

ORIGINAL

CERTIFICATION OF

PUBLIC SERVICE COMMISSION ADMINISTRATIVE RULES

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DEPARTMENT OF STATE

I do hereby certify:

(1) That all statutory rulemaking requirements of Chapter 120, F.S., have been complied with; and

(2) There is no administrative determination under subsection 120.56(2), F.S., pending on any rule covered by this certification; and

(3) All rules covered by this certification are filed within the prescribed time limitations of paragraph 120.54(3)(e), F.S. They are filed not less than 28 days after the notice required by paragraph 120.54(3)(a), F.S., and;

(a) Are filed not more than 90 days after the notice; or

(b) Are filed not more than 90 days after the notice not including days an administrative determination was pending;

or

(c) Are filed more than 90 days after the notice, but not less than 21 days nor more than 45 days from the date of publication of the notice of change; or

(d) Are filed more than 90 days after the notice, but

- AUS _____
- CAF _____
- CMP _____
- COM _____
- CTR _____
- ECR _____
- GCL _____
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not less than 14 nor more than 45 days after the adjournment of the final public hearing on the rule; or

 / (e) Are filed more than 90 days after the notice, but within 21 days after the date of receipt of all material authorized to be submitted at the hearing; or

 / (f) Are filed more than 90 days after the notice, but within 21 days after the date the transcript was received by this agency; or

 / (g) Are filed not more than 90 days after the notice, not including days the adoption of the rule was postponed following notification from the Joint Administrative Procedures Committee that an objection to the rule was being considered; or

 / (h) Are filed more than 90 days after the notice, but within 21 days after a good faith written proposal for a lower cost regulatory alternative to a proposed rule is submitted which substantially accomplishes the objectives of the law being implemented; or

 / (i) Are filed more than 90 days after the notice, but within 21 days after a regulatory alternative is offered by the small business ombudsman.

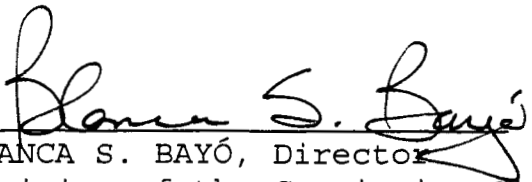
Attached are the original and two copies of each rule covered by this certification. The rules are hereby adopted by the undersigned agency by and upon their filing with the Department of State.

Rule No.

25-17.0832

Under the provision of subparagraph 120.54(3)(e)6., F.S.,
the rules take effect 20 days from the date filed with the
Department of State or a later date as set out below:

Effective: _____
(month) (day) (year)



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

Number of Pages Certified

(S E A L)

RCB

1 25-17.0832 Firm Capacity and Energy Contracts.

2 (1) Firm capacity and energy are capacity and energy produced
3 and sold by a qualifying facility and purchased by a utility
4 pursuant to a negotiated contract or a standard offer contract
5 subject to certain contractual provisions as to the quantity, time,
6 and reliability of delivery.

7 (a) Within one working day of the execution of a negotiated
8 contract or the receipt of a signed standard offer contract, the
9 utility shall notify the Director of the Division of Economic
10 Regulation ~~Electric and Gas~~ and provide the amount of committed
11 capacity and the type of generating unit, if any, which the
12 contracted capacity is intended to avoid or defer.

13 (b) Within 10 working days of the execution of a negotiated
14 contract or receipt of a signed standard offer contract for the
15 purchase of firm capacity and energy, the purchasing utility shall
16 file with the Commission a copy of the signed contract and a
17 summary of its terms and conditions. At a minimum, the summary
18 shall include ~~report~~:

- 19 1. The name of the utility and the owner and operator
20 of the qualifying facility, who are signatories of
21 the contract;
- 22 2. The amount of committed capacity specified in the
23 contract, the size of the facility, the type of
24 facility, its location, and its interconnection and
25 transmission requirements;

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- 1 3. The amount of annual and on-peak and off-peak
- 2 energy expected to be delivered to the utility;
- 3 4. The type of unit being avoided, its size, and its
- 4 in-service year;
- 5 5. The in-service date of the qualifying facility; and
- 6 6. The date by which the delivery of firm capacity and
- 7 energy is expected to commence.

