

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Hearings on Load Forecasts,	)	DOCKET NO. 890004-EU
Generation Expansion Plans, and	)	
Cogeneration Prices for Peninsular	)	ORDER NO. 22341
Florida's Electric Utilities.	)	
	)	ISSUED: 12-26-89

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman  
 BETTY EASLEY  
 GERALD L. GUNTER  
 JOHN T. HERNDON

FINAL ORDER

BY THE COMMISSION:

Pursuant to Section 366.04(3), Florida Statutes, the Commission has jurisdiction over the "planning, development, and maintenance of a coordinated electrical power grid throughout Florida to assure an adequate and reliable source of energy for operational and emergency purposes in Florida and the avoidance of further uneconomic duplication of generation, transmission, and distribution facilities ..."

In order to fulfill these responsibilities, the Commission has instituted this docket for the purposes of:

- (1) Adopting 20-year optimal statewide generation expansion planning studies for Peninsular Florida;
- (2) Reviewing the individual 20-year optimal generation expansion planning studies of Florida Power Corporation, Florida Power & Light Company, Gainesville Regional Utilities, Jacksonville Electric Authority, the City of Lakeland, Orlando Utilities

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Commission, the Seminole Electric Cooperative, Inc., the City of Tallahassee, and Tampa Electric Company;

- (3) Understanding the relationship between the Peninsular Florida 20-year optimal generation expansion planning studies to the individual 20-year optimal generation expansion studies of the utilities listed above; and,
- (4) Based on Peninsular Florida's 20-year optimal statewide generation expansion planning studies, to set the prices at which investor-owned utilities must purchase energy and capacity produced by qualifying cogeneration and small power production facilities.

The Peninsular Florida generation expansion planning studies referred to above have three parts: a Forecast Document, Generation Expansion Planning Document and 20-year Plan. Pursuant to Order No. 18804, issued on February 4, 1988, this Commission approved the work plan which the Florida Electric Power Coordinating Group (FCG) had filed on behalf of the Peninsular utilities for the completion of these studies.

The Peninsular Florida utilities timely filed the Forecast Document on June 29, 1988; the Generating Expansion Study on September 1, 1988; and the Aggregate 20-Year Plan on September 15, 1988. On December 8, 1988, FCG, FPC, FPL, TECO, Dade, filed direct testimony. Staff filed direct testimony on December 9, 1988, and supplemental direct testimony on January 27, 1989. JEA filed direct testimony on December 13, 1988. FGT filed direct testimony on January 6, 1989. SEC filed direct testimony on January 13, 1989.

Rebuttal testimony of Richard A. Basford (FCG) and Frank Seidman (FICA) was filed on January 13, 1989. On January 27, 1989, FICA, FCG, TECO, FPC, FPL, FGT, Dade County, SEC, City of Tallahassee, Orlando Utilities Commission, City of Lakeland, and Staff filed prehearing statements. On February 20, 1989, Dade filed an Amended Prehearing Statement, and on February 24, a Supplement to Amended Prehearing Statement. A public hearing was conducted on March 6, 8, and 9, 1989. Timely briefs were

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filed by FPC, TECO, FPL, FICA, FCG, City of Tallahassee, City of Lakeland, Orlando Utilities Commission, FGT, Dade and SEC on April 7, 1989.

Long-Range and Avoided Unit Studies

By Order No. 18804, issued on February 4, 1988, the Commission approved a work plan for use in this proceeding which outlined the scope of the peninsular Florida 20-year generation planning studies that provide the data base for this docket. This work plan required the submittal of three documents: a forecast document, generation expansion planning studies document and an aggregate (20-year) plan for the peninsular Florida electric utilities. Essentially, these studies required that the FCG develop a 20-year optimal generation expansion planning study "base case" and three sensitivity cases. These studies comprise the generation expansion planning studies document referenced above.

Using its own models and assumptions, each utility's base case represents its expectations of its load growth and generation resource needs over the next two decades. This case includes both existing and prospective (post January 1, 1988) cogeneration. Sensitivity Study No. 1 is similar to the base case except prospective cogenerators are excluded from being considered as a future generation source. Sensitivity Study No. 2 is a hypothetical case which on an individual utility level mimics the FCG's base case study with the exception of unit dispatch, interchange and cost of capital. Sensitivity No. 3 is a hypothetical case that replicates Sensitivity No. 2 except prospective cogeneration is not considered as a generation resource.

In addition to the generation expansion planning document just discussed, each utility also submitted its forecast document. The forecast document essentially contains the base (most likely) load energy forecast including the net energy for load (NEL) and the seasonal peak demand for winter and summer for the years 1988 through 2007.

Having reviewed these studies we find that they are, with the modifications discussed below, reasonably adequate for estimating Peninsular Florida's future electric capacity needs. Further, we find that the avoided unit study prepared by the FCG, with the modifications discussed below, provides a

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reasonably adequate basis for the identification of the appropriate avoided unit for Peninsular Florida.

Inherent in these findings is our approval of the FCG's modeling treatment of energy and seasonal peak demand, diversity at the time of seasonal peak demand, conservation, cogeneration, fuel flexibility, system reliability, fuel prices and generation technologies and assistance from the Southern Company.

FICA has taken issue with the FCG's modeling treatment of conservation, cogeneration, fuel flexibility, screening of generating technologies and assistance from the Southern Company. Because of FCG's treatment of these variables, FICA states that the FCG's avoided unit study is not a least-cost generation expansion plan. We disagree. As discussed above, conservation and cogeneration are modeled as integral parts of the generation expansion studies. As we have consistently ruled in the past, we consider this to be the appropriate treatment for these alternatives to construction. For conservation this treatment is appropriate since it is less expensive than the construction of new generation and would be pursued first in an optimal generation expansion plan, i.e., a plan which produced the lowest present worth revenue requirements (PWRR) over an identified planning horizon.

For cogeneration we note that the fundamental decision criteria through out the planning studies is the minimization of PWRR. The lowest PWRR was not selected only where strategic and regulatory concerns made such a choice untenable. For example, a nuclear unit was not evaluated as a unit addition in the 1992-1995 time period since one could not be constructed until the year 2000; nor were the 1992 combined cycle units identified in the FCG's avoided unit study and FPL's generation expansion plan selected since tariffs based on those units would only be viable for a few months until January 1, 1990. Non-generating alternatives such as conservation, load control, and nonfirm service are all subject to evaluation and approval of this Commission and all must pass a cost-effectiveness test. Off-system purchases are not given prior approval, but are subject to continuous review through the fuel adjustment proceedings and rate case reviews. Thus for all practical purposes, all of the non-generating alternatives modeled in both the long-range and the avoided unit studies have been evaluated for cost-effectiveness prior to their inclusion in the generation expansion plans.

