

**ORIGINAL**

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**Docket No. 060555-EI**

**On behalf of Progress Energy Florida**

**Consisting of 2 pages.**

The attached document for filing is Progress Energy's  
**Post-Workshop comments regarding the proposed**  
**Amendments to Rule 25-17.0832, F.A.C., Firm Capacity**  
**and Energy Contracts.**

<PEF Post Workshop Comments 060555.doc>>

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**PEF'S POST-WORKSHOP COMMENTS**  
**Proposed amendments to Rule 25-17.0832, F.A.C., Firm Capacity and Energy Contracts**  
**Docket No. 060555-EI**

PEF agrees with the proposed rule changes at issue in this workshop. These changes have been discussed and analyzed after several workshops and agenda discussions. PEF incorporates and restates all of its previous written comments filed in this docket to date. Accordingly, PEF's comments below only deal with certain issues that were raised at the August 23, 2006 workshop.

Much of the discussion at the August 23, 2006 workshop focused on the intent of Section 366.91. Subsection 1 of Section 336.91 states that "it is in the public interest to promote the development of renewable energy resources in the state" for a number of reasons. Subsection 2 defines the terms biomass and renewable energy. Subsections 3 and 4 provide the direction on how to promote the development of renewable resources. Subsection 3 reads:

*On or before January 1, 2006, each public utility must continuously offer a purchase contract to producers of renewable energy. The commission shall establish requirements relating to the purchase of capacity and energy by public utilities from renewable energy producers and may adopt rules to administer this section. **The contract shall contain payment provisions for energy and capacity which are based upon the utility's full avoided costs, as defined in s. 366.051; however capacity are not required if, due to the operational characteristics of the renewable energy generator or the anticipated peak and off-peak availability and capacity factor of the utility's avoided unit, the producer is unlikely to provide any capacity value to the utility or the electric grid during the contract term. Each contract must provide a contract term of at least 10 years. Prudent and reasonable costs associated with a renewable energy contract shall be recovered from the ratepayers of the contracting utility, without differentiation among customer classes, through the appropriate cost-recovery clause mechanism administered by the commission. (Bold added for emphasis.)***

Subsection 4 provides similar language for municipal electric utilities and rural electric cooperatives that meet a minimum sales requirement. Subsection 5 addresses interconnection costs.

Clearly, the intent of this statute is that avoided costs to be paid to the producers of renewable energy remain the same as previously defined in Section 366.051. As addressed in the IOU's post-workshop comments regarding the FPSC March 6, 2006 workshop, the development of avoided cost in Section 336.051 is well established. Further, the Commission's rules already define the methodology for the calculation of avoided capacity and energy costs as established in response to Section 336.051.

Regarding comments about the term of the renewable standard offer contracts, the statutory intent is also clear. The requirement is that the contract term is at least 10 years

and obviously a contract term of 10 years meets this requirement. This Section could have easily required a contract term to be determined by the renewable supplier within some limits but it did not.

Turning to the comments at the workshop regarding subscription limits, concern seemed to be that once a renewable standard offer is fully subscribed it would then be closed and until a replacement standard offer is filed and approved, that no standard offer would be available. Under the portfolio approach outlined in the proposed rule changes, however, this would be very unlikely. First, the avoided units tend to be much larger than renewable projects so it would take a number of renewable projects to fully subscribe the entire capacity of an avoided unit. Second, if an avoided unit is fully subscribed, the other avoided units in the portfolio are still available to the renewable supplier. The odds of renewable suppliers fully subscribing all of an utility's avoided units is almost nonexistent.

Finally and most importantly, PEF firmly believes that a negotiated contract is better for all parties. The standard offer contract is a starting point for negotiations and provides the renewable supplier a fall-back position if a contract cannot be negotiated. The Commission's rules already provide that a utility must negotiate in good faith, and if a supplier feels that a utility is not negotiating in good faith, then it can apply to the Commission for relief. It is not possible for a standard offer contract or even a series of standard offer contracts to be universally acceptable to all renewable suppliers. The needs of all suppliers are unique and should be addressed in negotiations whenever possible.

For example, PEF has received a recent request for a renewable contract with a 3 year term. This can only be addressed in a negotiated contract. PEF's latest negotiated contracts with renewable suppliers have unique terms and conditions that address the needs of the renewable supplier while attempting to fairly protect our customers from the additional risks. PEF believes that these recently executed and approved contracts demonstrate that the negotiation process works and is better for all parties.