8 (2) Negotiated Contracts. Utilities and qualifying
9 facilities are encouraged to negotiate contracts for the purchase
10 of firm capacity and energy to avoid or defer the construction of
11 all planned utility generating units which are not subject to the
12 requirements of Rule 25-22.082. If a utility is required to issue
13 a Request for Proposals (RFP) pursuant to Rule 25-22.082,
14 negotiations with qualifying facilities shall be governed by the
15 utility's RFP process. Negotiated contracts will be considered
16 prudent for cost recovery purposes if it is demonstrated by the
17 utility that the purchase of firm capacity and energy from the
18 qualifying facility pursuant to the rates, terms, and other
19 conditions of the contract can reasonably be expected to contribute
20 towards the deferral or avoidance of additional capacity
21 construction or other capacity-related costs by the purchasing
22 utility at a cost to the utility's ratepayers which does not exceed
23 full avoided costs, giving consideration to the characteristics of
24 the capacity and energy to be delivered by the qualifying facility
25 under the contract. Negotiated contracts shall not be counted

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1 | towards the subscription limit of the avoided unit in a standard
2 | offer contract, thus preserving the standard offer for small
3 | qualifying facilities as described in subsection (4).

4 | (3) Cost Recovery for Negotiated Contracts. In reviewing
5 | negotiated firm capacity and energy contracts for the purpose of
6 | cost recovery, the Commission shall consider factors relating to
7 | the contract that would impact the utility's general body of retail
8 | and wholesale customers including:

9 | (a) Whether additional firm capacity and energy is needed by
10 | the purchasing utility and by Florida utilities from a statewide
11 | perspective;

12 | (b) Whether the cumulative present worth of firm capacity and
13 | energy payments made to the qualifying facility over the term of
14 | the contract are projected to be no greater than:

15 | 1. The cumulative present worth of the value of a
16 | year-by-year deferral of the construction and
17 | operation of generation or parts thereof by the
18 | purchasing utility over the term of the contract,
19 | calculated in accordance with subsection (5) and
20 | paragraph (6)(a) of this rule, provided that the
21 | contract is designed to contribute towards the
22 | deferral or avoidance of such capacity; or

23 | 2. The cumulative present worth of other capacity and
24 | energy related costs that the contract is designed
25 | to avoid such as fuel, operation, and maintenance

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1 expenses or alternative purchases of capacity,
2 provided that the contract is designed to avoid
3 such costs;

4 (c) To the extent that annual firm capacity and energy
5 payments made to the qualifying facility in any year exceed that
6 year's annual value of deferring the construction and operation of
7 generation by the purchasing utility or other capacity and energy
8 related costs, whether the contract contains provisions to ensure
9 repayment of such payments exceeding that year's value of deferring
10 that capacity in the event that the qualifying facility fails to
11 deliver firm capacity and energy pursuant to the terms and
12 conditions of the contract, provided, however, that provisions to
13 ensure repayment may be based on forecasted data; and

14 (d) Considering the technical reliability, viability, and
15 financial stability of the qualifying facility, whether the
16 contract contains provisions to protect the purchasing utility's
17 ratepayers in the event the qualifying facility fails to deliver
18 firm capacity and energy in the amount and times specified in the
19 contract.

20 (4) Standard Offer Contracts.

21 (a) Upon petition by a utility or pursuant to a Commission
22 action, each public utility shall submit for Commission approval a
23 tariff or tariffs and a standard offer contract or contracts for
24 the purchase of firm capacity and energy from small qualifying
25 facilities. In lieu of a separately ~~seperately~~ negotiated

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1 | contract, standard offer contracts are available to the following
2 | types of qualifying facilities:

- 3 | 1. A small power producer or other qualifying facility
4 | using renewable or non-fossil fuel where the
5 | primary energy source in British Thermal Units
6 | (BTUs) is at least 75 percent biomass, waste, solar
7 | or other renewable resource;
- 8 | 2. A qualifying facility, as defined by Rule 25-
9 | 17.080(3), with a design capacity of 100 kW or
10 | less; or
- 11 | 3. A municipal solid waste facility as defined by Rule
12 | 25-17.091.

13 | (b) The rates, terms, and other conditions contained in each
14 | utility's standard offer contract or contracts shall be based on
15 | the need for and equal to the avoided cost of deferring or avoiding
16 | the construction of additional generation capacity or parts thereof
17 | by the purchasing utility. Rates for payment of capacity sold by
18 | a qualifying facility shall be specified in the contract for the
19 | duration of the contract. In reviewing a utility's standard offer
20 | contract or contracts, the Commission shall consider the criteria
21 | specified in paragraphs (3)(a) through (3)(d) of this rule, as well
22 | as any other information relating to the determination of the
23 | utility's full avoided costs.

