



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

RECEIVED
01 MAR - 1 PM 11:25
RECORDS AND REPORTING

DATE: March 1, 2001

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF APPEALS (BELLAK) *RCB DES*
DIVISION OF SAFETY & ELECTRIC RELIABILITY (BALLINGER) *TB*
DIVISION OF ECONOMIC REGULATION (HEWITT) *OBHAK* *JAJ*

RE: DOCKET NO. 001521-EU - PROPOSED AMENDMENT OF RULE 25-6.035, ADEQUACY OF RESOURCES

AGENDA: 03/13/01 - REGULAR AGENDA - RULE AMENDMENT - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\APP\WP\001521.RCM

CASE BACKGROUND

On July 30, 1996, the Commission adopted a proposed revision to Rule 25-6.035, Adequacy of Supply. In adopting the revision, the Commission approved Tampa Electric Company's suggestion that the following discussion in staff's April 4, 1996 recommendation be referenced by the Commission in its adoption of the rule:

The Commission established reserve margin criteria in order to maintain equitable reserve sharing among utilities, not to set a prudent level of reserves.

Notwithstanding the intent to incorporate that understanding in the revised rule, the language previously adopted concerning reserve margin criteria in subsection (2)(a) of the rule has been misinterpreted as a prudence determination or planning criterion. The attached amendment, proposed in part by Florida Power & Light Company (FPL) and concurred in by the Florida Municipal Power

DOCUMENT NUMBER-DATE

02754 MAR-15

FPSC-RECORDS/REPORTING

Authority (FMPA) and Florida Reliability Coordinating Council (FRCC), more explicitly clarifies that the intent of the rule subsection addressing reserve margin criteria is to maintain equitable reserve sharing among utilities, not to set a prudent level of reserves. In addition, the attached amendments provide that several references to the "Southeastern Electric Reliability Council" (SERC) are updated to "Florida Reliability Coordinating Council" (FRCC).

ISSUE 1: Should Rule 25-6.035 be amended as indicated in the attached draft?

RECOMMENDATION: Yes. Rule 25-6.035 should be amended as proposed in Attachment 1. The intent of the rule is to facilitate equitable sharing of energy reserves by means of standards consistent with current Florida Reliability Coordinating Council (FRCC) approved guidelines.

STAFF ANALYSIS: As described in the case background, Rule 25-6.035 was last amended in 1996 to maintain an equitable sharing of energy reserves. An equitable sharing means that a single utility is not burdened with carrying the reserves for other utilities without proper compensation.

The original case started when Florida Power & Light (FPL) petitioned the Federal Energy Regulatory Commission (FERC) to approve a new wholesale tariff, Schedule A, commonly referred to as Emergency power. In the proposed tariff, FPL included minimum planning and operating reserve margin standards to be eligible to purchase Emergency power. If these standards were not met, the purchaser would be provided power, but at a higher rate. All the evidence presented at the hearing revolved around the pricing of Emergency power, not prudent levels of reserves. That is why the Commission agreed with Tampa Electric Company's requested clarification in 1996.

The actual problem areas that were discussed at the hearing are addressed in Sections (2) through (5) of the existing rule.

These sections clearly address reliability and the proper administration of a retail tariff. They ensure an equitable sharing of energy reserves. Section (1) as it stands unamended has, in the past, been misinterpreted as a standard for long-term planning purposes. The attached amendment clarifies the actual purpose to be the equitable sharing of energy reserves, not to set a prudent level of reserves.

ISSUE 2: Should Rule 25-6.035 be amended as proposed by the Florida Industrial Power Users Group (FIPUG)?

RECOMMENDATION: No. Rule 25-6.035 should not be amended as suggested by FIPUG.

STAFF ANALYSIS: FIPUG's suggested amendments address prudent long-term planning of energy reserves. They are not limited to the purpose of maintaining equitable sharing of energy reserves and, if they are to be considered, should be the subject of a separate rule development process.

ISSUE 3: Should late-filed comments of the Jacksonville Electric Authority (JEA) and the City of Tallahassee be utilized as a basis for further amending Rule 25-6.035?

RECOMMENDATION No. JEA and City's comments should not be a basis for further amending Rule 25-6.035 at this time.

STAFF ANALYSIS: The comments submitted by JEA and City speculate about changes which may be made by FRCC in the future. When and if those changes occur, it would then be appropriate to consider comments based on those changes. At this time, however, the comments are premature.

DOCKET NO. 001521-EU

DATE: March 1, 2001

ISSUE 4: If no comments or requests for hearing are received, should the rule as amended be sent to the Secretary of State for adoption and the docket closed?

RECOMMENDATION: Yes. If no comments or requests for hearing are received, the rule as amended may be filed for adoption with the Secretary of State. The docket may then be closed.

RCB

Attachment

1
2 25-6.035 Adequacy of Resources.