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While the concept of fuel flexibility is a simple one, there is not a precise engineering or planning standard to measure it. In previous proceedings, we have taken the position that all new power plants should have multiple fuel capability, i.e., that new plants should have the ability to switch fuels when such a change will produce lower fuel costs. We continue to hold that view. In order to implement that policy, we have also ruled that a site should have the ability to be converted to the use of coal by the addition of a coal gasifier to combined cycle units even though it may not be economic for the gasifier to be constructed initially at that site. See: In re: Petition of Seminole Electric Cooperative, Inc. TECO Power Services Corporation and Tampa Electric Company for a determination of need for proposed electric power plant, Docket No. 880309-EC.

In this proceeding, FICA and Dade have taken the position that combined cycle units which can burn oil or natural gas do not offer the required fuel flexibility that the state needs. This is so, these parties argue, because the price of natural gas and oil track one another closely in the market. Only coal, they contend, is independent of the other fuels in the market. Thus only coal can provide true fuel flexibility. Based on that rationale, FICA and Dade discount the fact that combined cycle units can be converted to burn coal through the use of a coal gasifier and state that the avoided unit study cannot adequately address fuel flexibility unless a coal unit or a combined cycle unit with a coal gasifier is designated as the avoided unit.

We agree that any unit which is capable of burning all three fuels is desirable, but such flexibility comes at a cost. Both pulverized coal and coal gasification require greater initial capital investment which must be passed to the ratepayers. The FCG ran a sensitivity study that forced a coal unit to be constructed in 1992 which resulted in \$64 million higher revenue requirements over the 1988-2007 time frame than that of the avoided unit study in which three 220 MW CC's were selected. Even over a thirty-year period, this decision resulted in an additional \$48 million of present worth revenue requirements. A similar sensitivity was run adding a gasifier in 1996, 2000, 2004, and 2008 under low, mid, and high fuel forecasts. These results indicate that in no case would the addition of a coal gasifier result in lower revenue requirements than the avoided unit study. FCG's witness Gordon

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Gillette testified that the price of oil would have to exceed \$90 a barrel before conversion of a combined cycle unit to coal gasification was economic. Since the capacity costs of a coal gasifier are greater than that of a pulverized coal unit, the price of oil would have to increase even higher than \$90 in order for coal gasification to be cost-effective on a PWRR basis. Based on current fuel cost projections, coal gasification will not become economic until well past the year 2008.

Finally, we note that fuel flexibility involves more than the discussion of a single unit. Fuel usage has systemwide implications since fuel diversity results in less dependency on a single fuel and such diversity provides protection from adverse price movements in any single fuel. In 1987, the mix of fuel usage in Florida was 15% nuclear, 15% purchased power, 37% coal, and 30% oil and natural gas. FICA witness Seidman testified that this fuel mix was reasonable. The current avoided unit study produces similar percentages in 1995: 15% nuclear, 12% purchased power, 35% coal, and 33% oil and natural gas. Based upon the information before us, we find that this mix continues to be reasonable and adequately meets the peninsula's fuel flexibility needs.

Regarding fuel one other issue was raised: whether the assumption that natural gas will be available in the amounts required in the FCG studies was reasonable. All parties stipulated that natural gas would be available in adequate amounts to fuel the combined cycle units identified in the studies as the least-cost generation option. We approve this stipulation.

FICA also argues that the FCG's studies are biased against the selection of coal units because coal unit sizes are constrained, i.e., while combined cycle units are evaluated in blocks of 220 MW, coal units are evaluated in blocks of 500 MW. We disagree. The FCG's studies were based on a standardized size coal unit as reported in the EPRI Technical Assistance Guide (TAG). Economies of scale do not provide benefits for units smaller than 500 MW. Thus, we find that the size of the modeled units do not materially bias the studies.

Assistance from the Southern Company to Peninsular Florida utilities was modeled on a probabilistic basis, assuming that the assistance available to Florida would equal the existing

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Unit Power Sales (UPS) contracts at 90% availability plus 50% of Southern's available daily reserves after meeting operating and other system requirements. The total assistance cannot exceed the transfer capability of 3200 MW, an amount agreed to by all Florida utilities as well as the Southern Company. After the FCG submitted its avoided unit study, the amount of UPS purchases from the Southern Company increased from 1200 to 1500 MW. This additional 300 MW did not impact the avoided unit study in 1993 or 1994, but did reduce the need from three 220 MW combined cycle units in 1994 to two 220 MW combined cycle units. We find this treatment of Southern Company purchases to be reasonable.

FICA has also argued that FCG's avoided unit study does not comply with Rule 25-17.083 since the studies exclude from consideration the anticipated KW and KWH contribution to the system of existing and proposed qualifying facilities which are not under contract for the delivery of firm capacity and energy. Further, FICA argues that the rule does not contemplate that utilities will assume levels of uncommitted conservation or load management or avoid the obligation to purchase QF capacity by making out-of-state capacity purchases. The FCG studies model conservation, load-management and out-of-state purchases.

Rule 25-17.083(4)(a), Florida Administrative Code, requires that individual utility generation expansion plans be submitted to the Commission. By analogy, however, FCG's study does comport with the requirements of the rule since it does exclude all planned and proposed cogeneration that was not under contract or letter of intent to Florida utilities by March 1, 1988. The FCG did treat certain as-available cogenerators as capacity resources. This treatment does conflict with the requirements of Rule 25-17.083 that the generation expansion plan exclude all:

anticipated kilowatt and kilowatt-hour contribution to the utility's system from existing or proposed qualifying facilities which are not under contract for the delivery of firm energy and capacity.

The record demonstrates, however, that this is harmless error since the results of the FCG's avoided unit study would

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not change if these as-available cogenerators were excluded as a capacity resource.

FICA has also argued that Rule 25-17.083 "does not contemplate that utilities will assume levels of uncommitted conservation or load management." FICA has consistently argued this position in the each planning hearing docket. Each time the Commission has rejected it. See: Order No. 13247 at 3-4; Order No. 17480 at 4-5. The inclusion of the projections of the affects of conservation and load management are properly included in the FCG's study and are consistent with Rule 25-17.083. The inclusion of out-of-state purchases is also proper and appropriate under the rule since these purchases represent capacity resources upon which the state's utilities can reasonably rely.

Finally FICA has argued that the FCG's avoided unit study does not comply with Section 210 of Public Utility Regulatory Policies Act of 1978 (PURPA), 16 U.S.C. Section 824a, and 18 C.F.R. Subsection 292.101(a)(6), 292.303(a) and 292.304(b). Section 210 of PURPA and the federal rules cited above require that cogenerators be paid full "avoided costs" for power which is sold to electric utilities. FICA has taken the position that the FCG's avoided unit study does not produce full avoided costs because of the modeling of QF energy, the inclusion of out-of-state purchases of energy and capacity and the inclusion of the effects of conservation and load management.

