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State of Florida



# Public Service Commission COMMISSION

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TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** August 3, 2006

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

**FROM:** Division of Economic Regulation (McRoy, Dickens, Kummer) *GA MY RLT CS*  
Office of the General Counsel (Bellak) *RCB DS* *198*

**RE:** Docket No. 060410-EI – Petition for approval of stipulation regarding interconnection of distributed resources to electric power systems, by Florida Power & Light Company, Gulf Power Company, Progress Energy Florida, and Tampa Electric Company.

**AGENDA:** 08/15/06 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Deason

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\060410.RCM.DOC

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## Case Background

The Energy Policy Act of 2005 (EPACT) took effect on August 8, 2005. Under the amendments to the Public Utility Regulatory Policies Act (PURPA) contained in EPACT, the Commission is required by Section 111(d)(15) to consider implementation of a standard requiring electric utilities to provide interconnection service to customers who request it. The interconnection procedures are based upon the Institute of Electrical and Electronics Engineers (IEEE) Standard 1547 for Interconnecting Distributed Resources with Electric Power System.

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EPACT also provides for a specific amount of time to act on the standard. Each state commission has until August 8, 2007, to begin consideration of the standard and until August 8, 2008, to make a determination concerning whether or not it is appropriate to implement the standard.

On December 15, 2005, the Commission staff conducted a workshop dealing with interconnection procedures based upon IEEE Standard 1547. The two options discussed were adopting IEEE Standard 1547 by rule or utilizing a joint stipulation to voluntarily abide by IEEE Standard 1547.

On May 22, 2006, Florida Power & Light Company, Gulf Power Company, Progress Energy Florida and Tampa Electric Company (IOUs) filed a joint petition with the Commission to approve a stipulation regarding Interconnection of Distributed Resources to the Electric Power System. Under the stipulation, the IOUs will adopt IEEE Standard 1547 to comply with the requirements of EPACT. Any needed tariff changes will be filed for administrative approval.

The Commission has jurisdiction over this matter pursuant to Chapter 366, Florida Statutes.

### Discussion of Issues

**Issue 1:** Should the Commission approve the joint stipulation filed by Florida Power & Light Company, Gulf Power Company, Progress Energy Florida and Tampa Electric Company (IOUs)?

**Recommendation:** Yes. The Commission should approve the joint stipulation (Attachment A). The stipulation is consistent with the intent embodied in Section 111(d)(15) of EPACT. (McRoy)

**Staff Analysis:** The Commission is required by Section 111(d)(15) of EPACT to consider implementation of a standard requiring electric utilities to provide interconnection service to customers who request it. The interconnection procedures are based upon IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power System. Specifically, paragraph (15) states:

Each electric utility shall make available, upon request, interconnection service to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "interconnection service" means service to an electric consumer under which an on-site generating facility on the consumer's premises shall be connected to the local distribution facilities. Interconnection services shall be offered based upon the standards developed by the Institute of Electrical and Electronics Engineers: IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems, as they may be amended from time to time. In addition, agreements and procedures shall be established whereby the services [that] are offered shall promote current best practices of interconnection for distributed generation, including but not limited to practices stipulated in model codes adopted by associations of state regulatory agencies. All such agreements and procedures shall be just and reasonable, and not unduly discriminatory or preferential.

The Commission is not required to adopt the federal standard in order to comply with EPACT. 16 U.S.C. §§2621(a) provides that:

each State regulatory authority . . . shall consider each standard established by subsection (d) and make a determination concerning whether or not it is appropriate to implement such standard . . . .

Under this language, a state regulatory commission is required only to "consider" the standard and is not required to accept or adopt a standard. However, staff believes the standard to be consistent with the public interest.

Presently, the IEEE has four status levels for standards: (1) Developing, (2) Active, (3) Stabilized, and (4) Withdrawn. According to the IEEE's website, Standard 1547 is identified as "Recently Published" or Active. A rule in its Active phase may continue to change over time. Accordingly, staff believes that the Commission's adoption of this non-final standard as a rule

would be less practical than approving the stipulation since a rule would require additional rulemaking each time the standard changes. As noted in Docket No. 960397-WS, rulemaking is not necessary when a matter is "not sufficiently resolved to enable the agency to address a statement by rulemaking." Order No. PSC-96-0686-FOF-WS at 11.

The IOUs filed their stipulated agreement with the Commission on May 22, 2006, providing the following:

1. When and if requested, the IOUs will make available distributed resources interconnection service to any electric consumer that the utility serves, based upon then-current IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power System;
2. The IOUs will amend their tariffs concerning interconnection agreements with Qualifying Facilities to provide for the applicability of such tariffs to distributed resources, as appropriate;
3. Subsequent interconnection services offered shall promote current best practices of interconnection for distributed generation, shall be just and reasonable, and not unduly discriminatory or preferential; and ,
4. All executed distributed resources interconnection agreements will be filed with the FPSC.

