ORIGINAL

NOTICE OF PROPOSED RULE DEVELOPMENT

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO: 020166-EQ

RULE TITLE:	RULE NO.:
Firm capacity and Energy Contracts	25-17.0832

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DEPARTMENT OF STATE
TALLAHASSEE FLORIDA

PURPOSE AND EFFECT: To consider amendments to the rule asserted by petitioner to balance amendments already being considered in Docket No. 001574 in a consolidated proceeding.

SUBJECT AREA TO BE ADDRESSED: Contracts between investor-owned utilities and qualifying facilities.

Specific Authority: 350.127, 366.04(1), 366.051, 366.05(1) & (8), F.S.

Law Implemented: 366.051, 403.503, F.S.

IF REQUESTED IN WRITING AND NOT DEEMED UNNECESSARY BY THE AGENCY HEAD, A RULE DEVELOPMENT WORKSHOP WILL BE NOTICED IN THE NEXT AVAILABLE FLORIDA ADMINISTRATIVE WEEKLY.

THE WORKSHOP REQUEST MUST BE SUBMITTED IN WRITING WITHIN 14 DAYS OF THE DATE OF THIS NOTICE TO THE COMMISSION'S DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES, 2540 SHUMARD OAK BOULEVARD, TALLAHASSEE, FL 32399-0850.

Any person requiring some accommodation at this workshop because of a physical impairment should call the Division of the Commission Clerk and Administrative Services at (850) 413-6770 at least 48 hours prior to the hearing. Any person who is hearing

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of the avoided unit, payments calculated on the same basis as payments to be made pursuant to a power purchase arrangement where such power purchase is the generation resource avoided by the purchase from the qualifying facility, and payments calculated on the same basis as the utility's proposed revenue requirements for a proposed plant where the utility plans to limit cost recovery for the proposed plant to a fixed period of time. This requirement shall not preclude the use of the value of deferral payment methodology to calculate capacity payments where the qualifying facility proposes to sign a contract with a term less than the projected life of the avoided unit. Rates for payment of capacity sold by a qualifying facility shall be specified in the contract for the duration of the contract. In reviewing a utility's standard offer contract or contracts, the Commission shall consider the criteria specified in paragraphs (3)(a) through (3)(d) of this rule, as well as any other information relating to the determination of the utility's full avoided costs.

(c) - (e)6 No Change.

7. The period of time over which firm capacity and energy shall be delivered from the qualifying facility to the utility. Firm capacity and energy shall be delivered, at a minimum, for a period of ten years, commencing with the anticipated in-service date of the avoided unit specified in the

contract. At a maximum, firm capacity and energy shall be delivered for a period of time equal to the anticipated plant life of the avoided unit, commencing with the anticipated in-service date of the avoided unit. Consistent with the utility's obligation to purchase the firm capacity and energy that a qualifying facility has available to sell to a utility, the qualifying facility shall have the option to specify the duration of its obligation to deliver firm capacity and energy within the above parameters;

8. - (5)(c) No Change.

(d) As a risk management and fuel-cost hedging measure, each public utility subject to this rule shall provide for a minimum of twenty (20) percent of the energy purchased pursuant to standard offer contracts entered into following the effective date of this subsection to be purchased at the projected energy costs reflected in the utility's analyses and plans as of the date that the standard offer contract is executed by the utility and the qualifying facility. Such projected energy costs shall reflect not only the projected fuel costs associated with the avoided unit, but also the avoided operation and maintenance costs of the avoided unit, and shall also be based on the projected operations of the avoided unit as of the time the standard offer contract is executed. Further, all such costs shall be calculated on a directly comparable basis to that upon which the utility would calculate the costs associated with its avoided unit for the purpose of seeking recovery of such costs from its customers if it were to build and operate the avoided unit.

(6) Calculation of standard offer contract firm capacity payment options.

(a) Calculation of year-by-year value of deferral. The year-by-year value of deferral of an avoided unit shall be the difference in revenue requirements associated with deferring the avoided unit one year. All analyses to identify the type and timing of a utility's avoided unit, and all calculations of the value of deferral of an avoided unit, shall be conducted on a basis that treats supply-side and demand-side options equally and comparably. Specifically, all such analyses and calculations shall include only the impacts of existing and contractually committed demand-side management measures and shall not include the effects of any projected demand-side management measures that are not already in place or contractually committed to the utility. The value of deferral ~~and~~ shall be calculated as follows:

$$\underline{VAC_m = 1/12[KI_n(1-R)/(1-R^L) + O_n]}$$

Where, for a one year deferral:

VAC_m = utility's monthly value of avoided capacity, in dollars per kilowatt per month, for each month of year n;

K = present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present value to the middle of the first year;

R = $(1+ip)/(1+r)$;

I_n = total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of the avoided unit with an in-service date of year n, including all identifiable and quantifiable costs relating to the construction of the avoided unit that would have been paid had the avoided unit been constructed;

O_n = total fixed operation and maintenance expense for the year n, in mid-year dollars per kilowatt per year, of the avoided unit;

i_p = annual escalation rate associated with the plant cost of the avoided unit(s);

i_o = annual escalation rate associated with the operation and maintenance expense of the avoided unit(s);

r = annual discount rate, defined as the utility's incremental after tax cost of capital;

L = expected life of the avoided unit; and

n = year for which the avoided unit is deferred starting with its original anticipated in-service date and ending with the termination of the contract for the purchase of firm energy and capacity.

(b) - (8)(c) No Change.

AVAILABLE AT NO CHARGE FROM THE CONTACT PERSON LISTED ABOVE.