The treatment of conservation and load management and out-of-state purchases is both consistent with the work plan approved in this docket and Rule 25-17.083. As discussed above, the treatment of QF as-available energy deviates from our rule but does not affect either the type or the timing of the first unit identified in the FCG's avoided unit study.

The record also reflects that conservation and load management are less expensive than FICA's proposed price for QF capacity. That being the case, the affect of these programs is properly modeled before QF capacity. Given these facts, we are persuaded that the FCG's avoided unit study does not result in the underevaluation of avoided costs and therefore, does comport with Section 210 of PURPA and 18 C.F.R. Subsection 292.101(a)(6), 292.303(a) and 292.304(b).

FPL has argued that the location of the QF should be considered in determining the amount of capacity which that



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cogenerator actually avoids or defers. The crux of FPL's argument is that if a QF is located some distance from the load center there may not be a one-to-one correspondence between the number of megawatts produced and the number of megawatts received by FPL to serve their load. Thus, FPL has proposed that payments to QFs be adjusted based on their proximity to load centers.

We do not dispute the technical basis of this argument. Witness Smith is correct that location of a facility, including utility constructed plants, is an important determinant of the value of that facility in serving load. However, while we think that FPL's proposal deserves consideration, we find that this is not the appropriate docket in which to do so. A statewide generation expansion plan by its nature is a generic analysis and does not identify specific loads or sites. It is assumed that there is a one-to-one correspondence exists constructed megawatts and load serving capability. Due to the dispersion of QFs throughout the state, it is probable such a correspondence will not always exist. However, the valuation of location is the proper subject for either a rule revision or an adjustment to an individual QF contract brought before this Commission for approval.

Finally, Dade has raised two closely related issues. First, whether the evaluation and approval of all programs which are competing capacity alternatives (i.e. conservation, load management, interruptible service, cogeneration, resource recovery, out-of-state purchases, etc.) that can be compared to building new utility generation and transmission be incorporated into this planning hearing. Second, whether the methodology for evaluating capacity addition alternatives should include higher weighted cost considerations for capacity additions which improve the efficiency of primary fuels, use renewable primary fuels, improve in-state energy resource reliability, or improve system reliability based on location and system need.

The problems associated with one large hearing which addresses all programs which are competing capacity alternatives are both technical and procedural. First, performing the generation and expansion studies for the peninsula involve months of work. A fixed load and energy forecast is a requisite input to the development of any such generation and expansion optimization study. Since generation

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alternatives are evaluated to serve these fixed load and energy forecasts, any change to the forecast requires a complete re-optimization of the generation study involving months of effort. For this reason, variable forecasts create tremendous technical difficulties.

The second problem with such an approach is an administrative one. To evaluate nonfirm rates, all conservation programs, out-of-state purchases, cogeneration contracts, etc. during one hearing would be nearly impossible. The nonfirm rate hearings which we completed in the fall of last year alone took nearly a week. The review of conservation programs could easily require several more days; the current hearing just on generation alternatives requires three days. Clearly, a formal hearing like the one envisioned by Dade would take several weeks and involve hundreds of witnesses. There is no evidence that such a massive effort would either alter the results or improve the quality of the decisions now made in these separate proceedings. Thus we find that our current method of addressing these non-generating alternatives continue as is.

With regard to the issue of including higher weighted cost considerations for capacity additions which improve efficiency of primary fuels, use renewable primary fuels, improve in-state energy resource reliability and improve system reliability, we are somewhat uncertain as to its objective. Witness Dellapa suggested in her testimony that we should "consider additional evaluation criteria specifically, looking at primary fuel efficiency, Florida's balance of payments, and other economic criteria in terms of weighting the value of the alternatives that you consider to avoid building new plant."

What the witness seems to be suggesting is that special consideration be given to non-generating alternatives. Such consideration has already been given to conservation and demand-side management in the form of special cost recovery provisions in the statutes. Other special recovery provisions are permitted for oil-back out projects, cogeneration contracts, and out-of-state purchases when such purchases are prudent. In terms of other economic variables such as fuel efficiency and capital cost, the FCG studies already include such costs in its generation and expansion plan. Based on these facts we find that these strategic considerations are already taken into account in the FCG studies, or are not appropriate for inclusion in the statewide avoided unit study.

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For these reasons we find that the FCG's avoided unit study does characterize a least-cost generation expansion plan for the peninsular Florida utilities and provides an adequate basis on which to set cogeneration prices.

#### Avoided Unit

In the FCG's avoided unit study, all non-contracted QF capacity as of March 1, 1988 was excluded from the analyses to determine the date of the next required generation addition. Based on reliability analyses, new generation was required in 1992. Seven combinations of unit additions (combined cycle, combustion turbines, and coal) were analyzed based on minimization of revenue requirements. The results indicated that three 220 MW combined cycle units with an in-service date of 1992 were the least cost addition though the planning horizon of 2017.

As discussed above, after the submission of the avoided unit study the amount of UPS purchases from the Southern Company increased by 300 MWs from 1200 to 1500 MWs. The impact of this additional capacity on the date and type of new generation was as follows: no change in the need for 660 MWs of combined cycle capacity in 1992 or 1100 MWs of combined cycle capacity in 1993 but a reduction of need in the year 1994 from three to two 220 combined cycle units.

The information developed in this docket indicates that the individual generation/expansion plans of the peninsular Florida utilities closely match the type and timing of units identified in the FCG avoided unit study. The sum of the projected needs of TECO, FPL and FPC is 2112 MW over the first four years of the study, 1992 through 1995, compared to 2305 MW in the FCG avoided unit study. This difference of 193 MW is caused primarily by the fact that investor-owned utilities may have modeled more intrastate reserves than are actually available and the fact that the FCG study also includes the needs of the municipal and cooperative electric utilities in the state.

Although we have approved the FCG's study as both the least-cost generation expansion plan and adequate for the purpose of setting cogeneration prices, we decline to select as the statewide avoided unit the first units identified in the FCG's study: 660 MW combined cycle units with an in-service date of 1992. We reject these units because their selection

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would result in a standard offer which would only be viable until January 1, 1990. The offers would be closed on that date by the operation of Rule 25-17.083(3)(a), Florida Administrative Code, which requires that any agreement for the sale of firm energy and capacity between a utility and QF be entered into at least two-years prior to the in-service date of the statewide avoided unit. Although standard offer tariffs are to be filed 10 days from the issuance date of this order, it is unreasonable to expect that any such contracts could be finalized and signed in time to comply with the rule. Further, even if some contracts could be finalized by January 1, 1990, present data indicates that it is a virtual impossibility that 660 MW of cogenerated power could be subscribed by that date so that the 1992 units could actually be avoided.

