

**Florida  
Power**  
CORPORATION

ORIGINAL  
FILE COPY

JAMES A. MCGEE  
SENIOR COUNSEL

October 13, 1994

Ms. Blanca S. Bayó, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399-0870

941101-EQ

Re: Petition of Florida Power Corporation for  
determination that its plan for curtailing  
purchases from Qualifying Facilities in  
minimum load conditions is consistent  
with Rule 25-17.086, F.A.C.

Dear Ms. Bayó:

Enclosed for filing in the subject docket are fifteen copies of the above-referenced petition of Florida Power Corporation.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in Word Perfect format.

Very truly yours,

James A. McGee

JAM/jb  
Enclosures

cc: Parties per Certificate of Service

RECEIVED & FILED

FPSC BUREAU OF RECORDS

Petition  
DOCUMENT NUMBER-DATE

10501 OCT 14 8

GENERAL OFFICE

FPSC-RECORDS/REPORTING

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A Florida Progress Company

FPSC-RECORDS/REPORTING

Plan  
DOCUMENT NUMBER-DATE  
10502 OCT 14 8

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

UNIQUE  
FILE COPY

In re: Petition of Florida Power Corporation for determination that its plan for curtailing purchases from Qualifying Facilities in minimum load conditions is consistent with Rule 25-17.086, F.A.C.

Docket No. 941101-EQ

Submitted for filing:  
October 14, 1994

**PETITION**

Florida Power Corporation (Florida Power or the Company) hereby petitions the Florida Public Service Commission (the Commission) for a determination that its plan for curtailing purchases from Qualifying Facilities in minimum load conditions is consistent with and permitted under Commission Rule 25-17.086, F.A.C., and in support hereof, states as follows:

**Background**

Florida Power has begun to experience a condition where the total energy on its system may exceed the demand of its customers during minimum load periods of certain days (sometimes referred to as minimum load conditions), usually during (but not limited to) the mild-weather period from mid-October through May. The problem will be exacerbated by the addition of approximately 400 MW of QF capacity in late 1994 and 1995, which will bring the Company's total QF capacity purchases to over 1,000 MW.

Minimum load conditions present a serious operational problem to the Company's system integrity and reliability. National Electric Reliability Council (NERC) guidelines prohibit not only generation deficiencies, but also generation

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FLORIDA POWER CORPORATION  
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excesses in order to avoid frequency and voltage imbalances that can damage utility and customer equipment. Generation and load must be kept in balance in order to meet accepted industry standards and to prevent cascading effects that imbalances could cause on the systems of interconnected utilities. For this reason, excess generation is regarded as an operational emergency.

Beyond the problem of system reliability, minimum load conditions would impose additional short- and long-term operating costs on the Company and its customers if it were forced to cycle efficient baseload generating units off-line in order to absorb energy generated by QFs during low-load periods. In the short-term, higher fuel costs would be incurred for distillate oil required during unit start-up and for peaking unit operation required when customer load increases faster than baseload units can be "ramped up" after cold start-up. The long-term costs include those related to higher plant maintenance, increased forced outages and plant efficiency degradations due to thermal and operational stress associated with cycling baseload units on and off.

#### **Florida Power's Response To Minimum Load Conditions**

Florida Power is taking a number of actions to alleviate the problem of excess generation at times of minimum load, including the reduction of capacity purchases from other utilities to minimum contract levels, increasing off-system sales to the greatest extent practicable, and, most significantly, reducing the Company's own generation by taking its peaking and intermediate oil and gas units off-line and running its baseload coal units at their minimum operating levels, where system conditions permit these actions. As a result of these

initiatives, the Company's minimum generating levels are expected to be 1,739 MW for the remainder of 1994 and 1,823 MW for 1995.

If there were no additional generation on the Florida Power system, these minimum generating levels would be sufficient to deal with the Company's anticipated low load conditions.<sup>1</sup> However, as previously noted, the Company also will have over 1,000 MW of QF capacity on-line in 1995. This will create a real and immediate excess generation emergency for Florida Power during low load periods. For this reason, the Company has sought to enter into negotiations with all of its QF suppliers in order to reach consensual curtailment plans that would operate under existing power purchase contracts. As of October 12, 1994, the Company had reached such agreements with seven QF suppliers, which will reduce daily deliveries during minimum load periods by over 200 MW and will provide other reductions at specified times. As the Company finalizes more of these arrangements, it will so advise its system operating personnel.

Despite these actions, Florida Power is still faced with a situation where it may be necessary to curtail more QF generation when load falls to minimum levels. Moreover, with the beginning of the mild weather season, it is imperative to immediately put in place a procedure that provides the Company's system operating personnel clear instructions on how to handle minimum load conditions that could occur as early as this upcoming weekend. Accordingly, the Company has developed and placed into effect a generation curtailment plan for minimum load conditions, a copy of which is appended hereto. The plan document contains a more detailed explanation of the conditions which combine to cause minimum

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<sup>1</sup> During the winter of 1993/94, the Company's lowest minimum load was 1,859 MW.

load conditions on the Florida Power system and the rationale for the various provisions developed by the Company to combat such conditions.