24 | (c) The utility shall evaluate, select, and enter into
25 | standard offer contracts with eligible qualifying facilities based

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1 on the benefits to the ratepayers. Within 60 days of receipt of a
2 signed standard offer contract, the utility shall either:

3 1. Accept and sign the contract and return it within
4 five days to the qualifying facility; or

5 2. Petition the Commission not to accept the contract
6 and provide justification for the refusal. Such
7 petitions may be based on:

8 a. A reasonable allegation by the utility
9 that acceptance of the standard offer
10 will exceed the subscription limit of the
11 avoided unit or units; or

12 b. Material evidence showing that because
13 the qualifying facility is not
14 financially or technically viable, it is
15 unlikely that the committed capacity and
16 energy would be made available to the
17 utility by the date specified in the
18 standard offer.

19 (d) A standard offer contract which has been accepted by a
20 qualifying facility shall apply towards the subscription limit of
21 the unit designated in the contract effective the date the utility
22 receives the accepted contract. If the contract is not accepted by
23 the utility, its effect shall be removed from the subscription
24 limit effective the date of the Commission order granting the
25 utility's petition.

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1 (e) Minimum Specifications. Each standard offer contract
2 shall, at minimum, specify:

- 3 1. The avoided unit or units on which the contract is
4 based;
- 5 2. The total amount of committed capacity, in
6 megawatts, needed to fully subscribe the avoided
7 unit specified in the contract;
- 8 3. The payment options available to the qualifying
9 facility including all financial and economic
10 assumptions necessary to calculate the firm
11 capacity payments available under each payment
12 option and an illustrative calculation of firm
13 capacity payments for a minimum five ~~ten~~ year term
14 contract commencing with the in-service date of the
15 avoided unit for each payment option;
- 16 4. The date on which the standard contract offer
17 expires;
- 18 5. A reasonable open solicitation period during which
19 time the utility will accept proposals for standard
20 offer contracts. Prior to the issuance of timely
21 notice of a Request for Proposals (RFP) pursuant to
22 Rule 25-22.082(3), the utility shall end the open
23 solicitation period;
- 24 6. The date by which firm capacity and energy
25 deliveries from the qualifying facility to the

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1 utility shall commence. This date shall be no
2 later than the anticipated in-service date of the
3 avoided unit specified in the contract;

4 7. The period of time over which firm capacity and
5 energy shall be delivered from the qualifying
6 facility to the utility. Firm capacity and energy
7 shall be delivered, at a minimum, for a period of
8 five ~~ten~~ years, commencing with the anticipated in-
9 service date of the avoided unit specified in the
10 contract. At a maximum, firm capacity and energy
11 shall be delivered for a period of time equal to
12 the anticipated plant life of the avoided unit,
13 commencing with the anticipated in-service date of
14 the avoided unit;

15 8. The minimum performance standards for the delivery
16 of firm capacity and energy by the qualifying
17 facility during the utility's daily seasonal peak
18 and off-peak periods. These performance standards
19 shall approximate the anticipated peak and off-peak
20 availability and capacity factor of the utility's
21 avoided unit over the term of the contract;

22 9. The description of the proposed facility including
23 the location, steam host, generation technology,
24 and fuel sources;

25 10. Provisions to ensure repayment of payments to the

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1 extent that annual firm capacity and energy
2 payments made to the qualifying facility in any
3 year exceed that year's annual value of deferring
4 the avoided unit specified in the contract in the
5 event that the qualifying facility fails to perform
6 pursuant to the terms and conditions of the
7 contract. Such provisions may be in the form of a
8 surety bond or equivalent assurance of repayment of
9 payments exceeding the year-by-year value of
10 deferring the avoided unit specified in the
11 contract.

12 (f) The utility may include the following provisions:

13 1. Provisions to protect the purchasing utility's
14 ratepayers in the event the qualifying facility
15 fails to deliver firm capacity and energy in the
16 amount and times specified in the contract which
17 may be in the form of an up-front payment, surety
18 bond, or equivalent assurance of payment. Payment
19 or surety shall be refunded upon completion of the
20 facility and demonstration that the facility can
21 deliver the amount of capacity and energy specified
22 in the contract; and

23 2. A listing of the parameters, including any impact
24 on electric power transfer capability, associated
25 with the qualifying facility as compared to the

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1 avoided unit necessary for the calculation of the
2 avoided cost.