Although we are not inclined to do so for the reasons stated above, we note here that we are unable to waive the provisions of Rule 25-17.083(3)(a) which require cogeneration power sales agreements to be entered into two years before the in-service date of the avoided unit. This Commission, as any other state agency, may not waive or act inconsistently with its own substantive rules unless such rules are contrary to state statute or preemptive federal law or rule. The two-year limitation of imposed by the rule is clearly not procedural and thus cannot be waived by this body without inviting a finding of reversible error upon appellate review.

The individual plan of FPC indicates that 130 MW of combustion turbine units should be added to its system in 1992. In keeping with our previous decision in the last planning hearing docket, we find that combustion turbines should not be designated as avoidable units due to their extremely low capacity factors and the requirement of economic dispatchability. The cogeneration rules do not anticipate that peaking units like combustion turbines be selected. Rule 25-17.083(3)(a)(ii), Florida Administrative Code, requires a 70 percent rolling average capacity factor, consistent with that of base load and intermediate load units, for firm energy and capacity contracts and does not require that QFs have the ability to be economically dispatched. The rule is consistent with the prevailing thinking at the time of the rule's enactment that the statewide avoided unit would always be a base or intermediate load unit. Thus, under our current rules, it is inappropriate to select a peaking unit whose operating performance QFs cannot mimic.

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The FCG avoided unit study identifies three combined cycle units of 1100 MW with an in-service date of 1993 as the next avoided units. Our Staff has recommended that we designate FPL's 1993 385 MW combined cycle unit as the statewide avoided unit. We agree. This unit most closely matches the type and timing of capacity identified in the FCG avoided unit study. FPL's individual generation expansion plan indicates the need to add 857 MWs of combined cycles in 1993. Of this amount, 482 MWs involves the repowering of Lauderdale steam units in 1992 into combined cycles. Due to the phased-in construction of these conversions and the rule requirement that contracts be signed two years prior to the in-service year of the statewide avoided unit, we do not believe that there is enough time to subscribe enough cogeneration to actually avoid the repowering of the Lauderdale units. This leaves 385 MW of combined cycle in 1993 as the next avoidable unit.

FPL's 385 MW 1993 combined cycle unit comports with the type and timing of units which would be constructed if the peninsular utilities actually planned and operated as an integrated utility system. With this option, every IOU would have a standard offer available to purchase QF capacity at the "real" price associated with FPL's "real" avoidable unit. Little would change from the current procedure except that FPL would be the utility expected to purchase this capacity and, as required by Rule 25-17.083(5), Florida Administrative Code, other utilities would be expected to resell the power and deliver it to FPL at the original purchaser's cost. To the extent that FPL actually purchases this power, the problem of cogenerated power misallocation is corrected and the final pot "gets right".

We are aware that by selecting 385 MW of combined cycle capacity in 1993 as the avoided unit and designating FPL as the utility planning the statewide avoided unit we are breaking with past rulings which set cogeneration prices based on a "generic" avoided unit. We find, however, that such a designation where the avoided unit selected is consistent with the unit identified in a statewide optimal generation expansion plan, comports with both the language and intent of our cogeneration pricing rules. This designation replaces the generic EPRI prices used in the FCG avoided unit studies with "real" FPL energy and capacity prices and a generic unit with a "real" unit which, but for cogeneration, would otherwise be constructed by FPL. It is important to realize, however, that

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the type and timing of the unit which we have designated is based upon the FCG's statewide optimal generation expansion plan, not FPL's generation expansion plan considered in isolation. It is the match of FPL's unit with that identified in the optimal statewide generation expansion studies performed by the FCG which supports our decision to designate FPL as the utility planning the statewide avoided unit: a 1993 385 MW combined cycle unit. For these reasons, under our current rules, we consider the preparation and use of an optimal statewide generation expansion plan to be necessary to set peninsular Florida cogeneration prices.

Also at issue in this docket was whether we should accept as reasonable generation expansion plans, and ultimately avoided units which would cause an increase in Florida utilities' consumption of and reliance on natural gas and oil. FPL's 1993 385 MW combined cycle unit is modeled to operate exclusively on natural gas as were the FCG studies. Thus implicit in the selection of a combined cycle unit as the statewide avoided unit is the finding that we are not prohibited by federal or state law from selecting units which increase the use of natural gas or oil in the production of electricity. This finding is contrary to our decision on the same issue in the last planning hearing docket.

Sections 366.80-.85 and 403.519, Florida Statutes, commonly referred to as the Florida Energy Efficiency and Conservation Act (FEECA), was crucial to the rationale which supported our decision in the last planning hearing docket. Section 366.81, Florida Statutes (1987), states in part:

The Legislature finds and declares that it is critical to utilize the most efficient and cost-effective energy conservation systems in order to protect the health, prosperity and general welfare of the state and its citizens. . . . The Legislature further finds and declares that ss. 366.80-366.85 and 403.519 are to be liberally construed in order to meet the complex problems of reducing the growth rates of electric consumption and weather-sensitive peak demand;

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increasing the overall efficiency and cost-effectiveness of electricity and natural gas production and use; and conserving expensive resources, particularly petroleum fuels.

(Emphasis added.)

Section 366.82(2), Florida Statutes (1987), goes on to state:

- (2) The commission shall adopt appropriate goals for increasing the efficiency of energy consumption, specifically including goals designed to increase the conservation of expensive resources, such as petroleum fuels and to reduce the growth rates of electric consumption, especially of weather-sensitive peak demand. . . .

(Emphasis added.)

In this legislative session, Sections 366.81 and 366.82 were both amended. Section 366.81 now reads, in part, as follows:

Reduction in, and control of, the growth rates of electric consumption and of weather-sensitive peak demand are of particular importance. . . . The Legislature further finds and declares that ss. 366.80-366.85 and 403.519 are to be liberally construed in order to meet the complex problems of reducing and controlling the growth rates of electric consumption and reducing the growth rates of weather-sensitive peak demand; increasing the overall efficiency and cost-effectiveness of electricity and natural gas production and use; encouraging further development of cogeneration facilities; and conserving expensive resources, particularly petroleum fuels.

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(Legislative format; underlined words are additions.)

Likewise, Section 366.82(2) now reads in part:

- (2) The commission shall adopt appropriate goals for increasing the efficiency of energy consumption and increasing the development of cogeneration, specifically including goals designed to increase the conservation of expensive resources, such as petroleum fuels, and to reduce and control the growth rates of electric consumption, and to reduce the growth rates of weather-sensitive peak demand. . .

(Legislative format; underlined words are additions.)

