

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION
CLERK

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

DATE: March 24, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (McRoy) *AAA*
Office of the General Counsel (Brown) *TTS RLT 198*
MLB *Walt*

RE: Docket No. 041405-EQ – Petition of Progress Energy Florida, Inc. for approval of amendment to existing cogeneration contract with Pinellas County.

AGENDA: 04/05/05 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\041405.RCM.DOC

Case Background

Progress Energy Florida, Inc. (PEF) currently purchases capacity and energy from Pinellas County's Solid Waste Operations Resource Recovery Facility under a Power Purchase Agreement. The contract requires a committed capacity of 54.75 megawatts for a term that expires at the end of 2024. The agreement was originally approved for cost recovery by the Commission pursuant to Order No. 21952, issued October 20, 1989 in Docket No. 890637-EQ, In re: Petition for approval of contracts between Florida Power Corporation (FPC) and Pinellas County. The contract was last modified pursuant to Order No PSC-01-1088-PAA-EQ, issued May 7, 2001, in Docket No. 010275-EQ, In re: Petition for approval of amendment to cogeneration contract with Pinellas County Resource Recovery Facility by Florida Power Corporation.

On December 16, 2004, PEF filed a petition with the Commission for the approval of a letter agreement between PEF and Pinellas County. The letter agreement modifies the current agreement, and is included as Attachment A to staff's recommendation. PEF is requesting the

DOCUMENT NUMBER-DAT

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FPSC-COMMISSION CLERK

Docket No. 041405-EQ

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Commission grant this petition and approve the modification of the current agreement. The Commission has jurisdiction over this subject matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve PEF's petition to modify its current agreement with Pinellas County?

Recommendation: Yes. The proposed changes will not be included in calculating the facility's capacity factor and do not affect the economics or cost-effectiveness of the contract. (McRoy)

Staff Analysis: Paragraph 4 of the current contract states:

- a. The County shall reduce its electric energy sales and deliveries to FPC by approximately 20 megawatts (MW) for an accumulative period totaling four calendar weeks each year, consisting of seven 24-hour days each such week.
- b. The reduction period referenced above shall be scheduled during the months of October, November and December. FPC shall have the right to designate the weeks during such months.

To provide greater operational flexibility to both the county and PEF, the parties concluded that it would be desirable to provide the opportunity to schedule planned outages at the facility during the Spring and Fall months, and to clarify that more than one 20 megawatt (MW) planned outage can be scheduled at the facility at the same time. Both the county and PEF agreed to amend the current agreement by modifying the above paragraph 4. The new language is underlined as follows:

- a. The County shall reduce its electric energy sales and deliveries to PEF by approximately 20 megawatts (MW) for an accumulative period totaling four calendar weeks each year, consisting of seven 24-hour days each such week. These 20 MW reductions may be combined so that a 40 MW reduction for one week is the equivalent of two 20 MW reductions for one week.
- b. The reduction periods referenced in subparagraph 4(a) above shall be scheduled during the months of March, April, October, November or December. PEF shall have the right to designate the weekly periods during such months.

PEF states that the planned outages subject to the Amendment are not included in calculating the facility's capacity factor and the amendment has no effect on the economics or cost-effectiveness of the contract with Pinellas County. Staff agrees that the proposed changes to the current contract will allow for better coordination and scheduling of planned outages along with better load management. Further, since these proposed changes will not be included in calculating the facility's capacity factor and do not affect the economics or cost-effectiveness of the contract, staff believes the petition should be approved.

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Issue 2: Should this docket be closed?

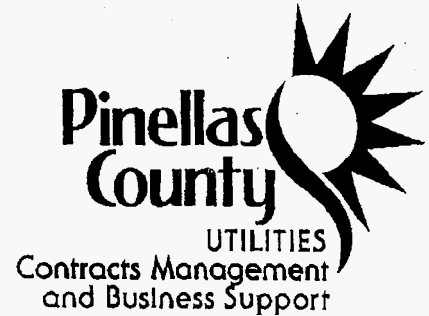
Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Brown)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order

**THE AMENDMENT TO
THE CURRENT AGREEMENT**

**BOARD OF COUNTY
COMMISSIONERS**

Susan Latvala - Chair
John Morroni - Vice Chairman
Calvin D. Harris
Karen Williams Seel
Robert B. Stewart
Barbara Sheen Todd
Kenneth T. Welch



July 22, 2004

Mr. David Gammon
Cogeneration Manager
Progress Energy Florida, Inc.
P.O. Box 14042
St. Petersburg, FL 33733

RE: Second Amendment to Letter of Understanding, Pinellas County
Resource Recovery Facility, Electric Energy Generation, Sales
and Purchase Reductions

Dear Mr. Gammon:

The subject Amendment was approved by the Pinellas County Board of County Commissioners at their meeting on July 13, 2004. Please find enclosed the executed copy of this Amendment for your further processing.