### **Florida Power's QF Curtailment Rights**

The Company buys capacity and energy from QFs under the policies set forth in the Public Utility Regulatory Policies Act of 1978 ("PURPA") and related regulations issued by the Federal Energy Regulatory Commission ("FERC") and this Commission. Generally, those policies require utilities to purchase power from QFs assuming that the purchase will not impair system integrity. The policies also require the purchasing utility to pay rates to the QFs that are no greater than the costs which the purchase enables the utility to avoid -- "avoided cost". The purchase may result in avoided capacity and energy costs or only avoided energy costs. In some circumstances (like minimum load conditions), a purchase could even result in negative avoided costs or a net increase in operating costs for the purchasing utility. The overriding directive of the United States Congress when it enacted PURPA was that utilities and their ratepayers should be no worse off -- *i.e.*, they should not suffer any system impairment or pay any greater cost -- as a result of any QF purchase.

These standards were followed faithfully by the FERC and this Commission when they issued rules implementing the PURPA requirements. At the Federal level, the FERC's rules provide that a utility may, with proper notice, curtail QF purchases during any period when, because of operational circumstances, those purchases "will result in costs greater than those which the utility would incur if it did not make such purchases, but instead generated an equivalent amount of energy itself." 18 C.F.R. § 292.304(f)(1). When it issued this rule, the FERC

clearly had in mind the specific low load problem which Florida Power expects to face. The FERC explained this problem as follows (Order No. 69, RM79-55-000, 45 Fed. Reg. at 12227, February 25, 1980):

This section was intended to deal with a certain condition which can occur during light loading periods. If a utility operating only base load units during those periods were forced to cut back output from the units in order to accommodate purchases from qualifying facilities, these base load units might not be able to increase their output level rapidly when the system demand later increased. As a result, the utility would be required to utilize less efficient, higher cost units with faster start-up to meet the demand that would have been supplied by the less expensive base load unit had it been permitted to operate at a constant output.

The result of such a transaction would be that rather than avoiding costs as a result of the purchase from a qualifying facility, the purchasing electric utility would incur greater costs than it would have had it not purchased energy or capacity from the qualifying facility. A strict application of the avoided cost principle set forth in this section would assess these additional costs as negative avoided costs which must be reimbursed by the qualifying facility. In order to avoid the anomalous result of forcing a qualifying utility to pay an electric utility for purchasing its output, the Commission proposed that an electric utility be required to identify periods during which this situation would occur, so that the qualifying facility could cease delivery of electricity during those periods.

This Commission's rules likewise permit each utility to curtail QF purchases in low load conditions whenever the purchases "will result in costs greater than those which the utility would incur if it did not make such purchases, or otherwise place an undue burden on the utility. . . ." Rule 25-17.086, F.A.C. The rule requires notice of the circumstances giving rise to the curtailments, both to the affected QFs and to the Commission itself. Florida Power is providing that notice generally in the form of its generation curtailment plan and, as the plan

contemplates, the Company will provide more specific notice whenever a minimum load condition is likely to occur.

All of Florida Power's QF contracts recognize the Company's statutory and regulatory rights to curtail QF purchases during minimum load conditions. The Company's early standard offer contracts made clear that the QF sales and Company purchases must be "consistent with Florida Public Service Commission (FPSC) Rules 25-17.080 through 25-17.091, Florida Administrative Code." In addition, the Company's Standard Offer rate schedules, which were incorporated into those contracts, reiterated that the QF purchases would remain subject to designated FPSC rules, including Rule 25-17.086.

The more recent negotiated contracts entered into by the Company since the late 1980s also addressed curtailments under Rule 25-17.086. Not only did these contracts incorporate the Commission's rules generally (which were appended to each contract), but in Section 6.3 they also referred in particular to Rule 25-17.086 and described the reduction in power purchase payments which would result whenever minimum load conditions authorize a curtailment.

Thus, Florida Power has both the contractual and the statutory/regulatory right to curtail QF purchases as needed to address minimum load conditions. The Company's Generation Curtailment Plan is designed to do that in an equitable yet effective manner.

