

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Tampa  
Electric Company to close  
standard offer contract and for  
approval of a new standard offer  
contract for qualifying  
cogeneration and small power  
production facilities.

DOCKET NO. 990536-EQ  
ORDER NO. PSC-99-1388-TRF-EQ  
ISSUED: July 19, 1999

The following Commissioners participated in the disposition of  
this matter:

JOE GARCIA, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
JULIA L. JOHNSON  
E. LEON JACOBS, JR.

ORDER APPROVING CLOSURE OF STANDARD OFFER CONTRACT  
AND APPROVING NEW STANDARD OFFER CONTRACT

BY THE COMMISSION:

On April 19, 1999, this Commission issued Order No. PSC-99-0748-FOF-EQ, in Docket No. 981893-EQ, approving Tampa Electric Company's (TECO) petition to establish a new tariff and standard offer contract for qualifying cogeneration and small power production facilities. TECO's approved standard offer contract was based on a 180 megawatt (MW) combustion turbine (CT) unit with an in-service date of 2001. As stated in the approved standard offer contract, a two-week open season period was held from March 30, 1999, through April 13, 1999. The open season period expired with no offers presented to TECO by qualifying cogeneration or small power production facilities.

The tariff filed with TECO's existing standard offer contract calls for TECO to petition this Commission to close the standard offer after the open season period has expired. On April 30, 1999, TECO filed a petition to close the existing standard offer contract and for approval of a new tariff and standard offer contract for qualifying cogeneration and small power production facilities. The

DOCUMENT NUMBER-DATE

08532 JUL 19 99

FPSC-RECORDS/REPORTING

ORDER NO. PSC-99-1388-TRF-EQ  
DOCKET NO. 990536-EQ  
PAGE 2

new standard offer contract proposed in TECO's petition is based on a 180 MW CT unit with an in-service date of 2003.

We find that the existing standard offer contract should be closed. We also find, as discussed below, that TECO's proposed new standard offer contract should be approved.

Pursuant to federal law, the availability of standard rates is required for qualifying facilities less than 100 kilowatts (0.1 MW) in size. 16 U.S.C. 792 et seq., 18 CFR 292.304. Florida law requires us to "adopt appropriate goals for increasing the efficiency of energy consumption and increasing the development of cogeneration." Chapter 366.82(2), Florida Statutes. We are further directed to "establish a funding program to encourage the development by local governments of solid waste facilities that use solid waste as a primary source of fuel for the production of electricity." Chapter 377.709, Florida Statutes.

We implemented these federal and state requirements through adoption of the standard offer contract in Rule 25-17.0832(4), Florida Administrative Code. Pursuant to this rule, each investor-owned electric utility must file a tariff and a standard offer contract with this Commission. These provisions implement the requirements of the Public Utilities Regulatory Policies Act and promote renewable energy and solid waste-fired facilities by providing a straightforward contract. Larger qualifying facilities and other non-utility generators may participate in a utility's Request For Proposals process pursuant to Rule 25-22.082, Florida Administrative Code.

To comply with Rule 25-17.0832(4), Florida Administrative Code, TECO proposed a new tariff and standard offer contract based on a combustion turbine (CT) unit with an in-service date of January 1, 2003. CT units normally require about 18 months to construct. Therefore, TECO will need to commence construction by July 1, 2001.

TECO's proposed tariff COG-2 (firm capacity and energy) includes a three-week open season period for receiving standard offer contracts. This is an expansion of the two-week open season

in TECO's prior standard offer contract. The tariff further provides that if TECO does not receive a full subscription of 180 MW within the initial three-week open season period, an additional three-week open season period will be held in 60 days. As noted above, TECO received no offers in response to its prior standard offer contract. We believe that the expansion of the open season period will increase the probability that TECO will receive offers under its proposed standard offer contract.

TECO has proposed no changes to its criteria for evaluating submitted standard offer contracts. These evaluation criteria should be readily understandable to any developer who signs TECO's standard offer contract. The avoided unit cost parameters appear to be reasonable for a CT unit, and the resulting capacity payments are appropriate. The performance provisions are identical to those in TECO's prior standard offer contract, which was based on an identical CT unit. These provisions include dispatchability and on-peak performance incentives.

We note that any purchases made by TECO pursuant to the proposed standard offer contract are unlikely to result in the deferral or avoidance of the need for the 2003 CT unit because the eligibility pool for standard offer contracts is limited. Given past history, TECO stated that it does not expect to receive enough offers to defer the unit. If TECO enters into standard offer contracts but the need for the 2003 CT unit is not deferred or avoided, TECO will essentially be paying twice for the same firm capacity. Therefore, the requirements of federal law and the implementation of state regulations discussed above may result in a subsidy to qualifying facilities that enter into this standard offer contract. We note, however, that TECO may be able to mitigate this potential subsidy through opportunities to sell any surplus capacity to the wholesale market.

