

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company. | DOCKET NO. 110091-EQ
ORDER NO. PSC-11-0466-TRF-EQ
ISSUED: October 13, 2011

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

ORDER APPROVING FLORIDA POWER & LIGHT COMPANY'S
REVISED STANDARD OFFER CONTRACT
AND RELATED TARIFF SHEETS

BY THE COMMISSION:

Case Background

Since January 1, 2006, each investor owned electric utility (IOU) has been required to continuously offer to purchase capacity and energy from specific types of renewable resources. Section 366.91(3), Florida Statutes (F.S.), specifies that the contracts for purchase must be based on the utility's full avoided cost as defined in Section 366.051, F.S., and provide a term of at least 10 years. Rules 25-17.200 through 25-17.310, Florida Administrative Code (F.A.C.), implement the statutes.

Florida Power & Light Company (FPL or Company) filed its petition for approval of a renewable energy tariff and standard offer contract on April 1, 2011. Consistent with Rule 25-17.250, F.A.C., the contract is based on FPL's 2011 Ten-Year Site Plan (TYSP) which identifies a 1,191 megawatt (MW) natural gas-fired combined cycle Greenfield unit with an in-service date of June 1, 2016, as FPL's next fossil fueled generating unit. The need for the described unit was based on FPL's then current resource planning assumptions which assumed planned maintenance during all summer months.

On May 25, 2011, FPL filed a letter informing the Florida Public Service Commission (Commission) that the aforementioned planned maintenance may be performed during non-summer months. FPL further indicated that additional analysis, which would be completed within two months (late July), would determine whether FPL's next planned generating unit would be required in 2016 or 2017. As a result, FPL requested that we defer consideration of its standard offer contract until it completed such analysis. On May 27, 2011, FPL withdrew its

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requested deferral; however, through discussions with our staff, FPL indicated that it would complete the additional analysis and provide the results to staff.

On July 18, 2011, FPL filed a petition reflecting the Company's intentions to remove four 1960s-era oil natural gas-fueled steam electric generating units and to replace them with a new 1,327 MW combined-cycle power plant with an in service date of June 1, 2016 (Port Everglades Modernization). On July 29, 2011, as a follow up to the aforementioned May 25 and 27, 2011 letters, FPL confirmed that the Company's next planned generating unit would be required in 2016.

On September 12, 2011, in response to a staff data request, FPL indicated that the Port Everglades Modernization will be constructed instead of the 2016 combined cycle Greenfield unit specified in the Company's 2011 TYSP and in its April 1, 2011, standard offer contract filing. FPL also provided revised schedules and tariff sheets for its 2011 standard offer contract to reflect payments based on the Port Everglades Modernization.

We have jurisdiction over this matter pursuant to Sections 366.04 through 366.06, 366.91, and 366.92, F.S.

Analysis

Pursuant to Rule 25-17.250, F.A.C., FPL must continuously make available a standard offer contract for the purchase of firm capacity and energy from renewable generating facilities and small qualifying facilities with a design capacity of 100 kilowatts or less. The Rule specifies that the standard offer contract must be based on the next avoidable fossil fueled generating unit identified in the utility's TYSP.

In its 2010 TYSP, FPL projected a reliability need starting in 2018. At that time, FPL anticipated returning inactive reserve units to service in order to satisfy its projected reliability needs. As such, FPL's 2010 TYSP had no fossil-fueled generating units that could qualify as an avoided unit during the 2010-2019 period. FPL's 2010 TYSP did include a notation that a fossil-fueled generation unit capable of serving as the avoided unit would next be required in 2025. The unit was a 1,212 MW natural gas-fired combined cycle plant with a projected in-service date of June 1, 2025.

An increase in FPL's forecasted firm peak load has shifted FPL's projected reliability need forward by two years. In addition to the shift in FPL's projected reliability need, FPL indicates that preliminary projections show that the construction of new generating capacity may be more economical than bringing inactive reserve units back on-line.¹ These changes have accelerated FPL's need for new generation by nine years (from 2025 to 2016). Thus, in its 2011

¹ In 2009 FPL began temporarily removing generating capacity from active service (inactive reserve). In total, more than 1,900 MW of generating capacity have been placed on inactive reserve.

