

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of  
standard offer contract for  
purchase of firm capacity and  
energy from certain small  
qualifying facilities by Gulf  
Power Company

DOCKET NO. 991183-EQ  
ORDER NO. PSC-99-2215-TRF-EQ  
ISSUED: November 9, 1999

The following Commissioners participated in the disposition of  
this matter:

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

ORDER APPROVING STANDARD OFFER CONTRACT AND TARIFF

BY THE COMMISSION:

On August 23, 1999, Gulf Power Company (Gulf) requested Commission approval to establish a new standard offer contract. The avoided unit for this new contract is Smith Unit 3, a 532 MW combined cycle generating unit with a June, 2002 in-service date. We granted the proposed avoided unit a Determination of Need in Order No. PSC-99-1478-FOF-EI, issued August 2, 1999, in Docket No. 990325-EI.

I. LEGAL REQUIREMENTS FOR APPROVAL OF STANDARD OFFER CONTRACTS

Pursuant to federal law, the availability of standard rates is limited to qualifying facilities less than 100 kilowatts (0.1 MW) in size. 16 U.S.C. 2601 *et seq.*, 15 U.S.C. 791 *et seq.*, 16 U.S.C. 792 *et seq.*, 18 CFR 292.304. Pursuant to Florida law, we are directed to "adopt appropriate goals for increasing the efficiency of energy consumption and increasing the development of cogeneration." Section 366.82(2), Florida Statutes. We are further directed 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." Section 377.709, Florida Statutes.

We implemented these federal and state laws through the adoption of our standard offer contract rules. Rule 25-17.0832(4)(a), Florida Administrative Code, requires each investor-owned electric utility to file a standard offer contract and

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associated tariffs with the Commission. These provisions effectuate the requirements of the Public Utilities Regulatory Policies Act (PURPA) and promote renewables and governmental solid waste-fired facilities of any size by providing a simple, straight-forward contract. Larger qualifying facilities and other non-utility generators may participate in a utility's Request For Proposal process.

## II. GULF'S PROPOSED STANDARD OFFER CONTRACT AND ASSOCIATED TARIFF

Gulf proposes a Standard Offer Contract based upon Smith Unit 3, a 532 MW combined cycle unit with a June, 2002, in-service date. This proposed contract comports with the requirements of both Order No. PSC-99-1091-PAA-EI, issued May 28, 1999, in Docket No. 990172-EI, and our rules.

Consistent with Order No. PSC-99-1091-PAA-EI, Gulf's proposed standard offer contract provides for a two-week open solicitation period to start on the effective date of the contract. Because the eligibility pool for standard offer contracts is limited, it appears to be unlikely that purchases made by Gulf pursuant to the proposed standard offer contract will defer or avoid Smith Unit 3. If some qualifying facilities do sign Gulf's standard offer contract but do not defer or avoid the construction of Smith Unit 3, Gulf could essentially pay twice for the same firm capacity. In effect, the firm capacity payments under the Standard Offer Contract amount to a subsidy to the qualifying facility. This potential subsidy is created by the requirements of the federal law and the implementation of state regulations.

Gulf's proposed standard offer contract includes a provision to minimize any potential subsidy paid to qualifying facilities. The capacity available under the contract is: (1) up to 10 MW; or (2) between 385 and 574 MW. The first band of capacity is capped at 10 MW to reduce the amount of standard offer capacity that clearly will not defer or avoid Smith Unit 3. The second band of capacity, if fully subscribed, is expected to defer the need for Smith Unit 3. However, the likelihood of this happening appears to be remote. By offering two capacity bands, Gulf is encouraging small (less than 0.1 MW) qualifying facilities while giving an opportunity for renewables and governmental solid waste facilities whose size is not limited by the standard offer contract.

The avoided unit cost parameters contained on Sheet Number 9.24 of the contract appear to be consistent with the parameters associated with Smith Unit 3 as previously approved by the

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Commission. Gulf's proposed COG-2 (firm capacity and energy) tariff complies with Rule 25-17.0832, Florida Administrative Code. Gulf's firm capacity payments made to cogenerators, as contained on Sheet Number 9.11 of the COG-2 tariff, are appropriate. The performance provisions for qualifying facilities appear to be appropriate for a combined cycle generating unit.

### III. CONCLUSION

In summary, we do not expect that Gulf's proposed Standard Offer Contract will result in the deferral or avoidance of Smith Unit 3, the 574 MW CC unit with a June, 2002 in-service date. Nonetheless, Gulf's proposed contract and COG-2 tariff comply with the Commission's cogeneration rules. Therefore, we approve Gulf's petition for a new standard offer contract with an effective date of December 1, 1999.

If a protest is filed, the tariffs should remain in effect pending resolution of the protest. Because the tariffs do not require the delivery of any capacity until June 1, 2002, any protest will be resolved prior to the performance date.

It is therefore

ORDERED that Gulf Power Company's petition for approval of standard offer contract for purchase of firm capacity and energy from certain small qualifying facilities is approved, effective December 1, 1999. It is further

ORDERED that the tariffs shall remain in effect pending resolution of any protest.

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed upon the issuance of a consummating order.

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By ORDER of the Florida Public Service Commission this 9th  
day of November, 1999.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

( S E A L )

GAJ

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 November 30, 1999.

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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.