Ideally, qualifying facilities would compete on equal footing with all other producers of electricity. However, until and unless there is a change in federal and state law, qualifying facilities are given some preferential treatment. We have attempted to minimize this unequal footing by requiring standard offer contracts only for small qualifying facilities, renewables, or municipal

ORDER NO. PSC-99-1388-TRF-EQ  
DOCKET NO. 990536-EQ  
PAGE 4

solid waste facilities. These types of facilities may not be in a position to negotiate a purchased power agreement due to their size or timing. Thus, our rules attempt to balance market imperfections with the existing policy of promoting qualifying facilities.

In summary, we do not expect that TECO's proposed standard offer contract will result in the deferral or avoidance of the need to construct the 2003 CT unit. Nonetheless, TECO's proposed standard offer contract and tariffs are required by and comply with our cogeneration rules. For this reason, we approve TECO's proposed new standard offer contract and associated tariffs to become effective as of June 29, 1999, the date of our vote.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's request to close its current standard offer contract for qualifying cogeneration and small power production facilities, based on a combustion turbine with an in-service date of 2001, is hereby granted. It is further

ORDERED that Tampa Electric Company's request for approval of a new standard offer contract for qualifying cogeneration and small power production facilities, based on a combustion turbine with an in-service date of 2003, is hereby granted. It is further

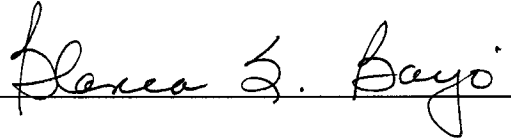
ORDERED that Tampa Electric Company's new standard offer contract for qualifying cogeneration and small power production facilities and the associated tariffs are effective as of June 29, 1999. It is further

ORDERED that if a protest is filed within 21 days of issuance of this Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

ORDER NO. PSC-99-1388-TRF-EQ  
DOCKET NO. 990536-EQ  
PAGE 5

By ORDER of the Florida Public Service Commission this 19th  
day of July, 1999.



BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )  
WCK

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 petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 9, 1999.

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.



FLORIDA PUBLIC SERVICE COMMISSION - RECORDS AND REPORTING

Requisition for Photocopying and Mailing

Number of Originals 5 Date 7, 21, 99 Copies Per Original 18  
Requested By Hunter

Item Presented \_\_\_\_\_  
Agenda For (Date) \_\_\_\_\_ Order No. 99-1388 In Docket No. 990536  
Notice of \_\_\_\_\_ For (Date) \_\_\_\_\_ in Docket No. \_\_\_\_\_  
Other \_\_\_\_\_

Special Handling Instructions

Distribution/Mailing

Number	Distributed/Mailed To	Number	Distribution/Mailed To
<u>18</u>	<u>Commission Offices</u>	_____	_____
_____	<u>Docket Mailing List - Mailed</u>	_____	_____
<u>(2)</u>	<u>Docket Mailing List - Faxed</u>	_____	_____

Note: Items must be mailed and/or returned within one working day after issue unless specified here:

Print Shop Verification

Job Number 214 Verified By W.S.  
Date and Time Completed 7-21 Job Checked For Correctness and Quality (Initial) \_\_\_\_\_

Mail Room Verification

Date Mailed \_\_\_\_\_ Verified By \_\_\_\_\_

M E M O R A N D U M

JULY 19, 1999

✓  
RECEIVED-PPSC

JUL 19 PM 12:10

RECORDS AND  
REPORTING

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (C. KEATING) *WCK IRVE*

RE: DOCKET NO. 990536-EQ - PETITION BY TAMPA ELECTRIC COMPANY  
TO CLOSE STANDARD OFFER CONTRACT AND FOR APPROVAL OF A  
NEW STANDARD OFFER CONTRACT FOR QUALIFYING COGENERATION  
AND SMALL POWER PRODUCTION FACILITIES.

*- TRF - 1388*

---

Attached is an ORDER APPROVING CLOSURE OF STANDARD OFFER CONTRACT AND APPROVING NEW STANDARD OFFER CONTRACT to be issued in the above-referenced docket. (Number of pages in Order - 5)

WCK/js

Attachment

cc: Division of Electric and Gas (Harlow, Haff, Goad)

I:990536or.wck

*4.25*

*2/0*