TYSP, FPL identified a 1,191 MW natural gas-fired combined cycle Greenfield unit with an in-service date of June 1, 2016, as its next fossil fueled generating unit.

Subsequent to filing its 2011 TYSP, FPL indicated that the 1,327 MW Port Everglades Modernization, with an in-service date of 2016, will be constructed instead of the 2016 combined cycle Greenfield unit identified in the Company's 2011 TYSP. Upon review, we find that FPL's 2011 standard offer contract and related tariffs shall be based on the Port Everglades Modernization which reflects the Company's most recent estimate of avoided costs.

Consistent with Rule 25-17.250, F.A.C., if a renewable generator commits to certain performance requirements, including being on-line and delivering capacity by the in-service date, it can receive a capacity payment. To promote renewable generation, we require multiple options for capacity payments (Normal, Levelized, Early, and Early Levelized). If a renewable generator elects to receive Normal or Levelized capacity payments, that generator will receive those payments starting on the in-service date of the avoided unit (2016). As previously discussed, the avoided unit contained in FPL's 2010 standard offer contract had an in-service date of 2025, therefore, the shift in the in-service date of the avoided unit can be beneficial to renewable providers in the near term because they can receive capacity payments at an earlier date.

If a renewable generator elects Early or Early Levelized capacity payments, those payments will begin at an earlier date but tend to be less in the outer years as the net present value of payments must remain the same. In addition, capacity payments greater than those made under the Normal option require additional performance security from the renewable generator. Table 1 reflects estimates of the annual payments that would be made to a renewable facility of 50 MW running at a 94 percent capacity factor, with an in-service date of 2012.

Table 1 - Estimated Annual Payments to a 50 MW Renewable Facility (94% Capacity Factor)

Year	Energy Payment \$000	Capacity Payment (By Type)			
		Normal \$000	Levelized \$000	Early \$000	Early Levelized \$000
2012	19,975	-	-	3,131	3,790
2013	19,110	-	-	3,223	3,804
2014	18,987	-	-	3,318	3,819
2015	20,222	-	-	3,416	3,835
2016	19,129	4,815	5,633	3,516	3,851
2017	18,721	4,958	5,657	3,619	3,867
2018	20,178	5,105	5,682	3,726	3,884
2019	21,357	5,257	5,707	3,835	3,901
2020	22,597	5,414	5,734	3,948	3,918
2021	23,864	5,575	5,760	4,064	3,936
2022	25,554	5,741	5,788	4,184	3,955
2023	27,344	5,912	5,816	4,307	3,974
2024	29,164	6,088	5,846	4,433	3,994
2025	30,990	6,269	5,876	4,564	4,014
2026	31,692	6,456	5,907	4,698	4,034
2027	32,277	6,644	5,935	4,836	4,055
2028	32,882	6,837	5,963	4,978	4,077
2029	33,500	7,037	5,992	5,125	4,099
2030	34,150	7,242	6,022	5,275	4,122
2031	34,845	7,453	6,053	5,431	4,146
Total (2011 NPV)	244,986	40,517	40,515	40,514	40,516

FPL submitted revisions to its standard offer contract and related tariff sheets reflecting changes associated with the Port Everglades Modernization, with a majority of revisions related to the new economic parameters. Except as specifically revised by FPL, all other terms such as provisions for performance, payment, and security are retained from the 2010 standard offer contract and related tariffs.

Decision

The provisions of the revised 2011 standard offer contract and related tariffs conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C. The revised standard offer contract provides flexibility in the arrangements for payments so that a developer of renewable generation may select the payment stream best suited to its financial needs. As such, the revised standard offer contract and related tariffs filed by FPL are hereby approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the revised standard offer contract and related tariffs filed by Florida Power & Light Company are hereby approved. 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. Potential signatories to the standard offer contract should be aware that FPL's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised. It is further

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

By ORDER of the Florida Public Service Commission this 13th day of October, 2011.



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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 Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 3, 2011.

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.