- 3 3. Provisions that allow for revisions to the contract
4 based upon changes to the purchasing utility's
5 avoided costs.

6 (g) Firm Capacity Payment Options. Each standard offer
7 contract shall also contain, at a minimum, the following options
8 for the payment of firm capacity delivered by the qualifying
9 facility:

- 10 1. Value of deferral capacity payments. Value of
11 deferral capacity payments shall commence on the
12 anticipated in-service date of the avoided unit.
13 Capacity payments under this option shall consist
14 of monthly payments escalating annually of the
15 avoided capital and fixed operation and maintenance
16 expense associated with the avoided unit and shall
17 be equal to the value of a year-by-year deferral of
18 the avoided unit, calculated in accordance with
19 paragraph (6) (a) of this rule.

- 20 2. Early capacity payments. Each standard offer
21 contract shall specify the earliest date prior to
22 the anticipated in-service date of the avoided unit
23 when early capacity payments may commence. The
24 early capacity payment date shall be an
25 approximation of the lead time required to site and

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1 construct the avoided unit. Early capacity
2 payments shall consist of monthly payments
3 escalating annually of the avoided capital and
4 fixed operation and maintenance expense associated
5 with the avoided unit, calculated in conformance
6 with paragraph (6)(b) of the rule. At the option
7 of the qualifying facility, early capacity payments
8 may commence at any time after the specified early
9 capacity payment date and before the anticipated
10 in-service date of the avoided unit provided that
11 the qualifying facility is delivering firm capacity
12 and energy to the utility. Where early capacity
13 payments are elected, the cumulative present value
14 of the capacity payments made to the qualifying
15 facility over the term of the contract shall not
16 exceed the cumulative present value of the capacity
17 payments which would have been made to the
18 qualifying facility had such payments been made
19 pursuant to subparagraph (4)(g)1. of this rule.

- 20 3. Levelized capacity payments. Levelized capacity
21 payments shall commence on the anticipated
22 in-service date of the avoided unit. The capital
23 portion of capacity payments under this option
24 shall consist of equal monthly payments over the
25 term of the contract, calculated in conformance

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1 with paragraph (6)(c) of this rule. The fixed
2 operation and maintenance portion of capacity
3 payments shall be equal to the value of the
4 year-by-year deferral of fixed operation and
5 maintenance expense associated with the avoided
6 unit calculated in conformance with paragraph
7 (6)(a) of this rule. Where levelized capacity
8 payments are elected, the cumulative present value
9 of the levelized capacity payments made to the
10 qualifying facility over the term of the contract
11 shall not exceed the cumulative present value of
12 capacity payments which would have been made to the
13 qualifying facility had such payments been made
14 pursuant to subparagraph (4)(g)1. of this rule,
15 value of deferral capacity payments.

- 16 4. Early levelized capacity payments. Each standard
17 offer contract shall specify the earliest date
18 prior to the anticipated in-service date of the
19 avoided unit when early levelized capacity payments
20 may commence. The early capacity payment date
21 shall be an approximation of the lead time required
22 to site and construct the avoided unit. The
23 capital portion of capacity payments under this
24 option shall consist of equal monthly payments over
25 the term of the contract, calculated in conformance

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1 with paragraph (6)(c) of this rule. The fixed
2 operation and maintenance expense shall be
3 calculated in conformance with paragraph (6)(b) of
4 this rule. At the option of the qualifying
5 facility, early levelized capacity payments shall
6 commence at any time after the specified early
7 capacity date and before the anticipated in-service
8 date of the avoided unit provided that the
9 qualifying facility is delivering firm capacity and
10 energy to the utility. Where early levelized
11 capacity payments are elected, the cumulative
12 present value of the capacity payments made to the
13 qualifying facility over the term of the contract
14 shall not exceed the cumulative present value of
15 the capacity payments which would have been made to
16 the qualifying facility had such payments been made
17 pursuant to subparagraph (4)(g)1. of this rule.

18 (5) Avoided Energy Payments for Standard Offer Contracts.

