

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Approval of)
cogeneration between Florida)
Power Corporation and Seminole)
Fertilizer Corporation.)
_____)

DOCKET NO. 900917-EQ
ORDER NO. 24099
ISSUED: 2-12-91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
BETTY EASLEY
FRANK S. MESSERSMITH
MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTION

ORDER 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.

Seminole Fertilizer Corporation (SFC) is a cogenerator whose proposed facility is located near Bartow, Florida in Polk County. Pursuant to an interconnection agreement to be signed by July 1, 1991, Florida Power Corporation (FPC) will purchase all energy and capacity in excess of SFC's internal consumption. FPC will initially purchase not less than 15 MW nor more than 47 MW from SFC.

The contract will begin with the initial delivery of committed capacity on October 1, 1992 and end on December 31, 2007. A summary of the terms and conditions of the negotiated contract are as follows:

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The negotiated contract allows SFC to receive a monthly capacity payment which is based on the value of the annual capacity factor during that month. Shown in Attachment A is the payment stream at 85% on-peak capacity factor. The maximum capacity payment will be based on the 85% on-peak capacity factor. The capacity payment made to SFC will decrease in the event the on-peak capacity factor is less than 85% but greater than or equal to 50%. No capacity payment shall be made if the on-peak capacity factor falls below 50%.

If the delivery of capacity and energy begins prior to October 1, 1992, SFC will receive energy payments based on 100% of FPC's actual avoided energy costs. Following the in-service date (October 1, 1992) SFC will receive an energy payment based on 80% of the average monthly price of fuel burned at FPC's Crystal River Units 1 and 2 for each hour FPC would have had a unit with these characteristics operating, and during all other hours FPC's actual avoided energy cost. Each month energy payments shall be adjusted by a performance adjustment factor based on the committed capacity, the on-peak capacity factor, the energy price, and the hourly energy delivered to FPC.

Section 25-17.082, Florida Administrative Code, requires electric utilities to purchase electricity from qualifying facilities (QF) at rates agreed upon by the electric utility and the QF or at rates specified in the standard offer contract.

Section 25-17.0832(2), Florida Administrative Code, states that in reviewing negotiated firm capacity and energy contracts for purposes of cost recovery, the Commission shall consider the following factors that would impact the purchasing utility's general body of retail and wholesale customers:

- a. Whether the additional firm capacity and energy is needed by the purchasing utility and by Florida utilities from a statewide perspective; and
- b. The present worth of the utility's payments for firm capacity and energy to the QF over the life of the contract are projected to be no greater than the present worth of the year-by-year deferral of the construction and operation of generation by the purchasing utility

over the life of the contract; or the present worth of other capacity and energy costs that the contract is designed to avoid; and

c. To the extent that annual firm capacity and energy payments made to the QF in any year exceed that year's annual value of deferring the construction and operation of generation by the purchasing utility or other capacity and energy related costs, whether the contract contains provisions to ensure repayment of such payments exceeding that year's value of deferring that capacity in the event that the QF fails to deliver firm capacity and energy pursuant to the negotiated contract; and

d. Considering the technical reliability, viability and financial stability of the QF, whether the contract contains provisions to protect the purchasing utility's ratepayers fails to deliver firm capacity and energy as specified by the contract.

FPC states that all four criteria listed above are satisfied as follows:

a. Capacity and energy to be purchased from SFC is needed by FPC to meet reliability and reserve margin requirements and will contribute to maintaining a loss of load probability of less than 0.1 days per year. The capacity provided by SFC will improve the loss of load probability for the State and contribute to the capacity needs of the State; and

b. An analysis provided by FPC indicates that the present value of its payments to SFC for firm capacity and energy will be no greater than the present worth of the value of a year-by-year deferral of FPC's avoided costs.

FPC's avoided costs are derived from its 1991 pulverized coal unit as filed in Docket No. 900004-EU. This unit is rated at 300 MW with an 83% on-peak capacity factor; and

c. Because SFC will receive capacity and energy payments that are larger than FPC's avoided costs from the in-service date of October 1, 1992 through 1998, FPC has

required a letter of credit of sufficient magnitude to secure the balance; and

d. The contract contains security to protect FPC's ratepayers in the event the QF fails to deliver firm capacity and energy as required in the contract. The contract contains several performance milestone dates which, if not achieved, would permit FPC to terminate the contract.

FPC analysis as shown on Attachment A to this Order indicates its payments for firm capacity and energy to SFC is less than the year-by-year deferral of FPC's avoided costs by \$2,042,413.