### **The Need For Commission Review**

A principle objective of the plan is fairness in dealing with the affected QFs. Florida Power distributed a draft of the plan's curtailment procedures to the QFs

on October 4, 1994 and invited them to an open meeting at the Company's offices in an attempt to address their comments on the plan and to understand how any individual hardships or operational inequities might be alleviated. As a result of this meeting, Florida Power received a number of comments and requests for information from the affected QFs, some of which have been responded to and others are currently under evaluation by the Company.<sup>2</sup>

Nonetheless, given the number of QFs from whom the Company purchases capacity and energy and the variety of questions which are likely to be posed by the QFs, it appears to Florida Power that a forum before this Commission may be necessary to determine that the curtailment plan, either as proposed by the Company or as modified by the Commission, fairly and effectively balances the interests of all concerned. Florida Power believes that its plan accomplishes this objective, but recognizes that the ultimate determination is subject to the Commission's regulatory authority. Accordingly, the Company seeks this Commission's review of its generation curtailment plan to determine that the procedures adopted by the Company are appropriate for dealing with the minimum load problem.

Review and approval by the Commission will also promote administrative efficiency and the orderly implementation of Rule 15-17.086, F.A.C. The rule contemplates Commission notification by the utility after a curtailment has

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<sup>2</sup> One specific suggestion was made on behalf of two of the QFs and has also been addressed in footnote 6 of the plan (at page 29). That suggestion was that QFs should have the ability to make arrangements among themselves to share the impacts of curtailments in a way that satisfies their combined operating requirements. As noted in the plan, Florida Power does not object to this type of arrangement as long as the Company can be assured of specific megawatt reductions when needed and as long as the arrangement is otherwise feasible to implement.

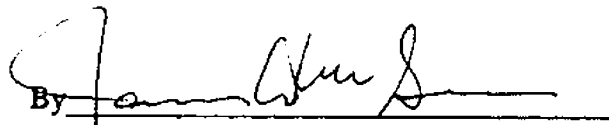


occurred and a Staff investigation if requested by an affected QF. Rather than limiting the opportunity to deal with contested issues on a piecemeal, after-the-fact basis, Florida Power believes it would be appropriate to address at this time those curtailment procedures that will govern each occurrence. This will provide stability and certainty to both the QFs in the operation of their facilities and to the Company's dispatchers in the operation of the Florida Power system during minimum load emergencies.

WHEREFORE, Florida Power Corporation respectfully requests a determination from the Commission that its generation curtailment plan for minimum load conditions, as set forth in Exhibit A hereto, is consistent with and permitted under Commission Rule 25-17.086, F.A.C.

Respectfully submitted,

OFFICE OF THE GENERAL COUNSEL  
FLORIDA POWER CORPORATION

By   
James A. McGee

Post Office Box 14042  
St. Petersburg, FL 33733-4042  
Telephone: (813) 866-5184  
Facsimile: (813) 866-4931

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Petition has been served by U.S. Mail on the 13th day of October, 1994 to the following:

Mr. Don E. Wentworth  
Timber Energy Resources, Inc.  
7801 Peterson Point Road  
Milton, FL 32583

Mr. Ed Peters  
Timber Energy Resources, Inc.  
7801 Peterson Point Road  
Milton, FL 32583

Tiger Bay Limited Partners  
2500 City West Boulevard  
Houston, TX 77042

The Fuji Bank and Trust Company  
Two World Trade Center  
New York, NY 10048

Tiger Bay Limited Partners  
2500 City West Boulevard  
Houston, TX 77042

The Fuji Bank and Trust Company  
Two World Trade Center  
New York, NY 10048

Chuck Cook  
DESTEC  
2500 City West Blvd. Suite 150  
Houston, TX 77042

Mr. J. J. Zebroski  
Manager Commercial Policy  
Westinghouse Electric Corp.  
Resource Energy Systems  
1501 Ardmore Boulevard  
Pittsburgh, PA 15221

James M. Leddy  
Plant Manager  
Bay County Energy Systems, Inc.  
6510 Bay Line Drive  
Panama City, FL 32404

Mr. Dennis Carter  
Assistant City Manager  
Metro-Dade Center  
111 NW 1st Street, 29th Fl.  
Miami, FL 33128

Mr. Juan Portuando  
President  
Montenay International  
3225 Aviation Avenue, 4th Fl.  
Coconut Grove, FL 33133

Ms. Gail Fels  
Assistant County Attorney  
Metro-Dade Center  
111 NW 1st Street, Suite 2800  
Miami, FL 33128

Mr. Jerome Glazer  
Auburndale Power Partners  
12500 Fair Lakes Circle, Suite 420  
Fairfax, VA 22033

Mr. Don Fields  
Executive Director  
Auburndale Power Partners  
1501 Derby Avenue  
Auburndale, FL 33823

Henry A. Lyczak  
LFC Financial Corp.  
Three Radnor Corporate Center  
Suite 400  
Radnor, PA 19087

Keith Trostle  
Lake Cogen, Ltd.  
1551 N. Tusdin Avenue  
Suite 900  
Santa Ana, CA 92701

TIFD-C Inc.  
c/o GECC  
1600 Summer Street, 6th Floor  
Stamford, Connecticut 06927  
Attn: Manager Energy Portfolio  
Admin.