19 (a) For the purpose of this rule, avoided energy costs
20 associated with firm energy sold to a utility by a qualifying
21 facility pursuant to a utility's standard offer contract shall
22 commence with the in-service date of the avoided unit specified in
23 the contract. Prior to the in-service date of the avoided unit,
24 the qualifying facility may sell as-available energy to any utility
25 pursuant to Rule 25-17.0825.

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1 (b) To the extent that the avoided unit would have been
2 operated, had that unit been installed, avoided energy costs
3 associated with firm energy shall be the energy cost of this unit.
4 To the extent that the avoided unit would not have been operated,
5 the avoided energy costs shall be the as-available avoided energy
6 cost of the purchasing utility. During the periods that the
7 avoided unit would not have been operated, firm energy purchased
8 from qualifying facilities shall be treated as as-available energy
9 for the purposes of determining the megawatt block size in Rule
10 25-17.0825(2) (a).

11 (c) The energy cost of the avoided unit specified in the
12 contract shall be defined as the cost of fuel, in cents per
13 kilowatt-hour, which would have been burned at the avoided unit
14 plus variable operation and maintenance expense plus avoided line
15 losses. The cost of fuel shall be calculated as the average market
16 price of fuel, in cents per million Btu, associated with the
17 avoided unit multiplied by the average heat rate associated with
18 the avoided unit. The variable operating and maintenance expense
19 shall be estimated based on the unit fuel type and technology of
20 the avoided unit.

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

23 (a) Calculation of year-by-year value of deferral. The
24 year-by-year value of deferral of an avoided unit shall be the
25 difference in revenue requirements associated with deferring the

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1 avoided unit one year and shall be calculated as follows:

$$2 \quad \underline{VAC_m = 1/12 [KI_n(1-R)/(1-R^L) + O_n]}$$

3 Where, for a one year deferral:

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

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

12 R = $(1+i_p)/(1+r)$;

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

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

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

25 i_o = annual escalation rate associated with the

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1 operation and maintenance expense of the avoided
2 unit(s);

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

5 L = expected life of the avoided unit; and

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

11 (b) Calculation of early capacity payments. Monthly early
12 capacity payments shall be calculated as follows:

13
$$A_m = [A_c (1 + ip)^{(m-1)} + A_o (1 + io)^{(m-1)}] / 12 \quad \text{for } m=1 \text{ to } t$$

14 Where: A_m = monthly early capacity payments to be made to
15 the qualifying facility for each month of the
16 contract year n, in dollars per kilowatt per
17 month;

18 i_p = annual escalation rate associated with the plant
19 cost of the avoided unit;

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

23 m = year for which early capacity payments to a
24 qualifying facility are made, starting in year
25 one and ending in the year t;

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1 t = the term, in years, of the contract for the
2 purchase of firm capacity;

3
$$\underline{A_c = F[(1-R)/(1-R^t)]}$$

4 Where: F = the cumulative present value in the year that
5 the contractual payments will begin, of the
6 avoided capital cost component of capacity
7 payments which would have been made had
8 capacity payments commenced with the
9 anticipated in-service date of the avoided
10 unit(s);

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

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

15
$$A_o = G[(1-R)(1-R^t)]$$

16 Where: G = The cumulative present value in the year that the
17 contractual payments will begin, of the avoided
18 fixed operation and maintenance expense component
19 of capacity payments which would have been made had
20 capacity payments commenced with the anticipated
21 in-service date of the avoided unit; and

22 R = $(1+io)/(1+r)$.

23 (c) Levelized and early levelized capacity payments. Monthly
24 levelized and early levelized capacity payments shall be calculated
25 as follows:

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1
$$P_L = F/12\{r/[1-(1+r)^{-t}]\} + O$$

2 Where: P_L = the monthly levelized capacity payment,
3 starting on or prior to the in-service date of
4 the avoided unit;

5 F = the cumulative present value, in the year that
6 the contractual payments will begin, of the
7 avoided capital cost component of the capacity
8 payments which would have been made had the
9 capacity payments not been levelized;

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

13 t = the term, in years, of the contract for the
14 purchase of firm capacity.

15 O = the monthly fixed operation and maintenance
16 component of the capacity payments, calculated
17 in accordance with paragraph (5)(a) for
18 levelized capacity payments or with paragraph
19 (5)(b) for early levelized capacity payments.