3 (1) Each electric utility shall maintain sufficient
4 generating capacity, supplemented by regularly available generating
5 and non-generating resources, in order to meet all reasonable
6 demands for service and provide a reasonable reserve for
7 emergencies. Each electric utility shall also coordinate the
8 sharing of operating energy reserves with other electric utilities
9 in Peninsular Florida. To achieve an equitable sharing of
10 operating energy reserves, Peninsular Florida utilities shall be
11 required to maintain, at a minimum, a 15% planned reserve margin.
12 The planned reserve margin established herein is not intended to
13 set a prudent level of reserves for long-term planning purposes.

14 The planned reserve margin for each utility shall be calculated as
15 follows:

16 $RM = [(C - L)/L]*100$ where;

17 "RM" - Is defined as the utility's percent planned reserve
18 margin;

19 "C" - Is defined as the aggregate sum of the rated dependable
20 peak-hour capabilities of the resources that are expected to be
21 available at the time of the utility's annual peak; and

22 "L" - Is defined as the expected firm peak load of the system
23 for which reserves are required.

24 The following shall be utilized as the operating reserve standard
25 for Peninsular Florida's utilities: operating reserves shall be

CODING: Words underlined are additions; words in ~~struck~~
~~through~~ type are deletions from existing law.

1
2 maintained by the combined Peninsular Florida system at a value
3 equal to or greater than the loss of generation that would result
4 from the most severe single generating unit contingency. The
5 operating reserves shall be allocated among the utilities in
6 proportion to each control area's peak hour net energy for load
7 ~~utility's maximum demand~~ for the preceding year, and the summer
8 gross Florida Southeastern Electric Reliability Coordinating
9 Council (FRCC SERC) capability of its largest unit or ownership
10 share of a joint unit, whichever is greater. Fifty percent shall
11 be allocated on the basis of peak hour net energy for load demand
12 and fifty percent on the basis of the summer gross FRCC SERC
13 capability of the largest unit. Operating reserves shall be fully
14 available within fifteen ~~ten~~ minutes. At least 25% of the
15 operating reserves shall be in the form of spinning reserves which
16 are automatically responsive to a frequency deviation from normal.

17 (2) Treatment of Purchased Power. Only firm purchase power
18 agreements may be included as a resource for purposes of
19 calculating a planned or operating reserve margin. A utility may
20 petition for waiver of this requirement based on the very high
21 availability of specific non-firm purchases.

22 (3) Treatment of Shared Generating Units. Only the utility
23 which has first call on the generating unit may count the unit
24 towards its planned or operating reserve margin. A utility has
25 first call on a unit if the unit is available and the utility has

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

1
2 the contractual right to dispatch the unit to meet its native load
3 and other firm contractual commitments before any other party to
4 the unit's sharing arrangement. A utility may petition the
5 Commission for approval of other methods demonstrating equivalent
6 reliability on a case by case basis.

7 (4) Treatment of Non-Firm Load. If non-firm load (i.e.,
8 customers receiving service under load management, interruptible,
9 curtailable, or similar tariffs) is relied upon by a utility when
10 calculating its planned or operating reserves, the utility shall be
11 required to make such reserves available to maintain the firm
12 service requirements of other utilities.

13 (5) Buy-through Power for Interruptible Customers.
14 Interruption of service to non-firm customers is not an emergency.
15 As such, a utility shall not be required to provide buy-through
16 power for another utility's interruptible customers under
17 obligatory emergency interchange schedules.

18 Specific Authority: 366.05(1), F.S.

19 Law Implemented: 366.03, 366.04(2)(c), (5), 366.055, F.S.

20 History--New 07-29-69, Formerly 25-6.35, Amended 09-05-96,_____.

21
22
23
24
25
CODING: Words underlined are additions; words in ~~struck~~
through type are deletions from existing law.

MEMORANDUM

October 4, 2000

TO: DIVISION OF APPEALS (BELLAK)

FROM: DIVISION OF ECONOMIC REGULATION (HEWITT) *CBH* *HA* *DB* *MS*

SUBJECT: STATEMENT OF ESTIMATED REGULATORY COSTS FOR PROPOSED
AMENDMENT TO RULE 25-6.035, F.A.C., ADEQUACY OF RESOURCES,
DOCKET NO. 001521-EU

The amendment to Rule 25-6.035, F.A.C., Adequacy of Resources, is intended to clarify that the rule subsection addressing reserve margin criteria is to set equitable reserve sharing among electric utilities, not to set a prudent level of reserves.

The Florida Administrative Procedures Act (APA) encourages an agency to prepare a Statement of Estimated Regulatory Costs (SERC). However, there should be no additional costs and no significant negative impacts on utilities, small businesses, small cities, or small counties. Therefore, a SERC will not be prepared for the proposed rule at this time.

cc: Mary Andrews Bane

adeqmem.cbh