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August 29, 1990

ORIGINAL FILE COPY

Steve Tribble Director of Records and Reporting Florida Public Service Commission 101 E. Gaines Street Tallahassee, FL 32301

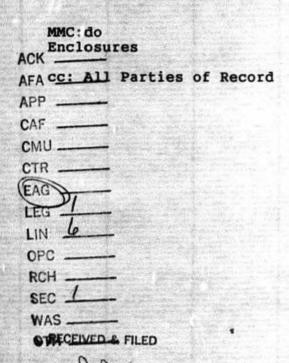
RE: Docket No. 900004-EU

Dear Mr. Tribble:

Enclosed please find the original and 15 copies of Florida Power and Light Company's Response to the Motions of AES and NPC for Clarification of Order No. 23235.

Very, truly yours

Matthew M. Childs, P.A.



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DOCUMENT NUMBER-DATE

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Planning Hearings on Load) DOCKET NO. 900004-EU Forecasts, Generation Expansion Plans) FILED: August 29, 1990 and Cogeneration Pricing for Peninsula) Florida's Electric Utilities)

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FPL'S RESPONSE TO THE MOTIONS OF AES AND NPC FOR CLARIFICATION OF ORDER NO. 23235

Florida Power & Light Company (hereinafter "FPL") provides the following response to the Motions for Clarification of Order No. 23235 filed by the AES Corporation (hereinafter "AES") and Nassau Power Corporation (hereinafter "NPC").

1. As presently stated Order No. 23235 appears to suggest that only negotiated contracts that were "negotiated against" the SAU and had the same in-service date as the SAU would count towards the previously established 500 MW subscription limit.

2. FPL asked that the Order be clarified by eliminating the statement that only contracts "negotiated against" the SAU and with the same in-service date count towards the subscription limit. AES and NPC asked the Commission to hold that only contracts with the same in-service date as the SAU count in the 500 mw subscription limit.

3. FPL asked for elimination of the "negotiated against" criterion because it is vague, difficult to prove, and, more importantly, not relevant to the purpose of a subscription limit. Whether a negotiated contract should count towards the subscription unit should depend on whether that particular

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DOCUMENT NUMBER-DATE 07798 AUG 29 1990 -PSC-RECORDS/REPORTING contract contributes to deferral or avoidance of the unit on which the subscription is based. If the negotiated contract does contribute to deferral of the subscription unit it should count in the subscription amount. Questions of whether the negotiated contract was "negotiated against" the subscribed unit or whether it has the same in-service date do not, and should not, matter.

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4. Whether a negotiated contract contributes to the deferral of the subscription unit is a question of fact and judgment, and should be answered with the customary analytical tools of generation expansion planning. It is not the sort of issue that can or should be determined on a before-the-fact basis by selection of relatively arbitrary factors such as in-service dates or what was in the mind of the parties at the time a contract was negotiated.

5. Under the present Cogeneration Rules a QF with a Standard Offer contract may have an in-service date different than the SAU. To include Standard Offer contracts with an in-service date different than the SAU in the subscription limit but exclude negotiated contracts with that same in-service date is simply arbitrary and furthers no policy objective of the Commission.

6. From the inception of the cogeneration rules through their many considered changes and revisions the Commission has always expressed a strong preference for negotiated as opposed to Standard Offer contracts. Unless clarified, Order No. 23235 severly undermines the preference for negotiated contracts because it encourages QFs to forego negotiations in favor of a Standard

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Offer contract that has a better chance of being included in the subscription limit. Moreover, the discouragement or restriction on the ability to negotiate may simply make otherwise desirable QF projects not viable. This result serves no one's interest. It forces the QF to forego the opportunity to obtain a negotiated contract better suited to its needs, utilities are precluded from negotiating for a better overall price and added assurances that the capacity will actually materialize, all of which in the long run is counter to the best interests of the state's ratepayers.

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7. For these reasons Order No. 23235 should be clarified to provide that any contract for the purchase of QF capacity may be counted toward the subscription limit of the SAU if, in fact, the contract contributes to the avoidance or deferral of the SAU.

Respectfully submitted,

STEEL HECTOR & DAVIS 215 South Monroe Street Suite 601 Tallahassee, Florida 32301-1804 Attorneys for Florida Power & Light Company

MUL 117 By:

Matthew M. Childs, P.A. Bonnie E. Davis

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CERTIFICATE OF SERVICE DOCKET NO. 900004-EU

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Response to the Motions of AES and NPC for Clarification of Order No. 23235 has been furnished to the following individuals by Hand Delivery or U. S. Mail on this 29th day of August, 1990.

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