**FLORIDA PUBLIC SERVICE COMMISSION**

 **Fletcher Building**

 **101 East Gaines Street**

 **Tallahassee, Florida 32399-0850**

 **M E M O R A N D U M**

 **JANUARY 21, 1993**

**TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING**

**FROM: DIVISION OF ELECTRIC AND GAS (HAFF)**

 **DIVISION OF LEGAL SERVICES (FRAZIER)**

**RE: DOCKET NO. 921200-EQ, PETITION OF FLORIDA POWER AND LIGHT COMPANY FOR APPROVAL OF LEE COUNTY RESOURCE RECOVERY FACILITY INTERCONNECTION AGREEMENT**

**AGENDA: FEBRUARY 2, 1993 - PROPOSED AGENCY ACTION - PARTIES MAY NOT PARTICIPATE**

**CRITICAL DATES:NONE**

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 **CASE BACKGROUND**

 On October 20, 1992, the Commission approved Florida Power & Light's (FPL) petition for approval of a negotiated cogeneration contract for as-available energy with Lee County (Order No. PSC-92-1188-FOF-EQ, Docket No. 920880-EQ). Lee County's 39.7 MW resource recovery facility, scheduled to be completed and placed into service by 1995, is a qualifying facility (QF) pursuant to the Federal Energy Regulatory Commission (FERC) guidelines. FPL now petitions the Commission for approval of the separately negotiated interconnection agreement, which was signed on October 29, 1992.

 Pursuant to the signed interconnection agreement, Lee County will bear all expenses for expansion and modification of FPL's existing Buckingham substation necessary to facilitate the interconnection. FPL will also design, construct, and own, at Lee County's expense, a switching station (known as Lazy Acres) to be located adjacent to Lee County's plant and a 138 kV transmission line connecting the Lazy Acres switching station to FPL's electric system at the Buckingham substation. Pursuant to the agreement, Lee County will design and construct all required transmission access roads and obtain all permits necessary to construct, operate, and maintain the transmission line facilities.

 At the expiration of the interconnection agreement, FPL has the option to remove the switching station, substation, and transmission facilities and reconfigure its electric system at Lee County's expense, or retain the facilities and assume all future cost responsibilities.

 **DISCUSSION OF ISSUES**

**ISSUE 1**: Should the Commission approve the terms and conditions of the negotiated interconnection agreement between Florida Power and Light Company and Lee County?

**RECOMMENDATION**: Yes. The terms set forth in the agreement comply with the Commission's rules and do not adversely impact FPL's system reliability or its costs of providing electric service to its ratepayers.

**STAFF ANALYSIS**: In addition to general interconnection provisions, the agreement contains the following terms and conditions:

1.**Transfer of Land for Lazy Acres switching station and transmission
facilities**

 Lee County will transfer to FPL easement rights to property that is necessary for constructing, operating, and maintaining the Lazy Acres switching station and the transmission facilities.

2.**Cost of Interconnection**

 FPL has estimated that the cost of interconnecting Lee County's solid waste facility to FPL's system will be approximately $5.5 million. This estimate includes all substation and transmission line upgrades necessary to accommodate the interconnection.

3.**Assessment of a Regulation Service Charge against Lee County**

 Because Lee County's generator will be synchronized with FPL's system, any instantaneous increase or decrease in electrical output from Lee County's units will automatically cause an opposite compensating adjustment in the output of FPL's generators. Thus, FPL will provide Lee County with regulation service to compensate (regulate) for all deviations in the electrical output of Lee County's facility. Regulation swing is the difference between the highest and lowest instantaneous demand (measured in Kw) received and recorded by FPL during each hour, and FPL's regulation service will offset this swing. FPL's Regulation Service Charge is based on FPL's actual cost of generation to respond to real-time fluctuations in the output of Lee County's facility.

 FPL's assessment of a Regulation Service Charge in the Lee County interconnection agreement is similar to its assessment for regulation service to Georgia-Pacific under the terms of an interconnection agreement approved by the Commission on August 19, 1992 (Order No. PSC-92-0790-FOF-EQ, Docket No. 920582-EQ). While it approved the Regulation Service Charge in the Georgia-Pacific case, the Commission did not intend to imply its generic approval of the regulation service assessment fee. Staff believes that the fee is appropriate in the Lee County agreement.

 The terms and conditions as set forth in the interconnection agreement are appropriate. They conform to provisions of the Commission's rules and do not adversely affect the reliability or cost of providing service to FPL's ratepayers. Therefore, Staff recommends the Commission approve the negotiated interconnection agreement between FPL and Lee County.

**ISSUE 2**: Should this docket be closed?

**RECOMMENDATION**: Yes.

**STAFF ANALYSIS**: If no substantially affected person files a timely request for a hearing within 21 days of the issuance of the order, the Interconnection Agreement between FPL and Lee County will be effective, and this docket should be closed.