

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of)	DOCKET NO. 890094-EQ
cogeneration contract between Florida)	
Power Corporation and General Peat)	ORDER NO. 21296
Resources L.P.)	
<hr/>		ISSUED: 5-30-89

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER APPROVING COGENERATION CONTRACT

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

General Peat Resources L.P. (G.P.), a biomass-burning small power producer, and Florida Power Corporation (FPC) entered into a negotiated contract for the sale of cogenerated electricity on November 30, 1988. Simultaneous with the signing of the negotiated contract for the sale of electricity, FPC and G.P. also signed an interconnection agreement. Pursuant to the terms of the sales contract, FPC will buy all of the electric power produced by G. P. at its proposed facility, a 61,176 KVA synchronous generator which is designed to produce a maximum of 52 MW. This facility will be located in Highlands County, Florida, near Lake Placid, about 20 miles south of Sebring.

The contract will commence on the date of the first delivery of committed capacity and will end at 12:00 midnight, December 31, 2024. However, if commercial operation of the facility is not accomplished before January 1, 1995, FPC shall not be obligated to make capacity payments to the facility.

G.P. is eligible to receive payments for energy delivered to FPC prior to January 1, 1995. Pursuant to Rate Schedule COG-2, these payments shall be based on FPC's actual hourly avoided as-available energy costs. As of January 1, 1995, G.P. will receive energy payments based on the lesser of FPC's actual avoided energy costs or the fuel cost of the statewide avoided unit as defined in Rate Schedule COG-2.

A summary of the terms and conditions of the contract, which vary from the terms and conditions contained in FPC's standard offer, is as follows:

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1. In addition to providing 52 MW of capacity at an overall capacity factor of 70%, G.P. is also required to maintain an on-peak capacity factor of 75% calculated on a twelve-month rolling average.
2. FPC and G.P. have negotiated a 30 year value-of-deferral contract beginning in 1995 consistent with FPC's standard offer which requires a minimum term of ten years past the 1995 in-service date of the statewide avoided unit. However, the capacity stream is front-loaded such that G.P. receives larger payments from FPC in the early years and smaller payments near the end of the contract. The present value of this front-loaded payment stream is equal to the present value of the capacity payments in the standard offer contract.
3. All front-loaded capacity payments paid during the first seven years of the contract will be credited to the capacity account. This capacity account keeps a cumulative balance of all front-loaded capacity payments which are in excess of the year-by-year value of deferral of the avoided unit.
4. In addition to the provisions of FPC's standard offer contract which cover default, the negotiated contract states that FPC can declare G.P. to be in default if the facility fails to maintain the required on-peak capacity factor on a twelve-month rolling average basis for twenty-four consecutive months.

If G.P. defaults, FPC's obligation to make capacity payments to G.P. is suspended until the default is remedied. Default by the facility does not relieve it of its obligation to sell all generated energy to FPC should energy production resume prior to the termination of the contract. In the event G.P. remedies any default or force majeure events, the capacity payment amounts will not exceed those which otherwise would have been paid.

Section 25-17.083(2), Florida Administrative Code, states that a negotiated contract for the sale of cogenerated power will be considered prudent for cost recovery purposes when the following criteria are met:

1. It is demonstrated that the utility's purchases under the negotiated contract can reasonably be expected to result in the economic deferral or avoidance of Florida's utilities' construction of additional generating capacity from a statewide perspective;

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2. The cumulative present worth of the utility's payments for firm capacity and energy over the term of the negotiated contract are to be no greater than the cumulative present worth of the value of the year-to-year deferral of the statewide avoided unit over the terms of the contract; and
3. To the extent that annual firm capacity and energy payments by the utility in any year exceed that year's annual value of deferring the statewide avoided unit, there is a security bond or equivalent assurance of the qualifying facility's performance of the terms of the negotiated contract so as to protect the utility's ratepayer.

We find that the proposed contract does meet the above criteria and should be approved. FPC's contract can be reasonably expected to result in the economic deferral or avoidance of the construction of additional generation capacity by Florida electric utilities and falls within the 500 MW subscription limit of the current statewide avoided unit. The cumulative present worth of the stream of payments under the contract does not exceed that of the year-by-year deferral of the statewide avoided unit over the term of the agreement. There is adequate security in the form of either an irrevocable letter of credit or other guarantee acceptable to FPC to cover the fact that the contract has front-loaded capacity payments. And finally, the net present worth of firm capacity and energy payments pursuant to the negotiated contract compared to the year-by-year value of deferring FPC's own 150 MW combustion turbine avoided unit, indicates that the present contract is less than the year-by-year value of deferring FPC's own unit by \$6,774,000 over the term of the contract.

For the above stated reasons, it is therefore,

ORDERED by the Florida Public Service Commission that the negotiated contract for the sale of cogenerated power entered into between Florida Power Corporation and General Peat Resources L.P. on November 30, 1988, is hereby approved.

By ORDER of the Florida Public Service Commission,
this 30th day of MAY, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

SBr

by: Kay Flynn
Chief, Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on June 19, 1989. In the absence of such a petition, this order shall become effective June 20, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent 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.

If this order becomes final and effective on June 20, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.