The addition of these few words is significant. The initial language of Sections 366.81 and 366.82 could have been read as an expression of the Legislature's intent that no increase in the consumption of natural gas or oil be allowed in the state. We did so interpret it in Order No. 17480, issued on April 30, 1987, in the last planning hearing docket. Order No. 17480 at 10. Historically, cogeneration facilities which are not refuse burners have been fueled in whole or in part by natural gas. Their inclusion in the list of activities to be encouraged by this Commission indicates that the Legislature is interested in the most economic use of natural gas and oil, not in an absolute ban on increased gas and oil usage no matter what.

Likewise, the addition of language which indicates that the growth rate of both peak demand and electric consumption should be reduced and controlled indicates that an absolute prohibition against increased use of petroleum fuels is not what is intended. Peaker units are fueled exclusively by natural gas and oil.

In the last planning hearing we also put great emphasis on the fact that the federal Power Plant and Industrial Fuel Use Act (Fuel Use Act), 42 USC Section 8301 et seq., prohibited the use of petroleum or natural gas as the primary fuel in any new electric power plant or any new major fuel burning installation that consisted of a boiler. 42 USC Sections 8311 and 8312. The



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initial legislation also required existing power plants using natural gas to stop using that fuel by 1990. 42 USC Section 8341.

Since that time, Section 8341 of the Fuel Use Act has been repealed as has Section 8312. [Act May 21, 1987, P.L. 100-42, §1(a)(1), 101 Stat. 301] Further, Section 8311 has been modified to delete the requirement that new electric power plants not burn natural gas or petroleum as a primary energy source unless granted an exemption. [Act May 21, 1987, P.L. 100-42, §1(c)(4)(A), 101 Stat. 311.] This leaves only the Section 8311 requirement that new base load power plants have the "capability to use coal or another alternate fuel as a primary energy source." Section 8311(a).

The statement of purpose of the Fuel Use Act was also modified to encourage the "modernization or replacement of existing and new electric power plants which utilize natural gas or petroleum as a primary energy source and which cannot utilize coal or other alternate fuels where to do so furthers the conservation of natural gas and petroleum." (Emphasis added). Section 8301(b)(5). As has been testified to in this docket, the construction and use of combined cycle units will actually lower the amount of natural gas and oil burned in the state since they will be able to replace less efficient units. Thus, the construction of combined cycle units which have the ability to be converted to coal gasification is entirely consistent with the current Fuel Use Act.

Based on these changes to both the Fuel Use Act and FEECA, we are now of the opinion that the mandate of this Commission given by both the Congress and Legislature is to encourage the most economic use of natural gas and oil, not to prohibit its use completely. The record developed in this proceeding shows that with the addition of 660 MW of combined cycle units fueled by natural gas and oil less than 58,734,000 barrels of oil, the goal set by Rule 25-17.02(11), Florida Administrative Code, will be consumed annually through 1995, the last year of the study. That being the case, neither FEECA nor federal law prohibit the adoption of these generation expansion plans which would increase Florida utilities' consumption of and reliance on natural gas and oil fuels.

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### Energy and Capacity Payments

Consistent with our current cogeneration rule, firm capacity payments should be developed using the value of deferral methodology. Prior to 1993, firm energy payments should be based on the purchasing utility's avoided energy costs. Beginning in 1993, firm energy payments should be the lesser of the avoided unit's energy costs (FPL's 1993 385 MW combined cycle unit) and that of the purchasing utility. The avoided unit's energy costs should be based on the lesser of the cost of distillate oil and natural gas delivered at FPL's Putnam Site, a site which currently has combined cycle units. Applying this methodology to energy payments recognizes that a prudently managed utility would burn the least expensive fuel in a unit with dual fuel capacity.

The capacity factor which cogenerators have to maintain in order to receive firm energy and capacity payments is set by Rule 25-17.083(3)(a)(ii), Florida Administrative Code, at 70% on a 12-month rolling average basis. The technical results of the FCG's avoided unit study indicate that the combined cycle units identified by the FCG in 1993 will be dispatched with capacity factors ranging from 60-80%. This is because the efficient heat rate of these combined cycle units causes them to be dispatched before existing, less efficient oil and gas units. Thus, the capacity factor required of cogenerators matches the capacity factor of the statewide avoided unit which we have selected. That being the case, we adopt the seventy percent capacity factor criterion for the 1993 385 MW combined cycle unit.

During the public hearing in this docket, Witness Gillette indicated that some of QF as-available energy was treated as a capacity resource in the reliability analysis in the avoided unit study. Based on the inclusion of these QF facilities, FICA argues that capacity deferral credits should be paid to cogenerators supplying as-available energy pursuant to COG-1 contracts.

We decline to do so on several grounds. First, the record indicates that if all as-available QFs are excluded from the reliability analysis, peninsular Florida still needs three combined cycle units in 1992. Thus, no avoidance benefits have been conveyed to Florida's ratepayers by as-available cogenerators. Second, as-available QFs are not required to

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make any contractual commitment as to duration, availability, contract terms, etc. Thus, it is impossible to count on any as-available cogeneration facility as a firm capacity resource. Third, while the aggregate of all as-available QFs could theoretically provide deferral benefits, this is a probabilistic phenomenon related to their production of energy coincident with the times in which utilities require capacity. We see no reason why QFs who are unwilling to commit capacity that can be reasonably relied upon should be paid for that capacity. Therefore, we find that QFs providing as-available energy should not receive avoided cost payments for capacity.

#### Avoided Unit Parameters

The following parameters are adopted for the 1993 385 MW combined cycle unit:

a.	Type of Fuel	natural gas or No. 2 oil
b.	Average Annual Heat Rate	7620 Btu/kWh
c.	Cost of fuel	Lesser of natural gas or No. 2 oil charged out monthly at FPL's Putnam site
d.	Mid 1988 Construction Cost \$/kw	\$511
e.	Construction Escalation Rate	5.4% per year
f.	In-Service Cost (\$/kW)	\$721 (1993\$)
g.	Incremental Capital Structure	
	1. Debt	43%
	2. Preferred Stock	9%
	3. Common Stock	48%
h.	Cost of Capital	
	1. Debt	10.0%
	2. Preferred Stock	9.0%
	3. Common Stock	14.5%
i.	Book Life	30 years
j.	AFUDC Rate	12.0%
k.	Effective Tax Rate	37.63%
l.	Other Taxes	1.5%
m.	Discount Rate	10.45%
n.	1993 Fixed O&M Costs (\$/kW/yr)	\$17.56
o.	1993 Variable O&M Costs (\$/MWh)	\$ 0.74
p.	O&M Escalation Rate	5.34%
q.	Value of K	1.572

Consistent with the parameters above, we find that the depreciable life of the 1993 385 MW combined cycle unit is 30

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years. Pursuant to Rule 25-17.083(3)(a)(i), Florida Administrative Code, the standard offer contract which is developed as a result of our decision in this docket will have a minimum term of 10 years and a maximum term of 30 years after 1993.