We find that the negotiated cogeneration contract between FPC and SFC is a viable generation alternative for the following reasons:

1. The capacity and energy generated by the facility is needed by FPC and Florida's utilities; and
2. It appears to be cost-effective to FPC's ratepayers; and
3. FPC's ratepayers are protected from default by SFC; and
4. It meets all the requirements and rules governing qualifying facilities.

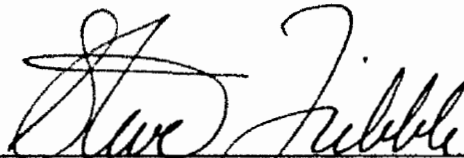
Based on the above, it is

ORDERED by the Florida Public Service Commission that the negotiated contract entered into between Florida Power Corporation and Seminole Fertilizer Corporation, executed on October 30, 1990, is hereby approved for cost recovery purpose. It is further

ORDERED that this Order shall become final unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

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By ORDER of the Florida Public Service Commission, this 12th
day of February, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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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 March 5, 1991.

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In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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 the date described above, 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.

Appendix A

Seminole Fertilizer

47 MW
 0.85 Capacity Factor

Year	Accel Capacity Credits \$/KW/Mo.	Accel Capacity Credits \$/Year	80% Avoided Coal Fuel \$/MWH	Energy Payment * \$/Year	Total Payments to Seminole \$/Year	Avoided Capacity Cost \$/KW/Mo.	85/83 Avoided Cap Cost \$/KW/Mo	Avoided Capacity Cost \$/Year	Avoided Energy Cost \$/MWH	Avoided Energy Cost * \$/Year	Total Avoided Cost \$/Year
1992	20.64	\$2,910,240	17.55	\$1,595,341	\$4,505,581	11.48	11.76	\$1,657,684	26.88	\$2,443,463	\$4,101,147
1993	21.15	\$11,928,600	18.23	\$8,650,439	\$19,579,039	12.06	12.35	\$8,965,740	28.05	\$10,199,275	\$17,165,015
1994	21.69	\$12,227,520	19.10	\$6,944,951	\$19,172,481	12.68	12.99	\$7,323,846	29.32	\$10,661,050	\$17,984,906
1995	22.21	\$12,526,440	20.07	\$7,297,663	\$19,824,103	13.32	13.64	\$7,693,504	30.82	\$11,206,479	\$18,899,983
1996	22.76	\$12,636,640	21.10	\$7,572,182	\$20,508,822	14.00	14.34	\$8,086,265	32.39	\$11,777,345	\$19,863,610
1997	23.33	\$13,158,120	22.17	\$8,061,245	\$21,219,365	14.72	15.07	\$8,502,130	34.04	\$12,377,302	\$20,879,432
1998	23.91	\$13,485,240	23.30	\$8,472,125	\$21,957,365	15.47	15.84	\$8,935,323	35.78	\$13,009,954	\$21,945,307
1999	24.50	\$13,818,000	24.49	\$8,904,822	\$22,722,822	16.26	16.65	\$9,391,819	37.60	\$13,671,755	\$23,063,575
2000	25.10	\$14,156,400	25.74	\$9,359,335	\$23,515,735	17.08	17.49	\$9,865,243	39.52	\$14,389,868	\$24,235,131
2001	25.73	\$14,511,720	27.05	\$9,835,665	\$24,347,385	17.96	18.39	\$10,373,523	41.54	\$15,104,391	\$25,477,904
2002	26.39	\$14,883,960	28.43	\$10,337,447	\$25,221,407	18.87	19.32	\$10,899,130	43.66	\$15,875,235	\$26,774,365
2003	27.02	\$15,239,280	29.88	\$10,864,662	\$26,103,962	19.83	20.31	\$11,453,617	45.88	\$16,682,451	\$28,136,067
2004	27.69	\$15,617,160	31.41	\$11,421,056	\$27,038,166	20.85	21.35	\$12,042,759	48.23	\$17,536,935	\$29,579,694
2005	28.37	\$16,000,680	33.01	\$12,002,783	\$28,003,463	21.91	22.44	\$12,655,065	50.69	\$18,431,417	\$31,088,422
2006	29.09	\$16,401,120	34.69	\$12,613,649	\$29,014,769	23.03	23.58	\$13,301,906	53.27	\$19,369,532	\$32,671,439
2007	29.80	\$16,807,200	36.46	\$13,257,239	\$30,064,439	24.20	24.78	\$13,977,687	55.99	\$20,354,917	\$34,332,604
Net Present Value					\$178,945,222						\$180,997,635

* 85 Capacity Factor and 3.5% Voltage Adjustment