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Public Service Commission

June 4, 2008

Mr. John T. Burnett, Esquire
Post Office Box 14042
St. Petersburg, Florida 33733-4042

Re: Docket No. 080257-EU - Petition of Progress Energy Florida to Modify Tariff Sheets Regarding Net Metering and Generation Interconnection

Dear Mr. Burnett:

After reviewing the filing by Progress Energy Florida (PEF or Company) in the above docket in response to PSC Order No. PSC-08-0161-FOF-EI, staff has the following questions. For ease of reference, the items of interest are listed by section from Rule 25-6.065, Florida Administrative Code. Please provide a written response to each question by June 20.

Upon receipt of your response, staff may schedule a meeting or conference call to discuss the responses and any revisions necessary to the proposed standard interconnection agreements or tariffs filed in this docket.

Subsection (2)(a) – Lease Arrangements:

1. This subsection defines “customer-owned renewable generation” in a way that allows the customer to lease the renewable generation system from a third party. This is recognized in the draft Standard Interconnection Agreement. Paragraph 24 of the standard agreement states that the customer shall not enter into any lease agreement that results in the retail sale of electricity. The agreement further provides “...in the even the customer so enters such an agreement, the Customer now becomes subject to the Florida Public Service Commission’s jurisdiction...” Staff believes it is not appropriate for PEF to definitively advise a customer when they become subject to PSC jurisdiction; rather, the PSC itself has that responsibility. We suggest that this statement be revised to provide that the customer “may” become subject to PSC jurisdiction under this circumstance.

Subsection (4)(a) – Gross Power Rating:

2. This subsection provides that in order to qualify for expedited interconnection under the rule the customer-owned generation must have a gross power rating that “does not exceed 90% of the customer’s utility distribution service rating”. Paragraph 9 of the interconnection

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agreement provides that the total capacity of the customer generation cannot exceed “90% of the rating of service currently provided to the customer (based on service size, transformer rating, etc.)...” Are these two statements saying the same thing? Please explain.

3. Staff notes that Paragraph 9 of the draft interconnection agreements for Tier 2 and Tier 3 customers limits the availability of the agreement to customers with gross power ratings of 10 kw or less. This appears to be a typographical error and should be revised to be consistent with the ranges provided in Subsection (4)(a) of the rule.

Subsections (4)(f), (4)(g) and (4)(h) – Cost Support for Fees:

4. These subsections allow the utility to propose for Commission approval standard application fees for Tiers 2 and 3 customers and an interconnection study charge for Tier 3 customers. Further, the utility is required to demonstrate that its fees and charges are cost-based and reasonable. Staff notes that the cost support for the interconnection standard application fees for Tiers 2 and 3 customers is provided in Exhibit D of the filing. The Tier 3 interconnection fee cost support includes an estimate of 10 hours for the engineering task. It is staff’s understanding that the company has included in this estimate the average time it takes to conduct an interconnection study for Tier 3 level customers. Please provide the detail used to arrive at this estimate.
5. Staff also notes that the interconnection study for Tier 3 customers is not referenced in either the proposed tariffs or standard interconnection agreement. Does the company intend to perform an interconnection study for all Tier 3 customers? How is the decision made whether or not to conduct an interconnection study? How does the company plan to advise Tier 3 customers of this requirement? What has been the experience in the past for large customers with regard to whether an interconnection study was conducted?

Subsection (5)(b) – Utility Inspection of Customer Facilities:

6. Paragraph 17 of the standard agreement provides that the company shall have access to the customer’s premises for any reasonable purpose in connection with the performance of the obligations imposed by the agreement. Subsection (5)(b) of the rule provides that the standard agreement must include provisions that permit the utility to inspect the customer’s equipment at the time the equipment is initially put in service and when the utility has been notified that the equipment has been modified to increase its gross power rating. Please explain under what conditions the utility will need to conduct inspections of the customer equipment other than the two contained in the rule. Is it the company’s intention to conduct regular inspections of the customer’s facilities? If so, how often and what specific items does the company intend to inspect?
7. Staff notes that Paragraph 17 of the agreement provides that the company may conduct inspections at any time without notice in the event of an emergency or hazardous condition. What types of emergencies or hazardous condition are envisioned by this statement? If such an inspection is conducted without notice to the customer, at what point will the customer be contacted?

8. Paragraph 12 of the standard agreement provides that PEF may “witness the initial testing” of the customer’s equipment. This language appears to be taken from the old rule which was replaced by the current version. According to the staff recommendation dated December 7, 2007 in this rule proceeding, the language contained in the old rule led to some confusion during the workshop because some systems (for example, a photovoltaic system) would not undergo an initial test. Why has the utility retained this old language rather than use the language contained in the existing rule, which is that the IOU shall have the right to have personnel present “on the in-service date”?
9. Staff also notes that Paragraph 19 of the standard agreement provides that if the customer adds another renewable generator system, it shall provide 60 days notice prior to installation. Subsection (5)(b) of the rule only provides a 30 day notice in the event the customer modifies its existing system in order to increase its gross power rating. Why is the utility requiring a 60 day notice when the customer adds a new renewable generator system?