#### Subscription and allocation

One of the problems inherent in the selection of a statewide rather than an individual utility avoided unit is that of misallocation of cogenerated power. That is, the potential for uneconomic duplication of capacity unless cogenerated power can be channeled to the utility which actually has the need for the power. A subscription limit associated with the total amount of capacity of the statewide avoided unit is the first, and simplest, step toward correcting this potential problem.

Our Staff has recommended that in addition to selection of a 1993 385 MW combined cycle unit as the statewide avoided unit, we also select a 385 MW combined cycle unit with an in-service date of 1994 and a 385 MW combined cycle unit with an in-service date of 1995 as subsequent statewide avoided units. For the 1994 and 1995 units, FPL would continue to be the designated utility. When the amount of capacity associated with each avoided unit has been subscribed, counting both standard offer and negotiated contracts, that standard offer would be closed and a standard offer based upon the next avoided unit would be opened. For example, when 385 MW of both negotiated and standard offer capacity has been subscribed against the 1993 unit, the standard offer contract would be closed and a new standard offer contract based upon the 385 MW 1994 combined cycle unit would be opened. This pattern would continue when negotiated and standard offer contracts reached the 385 MW level for the 1994 unit.

We agree with our Staff's recommendation and approve both the subscription method described above and subsequent statewide avoided units of 385 MW in 1994 and 385 MW in 1995. For both the 1994 and 1995 units we find that FPL should be designated as the utility planning those units and order that the cost parameters associated with those units be developed based on FPL's data.

We further find that each peninsular utility should be

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allocated a share of each statewide avoided unit. This allocation will be based on each investor-owned utilities' contribution to peak demand growth. This method results in the following allocation: FPL's share of the 1993 385 MW combined cycle unit is 59.7% (230 MW); FPC's share is 28% (109 MW); and TECO's share is 12% (46 MW).

The rationale supporting this allocation is the same as that supporting the subscription limit: an effort to channel cogenerated power to the utility with the need. Our rules currently require that all investor-owned utilities offer the same standard offer contract. Unless the purchasing utility is the designated utility (FPL), the purchasing utility may or may not need power in that year or may have to pay more than their own avoided cost for needed power. Allocation is simply a move to match the statewide need identified by the statewide avoided unit more closely with the needs of the individual utilities. For example, TECO's individual generation expansion plan identifies 130 MW of combustion turbine capacity as needed in 1992 and 75 MW of combustion turbine capacity as needed in 1993. Under our current rules, TECO would be required to purchase up to 385 MW of more expensive combined cycle power unless some type of allocation is made. With the allocation approved above, TECO now only has to purchase 46 MW of the 1993 385 MW avoided unit. Although this is not a perfect match, it does relieve TECO of the burden of purchasing 385 MW of capacity and, failing to resell the 300 plus megawatts it does not need on its system, passing the cost of unneeded electricity on to its ratepayers.

FPL has suggested a different allocation methodology than that described above. FPL's method would total all of the MW of capacity needed in a given year as reported on each individual utility's generation expansion plan and then divide each individual utility's capacity need for that year by the total. For example, if utility A showed a need for 200 MW and utility B showed a need for 100 MW, their respective allocation percentages would be 66% for A ( $200/300$ ) and 33% ( $100/300$ ) for B. These percentages would then be applied to the total capacity shown for the statewide avoided unit. FPL contends that this approach is more appropriate because it is based on the individual utility's projected needs. FPL further contends that no allocation is needed if a utility is designated as that planning the statewide avoided unit since everyone would know which utility "needed" the power.

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First, we disagree with FPL's statement that allocation is only needed if a generic statewide unit is selected. As discussed above, the operation of our current cogeneration rules create the potential misallocation of power simply because of the statewide nature of the standard offer. Our rules do not require that any utility sell to the designated utility nor, more importantly, do they require that FPL or any other designated utility purchase cogenerated power bought pursuant to either a standard offer or negotiated contract. Absent those requirements, the misallocation problem still exists. Further, misallocations can be introduced since the original purchasing utility must pay firm energy prices based on the lesser of its own as-available energy cost or the energy that would have been burned in the avoided unit of the designated utility with the need for power. The designated utility's energy cost could be higher than that of the purchasing utility. These are the types of problems which lead to the development of an allocation methodology. Designation does not cure them.

Second, under FPL's methodology utility's whose individual generation expansion plans did not show a need in a particular year would not have to offer standard offer contracts. This is clearly contrary to the express language of Rule 25-17.083 and the whole statewide marketing plan envisioned by our current cogeneration rules. Whatever the merits of that concept, it is the concept currently in place and must be followed until such time as those rules are changed pursuant to Section 120.54, Florida Statutes. For these reasons, we reject FPL's allocation methodology.

Having adopted allocation and subscription, we are now faced with implementing same. Obviously there are innumerable ways to "count" the number of MW subscribed by each utility against their share of the statewide avoided unit. We have not taken testimony in this docket on any of the "implementation questions", e.g., does a standard offer "trump" a negotiated contract when both are executed on the same date; how are utilities and potential cogenerators to be kept aware of the amount of MW left in any particular subscription limit; how are contracts to be prioritized: execution date, filing date, notice date? We recognize that these are important questions and questions which should be answered expeditiously if the subscription and allocation concepts we have approved are to work efficiently. In order to resolve these and other

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implementation questions, we will conduct a hearing on these issues. This hearing will be conducted in this continuing docket and all parties to this docket shall likewise be parties to that proceeding without filing an additional request for intervention.

Subsequent avoided unit parameters

The following parameters are adopted for the 1994 385 MW combined cycle unit:

a.	Type of Fuel	natural gas or No. 2 oil
b.	Average Annual Heat Rate	7620 Btu/kWh
c.	Cost of fuel	Lesser of natural gas or No. 2 oil charged out monthly at FPL's Putnam site)
d.	Mid 1988 Construction Cost \$/kw	\$511
e.	Construction Escalation Rate	5.38% per year
f.	In-Service Cost (\$/kW)	\$755 (1994)
g.	Incremental Capital Structure	
	1. Debt	43%
	2. Preferred Stock	9%
	3. Common Stock	48%
h.	Cost of Capital	
	1. Debt	10.0%
	2. Preferred Stock	9.0%
	3. Common Stock	14.5%
i.	Book Life	30 years
j.	AFUDC Rate	12.0%
k.	Effective Tax Rate	37.63%
l.	Other Taxes	1.5%
m.	Discount Rate	10.45%
n.	1994 Fixed O&M Costs (\$/kW/yr)	18.61
o.	1994 Variable O&M Costs (\$/MWh)	0.78
p.	O&M Escalation Rate	5.33%
q.	Value of K	1.572