20 (7) Upon request by a qualifying facility or any interested
21 person, each utility shall provide within 30 days its most current
22 projections of its future generation mix including type and timing
23 of anticipated generation additions, and at least a 20-year
24 projection of fuel forecasts, as well as any other information
25 reasonably required by the qualifying facility to project future

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1 | avoided cost prices. The utility may charge an appropriate fee,
2 | not to exceed the actual cost of production and copying, for
3 | providing such information.

4 | (8) (a) Firm energy and capacity payments made to a
5 | qualifying facility pursuant to a separately negotiated contract
6 | shall be recoverable by a utility through the Commission's periodic
7 | review of fuel and purchased power costs if the contract is found
8 | to be prudent in accordance with subsection (2) of this rule.

9 | (b) Upon acceptance of the contract by both parties, firm
10 | energy and capacity payments made to a qualifying facility pursuant
11 | to a standard offer contract shall be recoverable by a utility
12 | through the Commission's periodic review of fuel and purchased
13 | power costs.

14 | (c) Firm energy and capacity payments made pursuant to a
15 | standard offer contract signed by the qualifying facility, for
16 | which the utility has petitioned the Commission to reject, is
17 | recoverable through the Commission's periodic review of fuel and
18 | purchased power costs if the Commission requires the utility to
19 | accept the contract because it satisfies subsection (4) of this
20 | rule.

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

23 | Law Implemented: 366.051, 366.81 ~~403.503~~, F.S.

24 | History: New 10/25/90, amended 01/07/97, amended _____.
25 |

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SUMMARY OF RULE

Rule 25-17.0832 requires investor-owned utilities to file tariff and a standard offer contract for the purchase of firm capacity and energy from specified types of small lqualifying facilities. The rule sets forth the minimum specifications and acceptabel pricing methodologies for standard offer contracts. The amendment to subparagraph (4) (e)3. and 7. would reduce the ten-year minimum contract term for standard offer contracts to five years. In addition, the amendment to subparagraph (4) (e) (7). would require investor-owned utilities to specify the contract term when filing the standard offer for approval by the Commission.

SUMMARY OF HEARINGS ON THE RULE

Rule hearing was held March 19, 2003. Staff workshop was held February 25, 2003. The parties stipulateld to the rule amendment as proposed with a single change deleting the word "specific" from subpart (4) (e)7.

FACTS AND CIRCUMSTANCES JUSTIFYING THE RULE

During the last several years, the Commission granted five requests from IOUs to waive the ten year minimum contract term

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established by Rule 25-17.0832(4)(e).¹ The IOUs requested the waiver to reduce the risk that ratepayers would be tied to a long-term contract that is above avoided cost because of the uncertainty in the wholesale generation market. In each of these waivers, the minimum contract term was set at five years. The rule amendment would codify these rule waivers.

A high degree of uncertainty currently exists in the electric market due to recent regulatory changes, potential future regulatory changes, fuel price volatility, and technological changes. Given this uncertainty, reducing the minimum required term for standard offer contracts will decrease the potential for ratepayers to be tied to purchased power contracts that are priced higher than alternative power sources. Purchased power costs are passed directly to ratepayers through the Fuel and Purchased Power Cost Recovery Clause. Therefore,

¹ In re: Petition for approval of standard offer contract for qualifying cogeneration and small power production facilities by Tampa Electric Company, Order No. PSC-00-1773-PAA-EQ, 00 FPSC 9:499 (2000); In re: Petition by Florida Power & Light Company for approval of standard offer contract, Order No. PSC-00-1748-PAA-EI, 00 FPSC 9:458 (2000); In re: Petition of Florida Power Corporation for Approval of Standard Offer Contract based on a 2003 Combined Cycle Avoided Unit and Accompanying Rate Schedule COG-2 Pursuant to Section 366.051, F.S., and Rules, Order No. PSC-00-0504-PAA-EQ, 00 FPSC 3:206 (2000); In re: Petition of Florida Power Corporation for Approval of Standard Offer Contract and Accompanying Rate Schedule COG-2, Order No. PSC-00-0264-PAA-EG, 00 FPSC 2:203 (2000); In re: Petition by Florida Power & Light Company for approval of a standard offer contract and revised COG-2 tariff, Order No. PSC-99-1713-TRF-EQ, 99 FPSC 9:23 (1999).

the rule change will impact ratepayers by reducing the probability that they will pay higher purchased power costs under a standard offer contract than would have otherwise been paid in the open market.