

Changing the Current

**An Interview with Eric Silagy,
President, Florida Power & Light Company**

EDITORS' NOTE Eric Silagy was appointed to his current position in December 2011. Previously, Silagy served as Senior Vice President of regulatory and state governmental affairs. He has also served as FPL's Chief Development Officer. He additionally served as Vice President/General Manager for the Texas region at NextEra Energy Resources. Prior to undertaking his duties in Texas, Silagy served as Vice President, Business Development for NextEra Energy Resources.



Eric Silagy

Silagy has also served as Vice President, Mergers, Acquisitions & Divestitures at Entergy Wholesale Operations, and as Vice President, Development, Southeast Asia for the Wing Group. He held several positions of increasing responsibility on the staff of U.S. Senator J. Bennett Johnston of Louisiana, including Chief of Staff. Silagy holds a Bachelor of Arts degree in economics from the University of Texas at Austin and a Juris Doctor from the Georgetown University Law Center.

COMPANY BRIEF Florida Power & Light Company (www.FPL.com) is the largest electric utility in Florida and one of the largest rate-regulated utilities in the United States. The company serves 4.6 million customer accounts in Florida and is a leading employer in the state with approximately 10,000 employees. It is a subsidiary of Juno Beach, Florida-based NextEra Energy, Inc.

What has allowed FPL to consistently perform well, even in challenging times?

We work very hard at attracting and retaining the kind of people who constantly challenge themselves and each other in a constructive way. We have a philosophy of continuous improvement and that is driven culturally throughout the organization. Twice a year, we go through a very rigorous performance review process, where every employee gets reviewed, and managers and supervisors get feedback from those they manage and supervise. We do employee engagement surveys to get an understanding of what is going on in the organization from an intellectual and emotional standpoint. When you have a motivated workforce that is highly engaged, they see challenges as opportunities.

When you have that foundation, events, be they economic or isolated physical events,

become challenges, and we revel in that, which makes us stronger.

Another policy we have is not to punish people for making mistakes – we expect our associates to learn from them and make the necessary changes.

Is it important that your workforce mirror the diversity of your customer base?

Absolutely. We recruit heavily from a variety of universities and trade schools, and aim for diversity in culture and education among

our workforce, but we can improve upon it. Because of the technical nature of what we do, in many cases, our workforce needs to have very specialized skills. So it can be challenging to meet both our technical requirements and our diversity goals. Over the past several years, we have taken this issue on, and by working with the International Brotherhood of Electrical Workers (IBEW) and local colleges like Indian River State College and Miami-Dade College, we have created an innovative three-year training program that serves as a pipeline for our nuclear power plant employees. After two years of classroom training, the students receive an Associate's degree and an employment offer to work at one of our nuclear plants where they will complete their craft training.

We also focus on moving people around the company. It's tough to get in, but once you're here, we work hard to make you successful – we provide employees with training and mentoring. Sometimes people outgrow positions or they're not hitting their potential, so we'll work hard to find them better spots within the organization so they are adding the most value for our customers.

Ultimately, through our performance management process, we also have to recognize that sometimes an employee is not the right fit. He or she may move on but we have provided that employee with skills he or she can use elsewhere.

As an industry leader, when you reach a certain size and scale, how do you prevent the loss of some of your innovation culture?

We could not attract and retain the brightest if we didn't have a culture of innovation and execute around it – it's probably the primary reason I came to this company. When I arrived 10 years ago, the company was starting to kick-off the wind business in a material way based

on a culture of being open-minded and embracing technology.

You have to be disciplined about it because there is a fine line between being on the cutting edge versus the bleeding edge of technology. It also means you have to be willing to take some risk and we manage that by being rigorous in our analysis, but we fight against being paralyzed by analysis as well.

Being innovative helps you attract people who are also innovative, which feeds a culture of change and being willing to challenge your own thinking.

It also means you need a culture that is secure enough for people to challenge their superiors and peers in a constructive way, which we encourage. Those who find a way to constructively push the organization beyond its conventional thinking have successful careers here.

It's a philosophy also that requires one to always guard against losing that edge. You have to guard against becoming mediocre – I'm not interested in our customers getting mediocre service or paying bills that are equivalent to the industry average.

In providing those savings to customers, can you be a part of economic development for the state?

Yes. We have a responsibility to make sure that Florida is successful. We are the largest investor in the State of Florida, as well as the largest taxpayer; we're one of the larger employers with one of the largest payrolls in the state; and we provide a critical product to the state, without which the state will not function.

You have addressed the critical need for a new natural gas pipeline and have made a major push for it. Why is it so important and what are the next steps toward making that pipeline a reality?

One of the challenges we have is the requirement to try to predict the needs of the state and our service territory 5, 10, and 20 years out. How many people will live in Florida? What is the birthrate going to be like? How many retirees will come here? Will there be new technology that changes how much electricity we use?

My crystal ball is as cloudy as most, but because of our experience, we have some insight. One of the things that is crystal clear to me is that this state has become far too reliant on two natural gas pipelines that currently serve us. They have performed beautifully, but we now live in a state that is the second largest



user of natural gas in the U.S. behind Texas and ahead of California.

