

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

M E M O R A N D U M

JULY 22, 1993

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF ELECTRIC AND GAS (HAPP) *msu JB 27*
DIVISION OF LEGAL SERVICES (CANZANO) *MP JDJ*

RE: DOCKET NO. 930459-EQ - PETITION TO ESTABLISH NEW STANDARD
OFFER FOR PURCHASE OF FIRM CAPACITY AND ENERGY FROM SMALL
QUALIFYING FACILITIES (UNDER 75 MW) AND SOLID WASTE
FACILITIES BY GULF POWER COMPANY

AGENDA: 8/3/93 - CONTROVERSIAL AGENDA - PROPOSED AGENCY ACTION -
PARTIES MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\EAG\WP\930459.RCM

CASE BACKGROUND

As a result of planning hearings held before the Commission in Docket No. 910004-EI in May of 1991, Gulf Power Company (Gulf) received Commission approval of its standard offer contract (Order No. 24989, issued August 29, 1991). Based on a 79 MW combustion turbine unit with a 1995 in-service date, the standard offer contract was available to subscribers until June 1, 1992.

Monsanto Chemical Company is Gulf's largest electric customer. On May 14, 1992, Monsanto notified Gulf of its intent to expand its existing cogeneration facility, thus allowing Monsanto to serve all its internal load of 68 MW and sell excess capacity to Gulf. On May 15, 1992, prior to the closure of Gulf's standard offer, Monsanto delivered a signed standard offer contract for 16 MW to Gulf. The Commission opened Docket No. 920581-EQ to handle both Monsanto's contract and the closure of Gulf's standard offer contract to further subscription. On August 24, 1992, the Commission issued an order which closed Gulf's standard offer to further subscription (Order No. PSC-92-0853-FOF-EQ).

However, on August 7, 1992, the Commission granted a joint motion by Gulf and Monsanto (parties) to stay the proceedings in

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Docket No. 920581-EQ (Order No. PSC-92-0772-PCO-EQ). This action allowed the parties time to negotiate a power purchase agreement in lieu of the 16 MW standard offer contract previously submitted by Monsanto. The parties signed a letter of agreement for a proposed negotiated contract for Gulf to purchase 21 MW of excess capacity from Monsanto. Although it had not been executed by the parties, the proposed negotiated contract was approved by the Commission on March 29, 1993 (Docket No. 921167-EQ, Order No. PSC-93-0466-FOF-EQ). Gulf and Monsanto subsequently executed the negotiated contract on July 1, 1993 with no changes to the previously approved proposed contract.

On July 30, 1992, in Docket No. 920768-EQ, Gulf petitioned the Commission for approval of a new standard offer contract based on a 80 MW combustion turbine unit with a 1997 in-service date as the avoided unit. Gulf withdrew its petition on March 3, 1993 because Southern Company's newly completed Integrated Resource Plan (IRP) showed that Gulf did not need new generating capacity until 1998.

Based on these developments, Gulf now petitions the Commission for approval of a new standard offer contract.

DISCUSSION OF ISSUES

ISSUE 1: Should Gulf Power Company's proposed standard offer contract be approved?

RECOMMENDATION: Yes. Staff recommends that the Commission approve Gulf's standard offer contract, based on a 80 MW combustion turbine unit with a 1998 in-service date as the avoided unit.

STAFF ANALYSIS: There are three primary reasons for the deferral of Gulf's need for capacity from 1995 to 1998:

1. Monsanto Chemical Company is Gulf's largest electric customer. In May of 1992, Monsanto notified Gulf of its intent to expand its existing cogeneration facility, thus allowing Monsanto to serve its 68 MW of internal load and sell excess capacity to Gulf. The removal of 68 MW of load from Gulf's system results in the deferral of Gulf's need for capacity in 1995 by one year, to 1996.
2. Monsanto negotiated a 10-year firm cogeneration contract to sell the 21 MW of excess capacity to Gulf. This capacity results in the deferral of Gulf's need for capacity in 1996 by

one year, to 1997.

3. Because of Gulf's updated load forecast, Southern Company's recently completed Integrated Resource Plan (IRP) showed that Gulf did not need generating capacity until 1998.

Staff has reviewed Gulf's proposed standard offer contract and does not recommend any changes. The performance provisions of the proposed contract are virtually the same as those contained in Gulf's prior standard offer contract, which was based on a 79 MW combustion turbine unit with a 1995 in-service date. Gulf has revised some of the language contained in the standard offer contract and corresponding COG-2 tariff primarily to improve the clarity.

Based on the above mentioned reasons, staff recommends that the Commission approve Gulf's proposed standard offer contract, which is based on an 80 MW combustion turbine unit with a 1998 in-service date as the avoided unit.

ISSUE 2: Should the Commission approve a subscription limit of 40 MW for Gulf's standard offer contract?

RECOMMENDATION: Yes.

STAFF ANALYSIS: Gulf has requested that the Commission approve a subscription limit of 40 MW on the new standard offer contract, thus leaving 40 MW of Gulf's avoided unit available for negotiated cogeneration contracts. Staff recommends approval of this arrangement, which will provide small cogenerators the option of subscribing to a standard offer contract while allowing Gulf the flexibility to negotiate with potential cogenerators.

However, Rule 25-17.0832(3)(c), Florida Administrative Code states that any qualifying facility (QF) smaller than 75 MW may accept any utility's standard offer contract. While a 40 MW subscription limit on Gulf's standard offer contract appears to contradict Rule 25-17.0832(3)(c), Florida Administrative Code, the rule does not preclude any QF larger than 40 MW but smaller than 75 MW from signing Gulf's standard offer contract. If this were to occur, Gulf would have to either accept the contract or petition the Commission not to accept the contract and provide justification for refusal pursuant to Rule 25-17.0832(3)(d), Florida Administrative Code.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes.

STAFF ANALYSIS: If no substantially affected person files a timely request for a hearing within 21 days of the issuance of the order, Gulf Power Company's standard offer contract and avoided unit will become effective, and this docket should be closed.