Sincerely,

PINELLAS COUNTY UTILITIES

Carol Smith
Contracts Services Specialist

Enclosure

cc: Luke Koon, Project Manager
Department of Solid Waste Operations

PLEASE ADDRESS REPLY TO:
14 S. Fort Harrison Avenue
Clearwater, Florida 33756
Website: www.pinellascounty.org

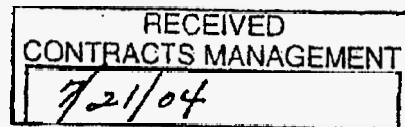


No. 43
BCC 7-13-04
9:35 A.M. Rubio/HARB/Penhale

#43 Second amendment to the Letter of Understanding to the Amended and Restated Electrical Power Purchase Agreement with Florida Power Corporation, Inc., d/b/a Progress Energy Florida, Inc. (PEF) for the sale and delivery of electric energy from the Solid Waste Operations Resource Recover Facility (RRF) to allow:

- a. The county to reduce its electric energy sales and deliveries to PEF by approximately 20 megawatts (MW) for an accumulative period totaling four calendar weeks each year, consisting of seven 24-hour days each such week. The 20 MW reductions may be combined so that, if necessary, a 40 MW reduction for one week is the equivalent of two 20 MW reductions for one week.
- b. Reduction periods to be scheduled during the months of March, April, October, November, and December.

Motion - Commissioner Todd
Second - Commissioner Seel
Vote - 7 - 0





May 19, 2004

Pinellas County Board of County Commissioners
315 Court Street
Clearwater, FL 33756

Re: Second Amendment to Letter of Understanding, Pinellas County Resource Recovery Facility, Electric Energy Generation, Sales and Purchase Reductions Per Florida Power Corporation Request dated October 11, 1994 and Amended on September 5, 1997

Dear Commissioners:

On October 11, 1994, Pinellas County, Florida (the "County") and Florida Power Corporation, Inc. d/b/a Progress Energy Florida, Inc. ("PEF") signed a Letter of Understanding confirming and formalizing the understanding between the County and PEF concerning each party's commitments and responsibilities with respect to (1) reducing the sale and delivery obligation of the County of electric energy generated at the County's Resource Recovery Facility (the "Facility") to PEF, and (2) the obligation of PEF to accept and purchase all electric energy from the County, during low electric energy load periods on PEF's system. A copy of the Letter of Understanding is attached hereto as Exhibit A. The Letter of Understanding was amended on September 5, 1997 to further reduce the County's obligation for the sale and delivery of electric energy generated at the County's Facility to PEF. A copy of the amendment to the Letter of Understanding is attached hereto as Exhibit B.

As a result of recent discussions, the County and PEF desire to make certain changes to subparagraphs 4a and 4b of the Letter of Understanding. Accordingly, subparagraphs 4a and 4b are hereby amended to read as follows:

4. The following details the understanding between the parties as to how the County will assist PEF during periods of low electric energy load on its system and the consideration PEF will give to the County in return for such assistance.
 - a. The County shall reduce its electric energy sales and deliveries to PEF by approximately 20 megawatts (MW) for an accumulative period totaling four calendar weeks each year, consisting of seven 24-hour days each such week. These 20 MW reductions may be combined so that a 40 MW reduction for one week is the equivalent of two 20 MW reductions for one week.

Progress Energy Florida, Inc.
P.O. Box 14042
St. Petersburg, FL 33701

- b. The reduction periods referenced in subparagraph 4a above shall be scheduled during the months of March, April, October, November or December. PEF shall have the right to designate the weekly periods during such months.

Except as provided in this Amendment, all terms, conditions, and obligations of the Letter of Understanding, as previously amended shall remain binding on the parties.

Please indicate your acknowledgment and consent to this understanding by signing in the space provided below and returning the same to me. The parties understand that this Amendment is contingent upon approval by the Florida Public Service Commission.

ATTEST:
By: Linda A. Reed
Deputy Clerk

APPROVED AS TO FORM:
[Signature]
Office of the County Attorney

PINELLAS COUNTY, FLORIDA, by and through its Board of County Commissioners

By: [Signature]
Chairman

ATTEST:

[Signature]

FLORIDA POWER CORPORATION, INC.

By: [Signature]
Vice President