There is a stark difference between what we have in Florida compared to what is in Texas and California. Even though we're the second largest user, we have no production of natural gas; Texas is prolific and California also has production.

We have no gas storage – the geology in Florida is limited for that, whereas Texas has a lot of gas storage and so does California.

We have two major pipelines that serve the state; if you look at a pipeline map of Texas, it looks like a spaghetti bowl.

We're operating a gas system in a manner that we would never use to operate the electric system. We currently have these two pipelines that serve the state and they're not even meaningfully connected.

In Florida, we have the 21st largest economy in the world and if we're out of luck on a pipeline, that means we just shut down one of the largest economies in the world, which will have billions of dollars of economic impact on a daily basis.

Having a third pipeline that has an independent route, and ties into a very liquid point in an area in Western Alabama that already has several major interstate pipelines that interconnect, will allow us to access gas supplies that are not so reliant on the Gulf of Mexico and the production surrounding the Gulf, which is currently where most of our gas comes from.

Through this additional pipeline, we can tap into other gas shale plays, such as the Barnett Shale in Texas, the Woodford, the Haynesville in Louisiana, and even the Marcellus Shale in Pennsylvania – they're flowing gas into the Southeast.

This will provide us with great diversity of supply and, more importantly, energy security within a state that is soon to be the third largest in the country from a population standpoint.

We are also one of the largest economies in the world with limited resources for generating energy. We are a large peninsula that geographically has its limitation on how to provide energy and electricity supply. A third pipeline makes absolute sense. Most importantly, we're going to have a connection hub in Orlando where all three of the pipelines will be able to join up. We're collecting bids on it now. So if you have a problem on one, you can reroute gas molecules to the others.

That will allow Florida to have reliability and diversity of supply that will benefit the entire state.

Isn't the impact much broader for the United States since the natural gas industry supports nearly three million American workers?

Absolutely. It's a domestic supply. I take particular pride in the fact that we have reduced our oil consumption at FPL by 98 percent over the past 10 years – we went from being the largest

user of imported oil in the utility industry 10 years ago at 40 million barrels a year to 600,000 barrels estimated this year. That's \$4 billion a year of customer money that we're not sending overseas to places that don't like us in many cases or that are funding people that hate us. Instead, we're buying domestically sourced natural gas, which is cleaner and is not subject to the geopolitical whims of the Strait of Hormuz.

I'm proud that our company is showing that we can make a difference. We may not change the policy of America, but we're taking a stand. Nobody asked us to do this. A lot of the people who intervened in our proceedings in Tallahassee fought us and said that it was not the right time – that was eight years ago.

But we did it: we went to Tallahassee to fight for approval; we expended political capital and reputational capital, but we have made a difference. We have the lowest bill in the state, the cleanest emissions profile, and the highest reliability among investor-owned utilities because we did the things that others said we couldn't do or shouldn't want done. On top of that, we're not sending \$4 billion at today's oil prices over to Nigeria and the Middle East. I'm an internationalist, but anybody who thinks that oil doesn't have a material impact on national security interests is not reading the papers. So I'm proud that we're buying a domestic source of energy.

I'm not saying that natural gas is a silver bullet – it's part of the portfolio along with other sources of power, like our expansions at Turkey Point and St. Lucie on the nuclear side. In a few months, we'll be finished upgrading the last unit at Turkey Point. Upgrading those two nuclear power plants will result in over 500 megawatts of new incremental zero emissions power being produced – that is the equivalent of a new medium-sized nuclear power plant being built in Florida.

The legislature passed a law in 2006 saying they wanted us to accelerate nuclear power – called the Nuclear Cost Recovery Law. We delivered and invested \$3

billion to produce a medium-sized nuclear power plant equivalent and generated 8,000-plus jobs in the process. Now our customers are going to save \$3.8 billion in fuel that, had we not expanded those plants, we would be buying elsewhere, even based on today's fuel prices for our natural gas burn.

We have been criticized by folks who don't want nuclear power, but I would do it again – and our children will thank us.

Is it tough to get the message out about the impact of this industry and the complexities of it?

It's an engineering-centric culture that for a long time approached the business with the attitude that if you do a good job and you provide an essential service, people will recognize you for what you're doing.

The ways people communicate have changed so, as an industry, we have to be more proactive in making sure people understand what we do, and when we don't do things well, also address that.

We hit this head on as a company through the value campaign we launched a year and a half ago to explain to people what they were getting in a way they could understand.

For the equivalent cost of a slice of pizza or a cup of coffee, we power everything in your home for an entire day – that's what people get for \$3 a day. It's an amazing deal when you consider what life would be like without our product.

Also, as an industry, we have to be forthcoming about our limitations and discuss things like the value in having different types of technologies in a portfolio.

Do you ever step back and reflect on FPL's successes?

Never being satisfied drives people to achieve things they never thought they could. It involves also thinking about how we can move the needle and be impact players. We came up with a new tagline to reflect who we are: Changing the Current. It's about changing the current way of thinking; changing the current environment; changing the current technology we're using; or changing the current approach. Looking back is great, but this is all about looking forward – it embraces the culture we have at the company. ●



FPL Pipeline Map (top); Construction is nearly complete on FPL's new high-efficiency, natural gas-fired Cape Canaveral Next Generation Clean Energy Center (above)