Staff believes the IOUs' stipulated agreement is consistent with the intent embodied in the federal standard that procedures for interconnection with distributed resources be based on current IEEE Standard 1547 as deemed appropriate by the Commission.

EPACT sets out procedural requirements regarding consideration of the standard: the state regulatory commission's determination must be (1) made after public notice and hearing, (2) in writing, (3) based upon findings and evidence presented at the hearing, and (4) available to the public. Staff believes that the requirement of public notice and hearing will be met by the Commission's agenda conference notice and its consideration of the item at an agenda conference during which the utilities and interested parties can make presentations. The Order Approving The Stipulation would constitute the written memorialization of the Commission's consideration, incorporating the findings made by the Commission. The findings would be based on the Stipulation and the presentations made at the agenda conference at which the Stipulation was considered.

At the workshop, no better option was presented concerning interconnection of distributed resources to electric power systems than a joint stipulation that adopts IEEE Standard 1547. Therefore, staff recommends that the Commission approve the joint stipulation which is contained within Attachment A.

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**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If no person whose substantial interests are affected by the proposed 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. (Bellak)

**Staff Analysis:** If no person whose substantial interests are affected by the proposed 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.

**EXHIBIT A**

**STIPULATION REGARDING THE INTERCONNECTION OF  
DISTRIBUTED RESOURCES TO THE ELECTRIC POWER SYSTEM**

WHEREAS, Section 111(d)(15) of the Energy Policy Act of 2005 [16 U.S.C. § 2621(d)(15)(2005)] enacted on August 8, 2005, directs state regulatory authorities, such as the Florida Public Service Commission ("FPSC"), to consider implementation of a standard that requires utilities to provide interconnection service to customers who request it, based on the Institute of Electrical and Electronics Engineers ("IEEE") Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems; and

WHEREAS, Florida Power & Light Company, Gulf Power Company, Progress Energy Florida, Tampa Electric Company ("the Investor-Owned Utilities" or "IOUs") are utilities that would provide such interconnection service; and

WHEREAS, the term "interconnection service" is defined as service to an electric consumer under which an on-site generating facility on the consumer's premises is connected to the local distribution facilities; and

WHEREAS, the utilities have filed with the Commission, as part of their Electric Retail Tariffs, a standard Interconnection Agreement for Qualifying Facilities, as required by Commission Rule 25-17.087, F.A.C.; and

WHEREAS, at this point, it is not possible to realistically anticipate the types of distributed resources (i.e., wind energy, fuel cells, solar energy micro turbines and combustion engines) for which customers will request interconnection; and

WHEREAS, the necessary interconnection equipment, safety and electrical requirements, administrative costs and liability insurance requirements will vary depending on the type of distributed resource; and

WHEREAS, given the uncertainty regarding the types of distributed resources for which interconnection is likely to be requested, it is premature at this time to adopt either a rule or standard interconnection agreement for specific types of distributed resources; and

WHEREAS, the IEEE Standard 1547 and attendant guidelines are continuing to evolve and if a rule is adopted, revisions to the rule would continually be required; and

WHEREAS, it is consistent with the intent embodied in the federal standard for the Commission to accept and approve a voluntary agreement by the IOUs to establish interconnection with distributed resources based on the then-current IEEE Standard 1547; and

WHEREAS, approval of this Stipulation and issuance of an order would comply with Section 111(d)(15) of the Energy Policy Act of 2005, that provides that the FPSC consider the issue of

interconnection in accordance with the requirements of Section 111(d)(15) of the Energy Policy Act of 2005; and

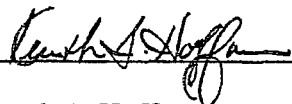
WHEREAS, the FPSC has previously considered various standards established by federal law in a variety of ways, including the approval of stipulations offered by affected utilities.

NOW, THEREFORE, in consideration of the foregoing, the parties hereby agree as follows:

1. The Investor-Owned Utilities hereby voluntarily agree, when and if requested, to make available distributed resources interconnection service to any electric consumer that the utility serves, based upon the then-current IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems;
2. The Investor-Owned Utilities hereby voluntarily agree to amend their tariffs for the interconnection agreements for Qualifying Facilities to provide for the applicability of such tariffs to distributed resources, as appropriate, and to provide that interconnections with distributed resources that are Qualifying Facilities will be based on the then-current IEEE Standard 1547; and the Investor-Owned Utilities hereby voluntarily agree to provide that interconnections with distributed resources that are not Qualifying Facilities will likewise be based on the then-current IEEE Standard 1547;
3. The Investor-Owned Utilities agree that agreements and procedures shall be established whereby the interconnection services offered shall promote current best practices of interconnection for distributed generation, shall be just and reasonable, and not unduly discriminatory or preferential; and
4. The Investor-Owned Utilities agree to file any and all executed Distributed Resources interconnection agreements with the FPSC.

Respectfully submitted,

**Florida Power & Light Company**

By  \_\_\_\_\_

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