The following parameters are adopted for the 1995 385 MW combined cycle unit:

a.	Type of Fuel	natural gas or No. 2 oil
b.	Average Annual Heat Rate	7620 Btu/kWh
c.	Cost of fuel	Lesser of natural gas or No. 2 oil charged out

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		monthly at FPL's Putnam site)
d.	Mid 1988 Construction Cost \$/kw	\$511
e.	Construction Escalation Rate	5.38% per year
f.	In-Service Cost (\$/kW)	\$795 (1995)
g.	Incremental Capital Structure	
	1. Debt	43%
	2. Preferred Stock	9%
	3. Common Stock	48%
h.	Cost of Capital	
	1. Debt	10.0%
	2. Preferred Stock	9.0%
	3. Common Stock	14.5%
i.	Book Life	30 years
j.	AFUDC Rate	12.0%
k.	Effective Tax Rate	37.63%
l.	Other Taxes	1.5%
m.	Discount Rate	10.45%
n.	1995 Fixed O&M Costs (\$/kW/yr)	19.60
o.	1995 Variable O&M Costs (\$/MWh)	0.82
p.	O&M Escalation Rate	5.33%
q.	Value of K	1.572

As with the 1993 avoided unit, the depreciable life of the 1994 and 1995 avoided units is 30 years. Thus, the standard offer contracts which are developed as a result of our decisions in this docket will have a minimum term of 10 years and a maximum term of 30 years starting in 1994 and 1995, respectively.

Energy and capacity payments for subsequent units

As discussed above in relation to the 1993 avoided unit, firm capacity payments for the subsequent avoided units should be developed using the value of deferral methodology. After the close out of the 1993 standard offer, and prior to 1994, firm energy payments should be based on the purchasing utility's avoided energy costs. Beginning in 1994, firm energy payments should be the lesser of the avoided unit's energy costs (FPL's 1994 385 MW combined cycle unit) and that of the purchasing utility. The avoided unit's energy costs should be based on the lesser of the cost of distillate oil and natural gas delivered at FPL's Putnam Site, a site which currently has combined cycle units.



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Likewise, after the close out of the 1994 standard offer, and prior to 1995, firm energy payments should be based on the purchasing utility's avoided energy costs. Beginning in 1995, firm energy payments should be the lesser of the avoided unit's energy costs (FPL's 1995 385 MW combined cycle unit) and that of the purchasing utility. The avoided unit's energy costs should be based on the lesser of the cost of distillate oil and natural gas delivered at FPL's Putnam Site, a site which currently has combined cycle units.

Consistent with our rules and treatment of the 1993 avoided unit, the capacity factor which cogenerators have to maintain in order to receive firm energy and capacity payments pursuant to standard offer contracts based on the 1994 and 1995 avoided units is 70% on a 12-month rolling average basis. As with the 1993 combined cycle unit, these avoided combined cycle units will also be dispatched with capacity factors ranging from 60-80%.

We further find that the allocation of the 1994 and 1995 avoided units using the methodology approved above is as follows: for the 1994 avoided unit FPL's share is 59.9% (230.6 MW), FPC's share is 27.7% (106.7 MW) and TECO's share is 12.4 % (47.7 MW); for the 1995 avoided unit FPL's share is 58.3% (224.5 MW), FPC's share is 28.7% (110.5 MW) and TECO's share is 13.0% (50.0 MW).

#### Use of planning hearing decisions

The original purpose of this docket, its companion docket, Docket No. 890004-EU-A, and their predecessors, was to ensure that utilities and this body take a coordinated, long-range approach to planning new generation in Florida. We agree with our Staff and Gulf that the findings of this docket should establish a framework within which we gauge the validity of individual electric utility and qualifying facility need determination applications filed pursuant to Section 403.501-.517 or 403.519, Florida Statutes (Siting Act). These findings should not be used as a surrogate for the factual findings required by the Siting Act in the need determination applications of either electric utilities or qualifying facilities.

The Siting Act, and Section 403.519 require that this body make specific findings as to system reliability and integrity,

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need for electricity at a reasonable cost, and whether the proposed plant is the most cost-effective alternative available. Clearly these criteria are utility and unit specific. The information in both the avoided unit study and the 20 year optimal generation expansion plan adopted in this docket are best used only as a means of testing the reasonableness of a proposed electric power plant project.

By this finding, we overrule those previous decisions in which we held that in qualifying facility (QF) need determination cases as long as the negotiated contract price was less than that of the standard offer and fell within the current MW subscription limit both the need for and the cost-effectiveness of the QF power has already been proven. See: In re: Petition of AES Cedar Bay, Inc. and Seminole Kraft Corporation for determination of need for the Cedar Bay Cogeneration Project (AES), Order No. 21491, issued on June 30, 1989. In so doing we take the position that to the extent that a proposed electric power plant constructed as a QF is selling its capacity to an electric utility pursuant to a standard offer or negotiated contract, that capacity is meeting the needs of the purchasing utility. As such, that capacity must be evaluated from the purchasing utility's perspective in the need determination proceeding, i.e., a finding must be made that the proposed capacity is the most cost-effective means of meeting purchasing utility X's capacity needs in lieu of other demand and supply side alternatives.

We recognize that QFs which are solid waste facilities may be in a different category than other QFs by virtue of Section 377.709, Florida Statutes. So that while it may be appropriate to "automatically" approve the need for a solid waste facility, it is not for other units which will burn oil or natural gas as their primary fuel. In reversing our position on the use of planning hearing decisions in QF need determination applications we have been persuaded by several arguments. First, that the current standard offer is based upon a statewide avoided unit, rather than individual utility avoided units, necessarily causing a mismatch between the prices paid to cogenerators and the price of the unit being avoided by the utility purchasing the power. So that even if one assumes that all cogenerated power is "needed", the finding that cogenerated power is the most cost-effective means of satisfying that need does not necessarily follow. This problem is not corrected by the designation of a utility planning the statewide avoided

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unit unless it is the designated utility which is purchasing the power.

Second, an increasing share of the state's electrical needs will be supplied by either cogenerators or independent power producers. If we continue to "rubber stamp" QF projects with the only criterion being that the price of that electricity is equal to or less than that of the standard offer, this body has effectively lost the ability to regulate the construction of an increasingly significant amount of generating capacity in the state.

Third, after the conclusion of the AES proceeding, our Staff received a letter from Hamilton S. Oven, with the Department of Environmental Services, dated August 28, 1989. In his letter Mr. Oven referred to correspondence he had received from Marion Jones, of the United States Environmental Protection Agency, requesting some clarification of our final order in that docket. The correspondence indicates that EPA cannot prepare its SAR/EIS statement for the certification hearing since the order indicates that no "examination of generation and management alternatives to the proposed plant" were performed. It is obvious that EPA is analyzing this plant from the perspective of the purchasing utility's needs, not that of the QF.