NationsBank of Florida, NA  
600 Peachtree Street, NE  
Atlanta, GA 30308

GECC  
1600 Summer Street  
Stamford, Connecticut 06927

Robert Scheffel Wright, Esq.  
Landers & Parsons  
310 West College Avenue  
Tallahassee, FL 32302

Bruce L. Levy  
Energy Initiatives, Inc.  
One Upper Pond Road  
Parsippany, NJ 07054-1050

Mr. Kyle Garrett  
Manager of Facility  
Administration  
Ogden Martin Systems of  
Lake County  
3830 Rogers Industrial Park Road  
Okahumpka, FL 34762

Polk Power Partner, L.P.  
c/o Polk Power GP, Inc.  
1027 South Rainbow Boulevard  
Suite 360  
Las Vegas, NV 89128

TIFD VIII-J, Inc.  
c/o General Electric Capital Corp.  
1600 Summer Street  
Stamford, CT 06927  
Attn: Manager Energy Portfolio  
Administration

Orange Cogen Limited  
c/o Ark/CSW Development Partnership  
23293 South Pointe Drive  
Laguna Hills, CA 92653

Mr. Wayne A. Hinman, President  
Orlando Cogen Limited, L.P.  
c/o Air Products and Chemicals  
7201 Hamilton Boulevard  
Allentown, PA 18595-1501

The Sumitomo Bank Limited  
New York Branch  
One World Trade Center  
Suite 954G  
New York, NY 10048

Gregory Presnell, Esq.  
Akerman, Senterfitt & Eidson  
255 S. Orange Avenue  
Orlando, FL 32802-0231

Mr. Ted Hollon  
Panda-Kathleen L.P.  
4100 Spring Valley, Suite 1001  
Dallas, TX 75244

Barrett G. Johnson, Esq.  
Johnson & Associates  
315 South Calhoun Street, Suite 760  
Tallahassee, FL 32301

Bankers Trust Company  
Four Albany Street  
New York, NY 10015  
Attn: Corporate Trust & Agency Group

The Prudential Ins. Company of America  
Three Gateway Center  
100 Mulberry Street  
Newark, NJ 07102-4077  
Attn: Asset Unit/IAU Management

Dade Power Incorporated  
1551 N. Tustin Avenue, Suite 900  
Santa Ana, CA 92701

The Prudential Ins. Company of America  
Four Gateway Center  
Newark, NJ 07102-4069  
Attn: Project Management Team

Pasco Cogen, Ltd.  
111 East Madison Street, Suite 1700  
Tampa, FL 33602  
Attn: Elliott White

Ansley Watson, Jr., Esq.  
Macfarlane, Ansley, Ferguson &  
McMullen  
111 East Madison Street, Suite 2300  
Tampa, FL 33602

Mr. John J. Gallagher  
County Administrator  
Pasco Government Center  
7530 Little Road  
New Port Richey, FL 34654

Mr. Bob Sitz  
Facility Manager  
Ogden Martin Systems, Inc.  
P. O. Box 5478  
14230 Hayes Road  
Spring Hill, FL 34610

Mr. Michael Rudd  
Director, Pinellas County Department  
of Solid Waste Management  
2800 110th Avenue North  
St. Petersburg, FL 33716

Mr. Macauley Whiting, Jr.  
Ridge Generating Station  
400 North New York Avenue, Ste. 101  
Winter Park, FL 32789

Wheelabrator Ridge Energy  
3131 K-Ville Avenue  
Auburndale, FL 33823

Mr. Roger Fernandez  
Cargill Fertilizer, Inc.  
8813 Highway 41 South  
Riverview, FL 33569

Mr. Richard D. Kennedy  
Citrus World  
650 Highway 27 North  
Lake Wales, FL 33583

Mr. Fred A. Salzmann  
Central Power & Line  
10311 Cement Plant Road  
Brooksville, FL 34601

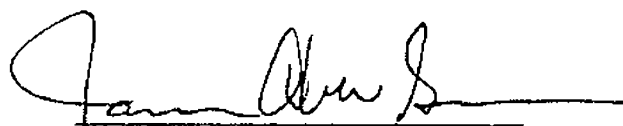
Mr. Don Dilworth  
Occidental Chemical  
County Road 137 off U.S 41 North  
White Springs, FL 32096

Mr. Noel Phillips  
St. Joe Forest Products  
Highway 98  
Port St. Joe, FL 32456

Mr. R. J. Nettles  
General Manager-Chemical Operations  
U.S. Agri-Chemicals  
3225 State Road 630 West  
Ft. Meade, FL 33841-9799

Mr. Tom Ballinger  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399

Martha Carter Brown  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399

  
\_\_\_\_\_  
Attorney