Subsection (5)(d) – Indemnification:

10. This subsection of the rule requires that the standard agreement contain a provision that the customer hold harmless and indemnify the IOU for all loss to third parties under certain conditions, and for the IOU to provide the same protection to the customer. Staff notes that Paragraph 11 of the standard agreement contains a provision that the customer must indemnify PEF under certain circumstances, but does not contain the same requirement for PEF to indemnify the customer. Why has this requirement of the rule not been included in the standard agreement?

Subsection (6)(b) – Customer Notice of Manual Disconnection:

11. This subsection provides that if the utility must manually disconnect the customer’s generation without prior notice, the utility must leave a door hanger notifying the customer and providing an explanation of the condition necessitating such action. Why does Paragraph 10 of the standard agreement not include a statement that PEF will leave a door hanger as required by the rule for manual disconnect?
12. Paragraph 10 of the standard agreement addresses isolating “the Customer’s system from the distribution grid by whatever means necessary, without prior notice.” Does that envision both automatic and manual disconnection and/or isolation from the grid? What sort of notice will the company provide the customer when they are isolated/disconnected from the grid?

Subsection (6)(c) – Conditions Warranting Disconnection:

13. This subsection lists conditions that allow the IOU to disconnect the customer generation from its system. Paragraph 10 of the standard agreement lists these conditions for disconnection as “typical conditions” which may require the disconnection of the customer’s system. Please provide examples of other conditions which may warrant disconnecting the customer’s generation from the grid.

Section (7) – Administrative Requirements:

14. According to the petition filed in the case, PEF is proposing to remove from its tariff the application form for customers who wish to interconnect to the system and make it available for customers to download from the Company website. How does removing the application form from the tariff and making it available for customers to download “expedite the application process”?
15. According to subsection (7)(a), the purpose of the application form is to detail the information necessary to execute the standard interconnection agreement. It is the form that starts the process. The receipt of a completed application form starts the clock for milestones contained in Section (7) of the rule, such as the 30 day deadline for execution by the IOU of the standard interconnection agreement. In reviewing the PEF application form provided as Exhibit C, we note that this form requires information from the applicant that cannot be provided until the system is installed, such as the installation contractor information, the electrical code inspection approval and approval of a PEF representative. Please explain what portions of the application form must be completed by the customer in order to start the milestones contained in Section (7) of the rule. How will the applicant be made aware of the milestones contained in Section (7) of the rule? Does the utility plan to provide a copy of the rule to the applicant or highlight these time parameters in some other way?

Section 8 – Net Metering:

16. This section of the rule details the requirements for net metering. Staff notes that the standard agreement references the company’s net metering tariff but gives no details. Does PEF plan to provide a copy of the net metering tariff to all applicants for interconnection of renewable generation or to bring this information to their attention in some other way?
17. Paragraph (10) of the net metering tariff provides that the customer may choose to take service under the Company’s standby rate. However, this information is not included in the standard agreement. How does PEF plan to bring this choice to the attention of the customer?
18. It appears that Paragraph 8.08(8) of the net metering tariff may be in conflict with the revised Section 366.91(7), Florida Statutes, contained in House Bill 7135 (HB 7135), which requires that net metering be available as a part of conjunctive billing of multiple points. As you are aware, HB 7135 was enacted by the Legislature this past session and is expected to be signed by the Governor. Does the utility plan to amend the net metering tariff to be consistent with this provision of HB 7135? If so, what changes would you make to Paragraph 8.08(8) of the net metering tariff?

Disconnection Procedures Upon Leaving the System:

19. Paragraph 16 of the standard agreement provides that on termination of services, the customer shall permanently isolate the generation system within 10 working days following termination at the customer’s expense. Is this a new requirement or something that the company has required in the past of customers with their own generation leaving the system? How was the

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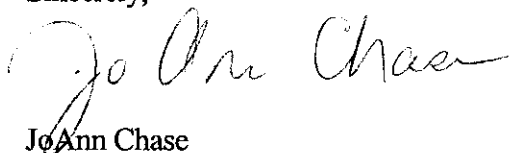
10 working day time frame decided upon and why at the customer's expense? Does this paragraph of the agreement apply if the customer is involuntarily disconnected? How much does it normally cost the customer to permanently disconnect from the system? Does the cost vary by tier size?

Cancellation of the SPS tariff:

20. If PEF cancels the Small Photovoltaic System (SPS) tariff, how will current SPS customers be affected? If the current SPS customer falls into the category of the Tier 2 or Tier 3 level, will they have to pay another application fee?

Please file the response to these questions in the above referenced docket file. If you have any questions regarding the information requested above, feel free to contact me at (850) 413-6978 or via email at jchase@psc.state.fl.us.

Sincerely,



JoAnn Chase
Economic Analyst

cc: Division of Legal Services (M. Brown, Saylor)
Division of Economic Regulation (Futrell, Kummer, Draper)
✓ Office of Commission Clerk (Docket No. 080257-EU)
Paul Lewis, Progress Energy Florida
Nancy Holdstein, Progress Energy Florida