI-7h that Seminole offers LCEC. This severely
6 limits LCEC's ability to implement time-based energy
7 rates. Seminole has, however, expressed intent to
8 examine the feasibility of offering a time-of-use
9 energy rate option in the wholesale rates and has
10 included the effort as part of its 2006-2007 tactical
11 plan initiatives.

12 Based on the potential shift in wholesale rate
13 structure that may result from Seminole's efforts to
14 study time-based elements in their wholesale rate, it
15 may be sensible for LCEC to decline to implement any
16 new time-based rates in the absence of current
17 time-based energy price signals from the supplier.

18 Last is the interconnection standard. LCEC
19 understands and supports the idea of reasonable
20 interconnection standards allowing for interconnection
21 of generating equipment. Primary drivers of
22 interconnection standards are safety, system
23 reliability and system protection. These drivers are
24 considered for the benefit of the customer or provider
25 seeking interconnection and the customers who rely on

1 LCEC's distribution system for reliable power. LCEC
2 currently has interconnection guidelines and is in the
3 process of updating its guidelines for small power
4 producers, customer-owned generators and nonutility
5 generators, so therefore LCEC is in compliance with
6 EAct 2005 interconnection standard.

7 I certainly appreciate the opportunity to enter
8 this information into the record; and, with that, I'll
9 conclude my testimony.

10 MR. NULMAN: Thank you, Mr. Walton.

11 At this time if there are any participants who
12 wish to make comments, we would ask them to please step
13 forward.

14 All right. It doesn't appear that we have anyone
15 here who wishes to make any comments.

16 My suggestion as a person requested to preside
17 over this hearing that we wait a little while longer,
18 perhaps until 9:30, to see if anyone shows up and
19 wishes to make comments. If not, I would suggest that
20 we then conclude the hearing.

21 So why don't we go off the record for now and wait
22 and see if we have any participants come.

23 (Whereupon, a discussion was held off the record.)

24 MR. NULMAN: It is now 9:30, ladies and gentlemen.
25 We'll reconvene the hearing.

1 we have not had any participants arrive in order
2 to make comments and therefore at this time, unless
3 anyone has anything to add, I will close the hearing.

4 All right, no comments. Therefore we stand
5 adjourned and we'll close the hearing now.

6 Thank you very much.

7 (Proceedings concluded.)
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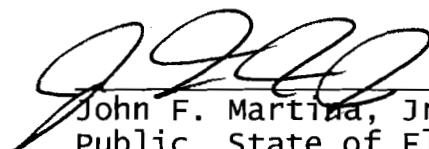
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4 I, John F. Martina, Jr., Notary Public and
5 Contract Court Reporter for the Circuit Court of the 20th
6 Judicial Circuit of the State of Florida, do hereby certify
7 that I was authorized to and did stenographically report the
8 foregoing proceedings and that the typewritten transcript,
9 consisting of pages numbered 1 through 9, inclusive, is a
10 true record.

11 IN WITNESS WHEREOF, I have hereunto set my hand
12 this 13th day of March, 2007.

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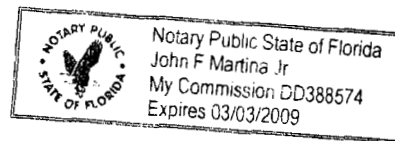
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16 John F. Martina, Jr., Notary
17 Public, State of Florida at
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