

On May 21, 2008, FPL filed revised tariff sheets with updated economic and financial assumptions for our approval. The Company explained that cost projections were updated in working on the costs associated with other projects. These revisions reflect the updated projections and bring the Standard Offer Contract in line with other current filings.

This Order addresses whether FPL's proposed standard offer contract and associated tariffs are in compliance with Rules 25-17.200 through 25-17.310, Florida Administrative Code, and should therefore be approved. We have jurisdiction over this matter pursuant to Sections 366.04 through 366.06, and 366.91 and 366.92, Florida Statutes.

Decision

Because the Company is an IOU, Rule 25-17.250(1), Florida Administrative Code, requires FPL to continuously make available a standard offer contract for purchase of firm capacity and energy from renewable generating facilities and small qualifying facilities with a design capacity of 100 kW or less. By April 1 each year, FPL must file a standard offer contract based on the next avoidable fossil fueled generating unit, for each technology type associated with planned units listed in the FPL's Ten-Year Site Plan. For FPL, the Ten-Year Site Plan for 2008-2017 shows a combined cycle unit with an in-service date of June 1, 2014. Currently, all fossil-based units having an in-service date prior to 2014 are in construction or under consideration in a need determination proceeding. The remaining units in the generation expansion plan are combined cycle units, so a single standard offer is needed to satisfy the requirement for an offer based on each technology associated with planned units.

Subsequent to the filing of the 2008 standard offer for renewable generation, FPL requested approval for the Cape Canaveral and Riviera Conversion projects. Based on having sufficient available generation to meet load requirements during construction, FPL's conversion projects would make it possible to delay the 2014 in-service date for the designated avoided unit. That alteration notwithstanding, the standard offer continues with an avoided capacity date of 2014. If the avoided capacity were moved to a later date, the capacity payments for the renewable generator would be reduced. In addition, the Company has updated the fuel price projections and calculations based upon the most recent analysis, with the result that capacity and energy payments have increased. These modifications to the contract make for an increased revenue stream for the renewable generator.

The standard offer contract provides for payments by the Company to the renewable generator consisting of capacity and energy components. Rule 25-17.0832(4), Florida Administrative Code, requires that the capacity component will be based upon the capital costs and fixed operation and maintenance expense associated with the avoided unit. This value of deferral (VOD) methodology allows for flexibility, so that a renewable generator may select early capacity payments to begin any time after the in-service date of the facility. Rule 25-17.250(4), Florida Administrative Code, allows the renewable generator to select a capacity payment stream based on the financing needs of the facility, with the caveat that the cumulative present value of payments may not exceed the cumulative present value for capacity costs that would be associated with the avoided unit over the contract period. The contract period must be at least ten years and may extend through the life of the avoided unit, pursuant to Rule 25-

17.250(3), F.A.C. Rule 25-17.0832(3), Florida Administrative Code, requires that the standard offer contract must include provisions to ensure repayment of amounts paid in any year to the renewable generator that exceed that year's annual value of deferring the avoided unit. FPL's Contract Sheet Nos. 9.030 through 9.048 and Schedule QS-2 have been updated to reflect current cost projections and meet all requirements described herein.

Rule 25-17.250(6), Florida Administrative Code, allows fixed energy payments by the utility, in order to facilitate financing and promote fuel price stability. The renewable generator may select either of two options provided. The required options are included in FPL's Standard Offer Contract on Sheet Nos. 10.303 and 10.304. We find FPL's Standard Offer Contract is in compliance with this requirement.

Rule 25-17.250(6)(a), Florida Administrative Code, provides as a first option that prior to the in-service date of the avoided unit, as-available energy prices may be fixed on an annual basis based on the utility's projection of system incremental fuel costs based on normal conditions. A risk premium would be added to account for anticipated fuel price volatility above normal conditions. Section B(1) of Schedule QS-2 in FPL's contract describes this option. The risk premium would be mutually agreed to by FPL and the generator, and for cost recovery it would be treated as a "hedging cost."

Rule 25-17.250(6)(b), Florida Administrative Code, allows a renewable generator to fix a portion of base energy costs associated with the avoided unit, mutually agreed upon by FPL and the generator, and amortize those costs on a present value basis over the term of the contract, beginning as early as the in-service date of the renewable generating facility. Section B(2) of Schedule QS-2 in the contract describes this option.

Rule 25-17.250(3), Florida Administrative Code, allows the developer of a renewable generation facility the option to select the term of the contract, from a minimum of ten years up to the life of the avoided unit. As shown on FPL's Contract Sheet No. 10.300, the renewable generator must commit to commence delivery of firm capacity and energy no later than June 1, 2014, and continue delivery for at least ten years. The contract and delivery may extend to the maximum life of the avoided unit. Accordingly, we find FPL's Standard Offer Contract is in compliance with this requirement.

As required by Rule 25-17.270, Florida Administrative Code, FPL's Contract Section No. 17.6.3 provides that either party can elect to reopen the contract if, during the contract term, environmental or other regulatory requirements change FPL's full avoided cost of the unit on which the contract is based.

In accord with the requirements of Rule 25-17.280, Florida Administrative Code, FPL acknowledges in Contract Section 17.6.2 that the renewable energy provider retains all rights to own and sell tradable renewable energy credits (TRECs) associated with electric generation of the renewable facility. FPL's standard offer contract includes a provision to receive the right of first refusal with a specific time limitation for response. Such a condition insures that FPL's ratepayers enjoy all of the attributes associated with renewable generation without imposing a financial penalty upon the owner of the renewable facility.

In conclusion, we find that FPL's proposed standard offer contract, with revised tariff sheets, is in compliance with Rules 25-17.200 through 25-17.310, Florida Administrative Code, and they are hereby approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Standard Offer Contract and associated tariffs proposed by Florida Power & Light Company are hereby approved, effective July 29, 2008. It is further

ORDERED that if a protest is filed within 21 days of issuance of this Order, the tariffs shall remain in effect pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 19th day of August, 2008.



ANN COLE
Commission Clerk

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JEH

NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 9, 2008.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.