Fourth, as discussed above, we adopt the position that "need" for the purposes of the Siting Act, is the need of the entity ultimately consuming the power, the electric utility purchasing the power. Cogeneration is another alternative to that purchasing utility's construction of capacity or purchase of wholesale power from another source.

Based on the considerations discussed above, we are persuaded that the appropriate decision is to use planning hearing results in QF need determination hearings in the same manner that they are used when electric utilities come before us: for informational purposes only.

Motion to make limited reply

On April 27, 1989, FCG filed a motion which requested permission to file a limited reply to FICA's post hearing brief filed on April 7, 1989. In its motion FCG argues that it should be allowed to reply to FICA's erroneous conclusion that

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it is actually cheaper to select a coal unit as the statewide avoided unit than to select 660 MW of combined cycle units identified by the FCG study. FCG argues that this erroneous result is reached by comparing its avoided unit study which used the lowest PWRR for 20, 25 and 30 years (depending on the year) with a sensitivity based solely on a 30 year PWRR where a coal unit was "forced" in 1992.

FICA filed its response on May 5, 1989. In its response FICA makes several arguments: that any "reply" would really be improper rebuttal to its brief; its conclusion was not erroneous; that its position was fully developed at trial and FCG should have responded to it in its post hearing brief and that any "erroneous" conclusion can be corrected by a motion for reconsideration filed pursuant to Rule 25-22.060, Florida Administrative Code.

While we don't agree with FCG's conclusion that a 1992 coal unit is cheaper over a 30 year period than the FCG's combined cycle units, we do agree that FCG is attempting to get a "second bite at the apple" by filing a "reply". As FICA correctly points out, FCG can correct any misinterpretation of the facts by the Commission via a petition for reconsideration. Since that is the proper procedural avenue for the FCG to follow, we hereby deny this motion.

Objection to Late-filed Exhibit No. 905

On May 2, 1989, FPL filed an objection to Late-filed Exhibit 905's admission into evidence in this proceeding. As grounds for its request, FPL states that: Exhibit 905 goes well beyond the simple comparison of capacity payments requested, has misstated capacity payment streams and avoided energy costs for the generating unit alternatives considered and fails to put the Southern purchases on equal footing with the generating alternatives. [Objection at 1-2]. Absent an opportunity to cross-examine Mr. Seidman on this exhibit or "otherwise include in the record evidence showing the erroneous information provided in Late-filed Exhibit No. 905", FPL argues that it is prejudiced by the admission of the exhibit. The objection then discusses the specifics of the exhibit's failings in some detail.

On May 15, 1989, FICA filed its response to FPL's objection. FICA's response argues that FPL's objection should

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be denied on several grounds: the objection is untimely (coming 5 weeks after the exhibit and 3 weeks after the briefs were filed); FPL can't object to an exhibit it requested; FICA correctly reflected capacity payment streams, avoided energy costs and Southern Company purchases; and where assumptions needed to be made, Mr. Seidman properly used his own. [Response at 1-10].

Because both FPL's objection and FICA's response are so detailed, we conclude that the record is fully developed with regards to the merits of this exhibit if both the objection and response are included as part of Exhibit 905. Thus, we find that Late-filed Exhibit 905 should be admitted into evidence with both FPL's objection and FICA's response attached and made part of the exhibit for appellate purposes.

FPUC

The Florida Public Utilities Company (FPUC) currently offers avoided capacity payments equal to 100 percent of its avoided demand cost from its wholesale supplier if and when capacity delivered by the QF results in a reduction of FPUC's monthly billing demand. FPUC also currently pays QFs an avoided energy cost equal to the monthly average fuel cost billed to FPUC by its supplier in each division. These policies were established in Docket No. 830377-EU, the cogeneration rule implementation docket, and we approved their continuance in the last planning hearing docket, Docket No. 860004-EU. All parties to this docket have stipulated to the continuation of these policies. That being the case and no evidence having been presented on either issue in this proceeding, we find that these policies should continue in effect.

Standard offers

At issue in this proceeding was whether Rule 25-17.083 required that utilities make a standard offer based upon our decision available upon the date of our vote in this docket. We do not interpret the language of Rule 25-17.083(3) as requiring that the IOUs have a tariff on file at all times. Rather, consistent with past practice, we view this language as requiring that the revised standard offer based upon the new avoided unit have an effective date coincident with the date of our vote, October 16, 1989.

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The tariffs which reflect our vote should be filed for approval by the IOUs within 10 days of the issuance of this order. In keeping with normal procedure, these tariffs will not be available until approved. We intend, however, to review these tariffs and, if consistent with our decision in this docket, approve them as expeditiously as possible so that the time during which no formal tariffs are on file is minimized. FICA has taken the position that all the utilities should be directed to revise their existing COG-1 and COG-2 tariffs to reflect only the decisions made in this docket. FICA is seeking to prevent the utilities from modifying other terms and conditions which were not at issue in this proceeding. We are sympathetic to this request since considerable delay can occur if utilities use this opportunity to modify other contractual terms and conditions of their standard offer contracts. Thus, we find that utilities should change their standard offer contracts only to the extent that the change is necessary to implement the decisions in this docket.

It is, therefore,

ORDERED by the Florida Public Service Commission, that all electric utility companies subject to the provisions of Rules 25-17.080 through .087, Florida Administrative Code, shall submit tariffs in compliance with these rules as implemented by this order within ten (10) days of the date of this order. It is further

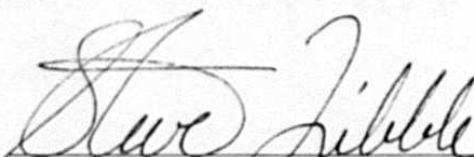
ORDERED that all electric utility companies subject to the provisions of Rules 25-17.080 through .087, Florida Administrative Code, shall submit a standard offer contract for the purchase of firm capacity and energy from QFs in compliance with these rules as implemented by this order within ten (10) days of the date of this order. It is further

ORDERED that the Florida Public Utilities Company continue its present treatment of avoided capacity payments and avoided energy costs and be required to submit a tariff and standard offer contract for the purchase of capacity and energy from QFs in their service areas consistent with the provisions of this order. It is further

ORDERED that each utility's tariff shall have an effective date of October 16, 1989.

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BY ORDER of the Florida Public Service Commission,  
this 26th day of December, 1989.



STEVE TRIBBLE, Director  
Division of Records and Reporting

(S E A L)

5393L:SBr

Commissioner Gunter dissented with the majority's vote on the issues of fuel flexibility, biases, the avoided units, the availability of natural gas, and selection of an avoided unit which increased the state's reliance on natural gas and oil.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with

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the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.