

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of new standard offer for purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities and approval of revised tariff schedule REF-1, by Gulf Power Company.

DOCKET NO. 110095-EQ
ORDER NO. PSC-11-0288-TRF-EQ
ISSUED: July 5, 2011

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

ORDER APPROVING STANDARD OFFER CONTRACT AND RELATED TARIFFS

BY THE COMMISSION:

Case Background

Since January 1, 2006, each investor owned electric utility (IOU) has been required to continuously offer to purchase capacity and energy from specific types of renewable resources. Section 366.91(3), Florida Statutes (F.S.), specifies that the contracts for purchase must be based on the utility's full avoided cost as defined in Section 366.051, F.S., and provide a term of at least ten years. Rules 25-17.200 through 25-17.310, Florida Administrative Code (F.A.C.), implement the statutes. Gulf Power Company (Gulf) filed its petition for approval of its modified standard offer for purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities and approval of revised tariff schedule REF-1 on April 1, 2011.

We have jurisdiction over this matter pursuant to Sections 366.04 through 366.06, 366.91, and 366.92, F.S.

Analysis

Because Gulf is an IOU, Rule 25-17.250(1), F.A.C., requires it to continuously make available a standard offer contract for the purchase of firm capacity and energy from renewable generating facilities and small qualifying facilities with a design capacity of 100 kilowatts (kW) or less. In its 2011 Ten-Year Site Plan, Gulf has not identified any fossil-fueled generating units for the period 2011-2020, but it has identified a unit beyond the ten year planning horizon as the avoided unit. The unit would be a 366 megawatt (MW) natural gas-fired combustion turbine with a projected in-service date of June 1, 2022.

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A renewable generator can elect to have no performance requirements to deliver energy on an as-available basis under the current standard offer. If the renewable generator commits to certain performance requirements based on the avoided unit, including being on-line and delivering capacity by the in-service date, it can receive a capacity payment. To promote renewable generation, we require multiple options for capacity payments, including the option to receive Normal, Levelized, Early, or Early Levelized payments.

If a renewable generator elects to receive payments under the Normal or Levelized options, it would receive as-available energy rates until June 1, 2022, the in-service date of the avoided unit. If the Early or Early Levelized options are selected, capacity payments begin at an earlier date but tend to be less in the outer years as the net present value of payments must remain the same. In addition, capacity payments greater than those made under the Normal option require additional performance security from the renewable generator. Table 1 estimates the annual payments that would be made to a renewable facility of 50 MW running at a 90 percent capacity factor, with an in-service date of 2012.

Table 1 - Estimated Annual Payments to a 50 MW Biomass Facility (90% Capacity Factor)

| Year | Energy Payment (\$000) | Capacity Payment (By Type) | | | |
|------|---------------------------|----------------------------|----------------------|------------------|----------------------------|
| | | Normal (\$000) | Levelized (\$000) | Early (\$000) | Early Levelized (\$000) |
| 2012 | 17,116 | - | - | 1,140 | 1,302 |
| 2013 | 18,926 | - | - | 1,164 | 1,308 |
| 2014 | 19,820 | - | - | 1,188 | 1,308 |
| 2015 | 20,755 | - | - | 1,212 | 1,308 |
| 2016 | 20,841 | - | - | 1,236 | 1,314 |
| 2017 | 21,689 | - | - | 1,260 | 1,314 |
| 2018 | 22,556 | - | - | 1,284 | 1,320 |
| 2019 | 24,295 | - | - | 1,308 | 1,320 |
| 2020 | 24,854 | - | - | 1,338 | 1,320 |
| 2021 | 26,877 | - | - | 1,362 | 1,326 |
| 2022 | 27,669 | 2,373 | 2,555 | 1,392 | 1,326 |
| 2023 | 29,683 | 4,134 | 4,386 | 1,416 | 1,332 |
| 2024 | 31,303 | 4,212 | 4,392 | 1,446 | 1,332 |
| 2025 | 33,014 | 4,296 | 4,404 | 1,476 | 1,338 |
| 2026 | 34,686 | 4,380 | 4,410 | 1,506 | 1,338 |
| 2027 | 36,511 | 4,470 | 4,416 | 1,530 | 1,344 |
| 2028 | 38,064 | 4,560 | 4,428 | 1,566 | 1,344 |
| 2029 | 40,126 | 4,650 | 4,434 | 1,596 | 1,350 |
| 2030 | 41,470 | 4,740 | 4,446 | 1,626 | 1,350 |
| 2031 | 42,712 | 4,836 | 4,452 | 1,656 | 1,356 |

Gulf submitted a total of 18 revised tariff sheets, including 11 revised sheets for the standard offer contract and seven revised sheets corresponding to Schedule REF-1. All of the revised sheets reflect changes to the date of the avoided unit, interconnection language, and/or economic parameters. Beyond these revisions, all other terms, such as provisions for

performance, payment, and security, are retained from the 2010 standard offer contract and related tariffs.

We find the provisions of the 2011 standard offer contract and related tariffs submitted by Gulf conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C. We further find the standard offer contract provides flexibility in the arrangements for payments so that a developer of renewable generation may select the payment stream best suited to its financial needs. As such, we hereby approve the standard offer contract and related tariffs submitted by Gulf as filed.

Given that we approve the standard offer contract and tariffs filed by Gulf, if no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 110095-EQ shall be closed, and the standard offer contracts and tariffs filed by Gulf shall be effective as of the date of our vote, June 14, 2011. If a protest of our decision is timely filed, the tariffs shall remain in effect pending resolution of the protest. Potential signatories to the standard offer contract must be aware that Gulf's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.

Based on the foregoing, it is

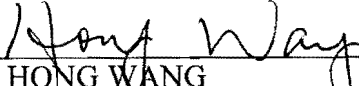
ORDERED by the Florida Public Service Commission that Gulf Power Company's standard offer contract and related tariffs are hereby approved, effective June 14, 2011. It is further

ORDERED that the provisions of this Order, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if a protest is filed within 21 days of the issuance of the Order, the tariffs shall remain in effect pending resolution of the protest. Potential signatories to the standard offer contract shall be aware that Gulf Power Company's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 5th day of July, 2011.



HONG WANG
Chief Deputy Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
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CERTIFICATE OF SERVICE

In accordance with Section 28-106.110, Florida Administrative Code, documents are electronically served on each party or each party's counsel or representative at the last e-mail address of record. Where there is no e-mail address, documents are electronically served via the last facsimile number of record and, if unavailable, documents are served via U.S. Mail at the last address of record.

LDH

NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This

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petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 26, 2011.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.