

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of new standard offer for purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities and approval of tariff schedule REF-1, by Gulf Power Company.	DOCKET NO. 080194-EQ ORDER NO. PSC-08-0546-TRF-EQ ISSUED: August 19, 2008
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The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman
LISA POLAK EDGAR
KATRINA J. McMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

ORDER APPROVING STANDARD OFFER CONTRACT AND
ASSOCIATED TARIFFS FILED BY GULF POWER COMPANY

BY THE COMMISSION:

Background

Since January 1, 2006, each investor-owned electric utility (IOU), as well as each electric municipal utility subject to the Florida Energy Efficiency and Conservation Act (FEECA), has been required to continuously offer to purchase capacity and energy from specific types of renewable sources. Section 366.91(3), Florida Statutes, specifies that the contracts for purchase must be based on the utility's full avoided cost as defined in Section 366.051, Florida Statutes, and provide a term of at least ten years. Rules 25-17.200 through 25-17.310, Florida Administrative Code, implement the statutes.

In accord with applicable statutes and rules, Gulf Power Company (Gulf or Company) submitted its petition dated March 31, 2008, requesting our approval of a standard offer contract and associated tariffs based on Gulf's Ten-Year Site Plan for 2008-2017. The Ten-Year Site Plan includes a single additional unit, planned to be in service in 2014.

This Order addresses whether Gulf'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.

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FPSC-COMMISSION CLERK

Decision

Because the Company is an IOU, Rule 25-17.250(1), Florida Administrative Code, requires Gulf 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, Gulf must file a standard offer based on the next avoidable fossil fueled generating unit, for each technology type listed in Gulf's Ten-Year Site Plan. The 2008 Ten-Year Site Plan for Gulf includes a single unit to be added, an 840 MW combined cycle plant with projected in service date of June 2014.

The 2008 standard offer contract and associated tariffs filed by Gulf are very similar to the its 2007 standard offer contract and related tariffs. For example, a single revision was made on Tariff Sheet No. 9.82, to designate an 840 MW combined cycle plant, with anticipated in-service date of June 2014, as the avoided unit. This change brings the 2008 standard offer in line with the concurrent Ten-Year Site Plan.

In our review of the new contract and its associated tariffs, we find minimal revisions; provisions for performance, payment, and security are retained and comply with applicable rules. Tariff Sheet No. 9.81 of Gulf's contract is not revised, and continues to meet requirements of Rule 25-17.250(1), Florida Administrative Code. In accord with the portfolio approach required by Rule 25-17.250(2), Florida Administrative Code, Gulf has a single avoided unit upon which the 2008 standard offer contract is based.

Rule 25-17.250(3), Florida Administrative Code, provides that the developer of a renewable generation facility may select the term of the contract, from a minimum of ten years to the life of the avoided unit. Tariff Sheet No. 9.82 of Gulf tariff REF-1 references this provision, and the 2008 standard offer continues the contract term that we previously approved and is in effect. We find Gulf's standard offer contract is in compliance with this requirement.

Rule 25-17.270, Florida Administrative Code, requires that standard offer contracts must allow either party to reopen a contract if new environmental or other regulatory requirements are enacted and cause a change in the costs associated with the avoided unit. Rule 25-17.280, Florida Administrative Code, requires that Tradable Renewable Energy Credits (TRECS) shall remain the exclusive property of the renewable generator. Both of these requirements were met by Tariff Sheet No. 9.96 of Gulf's REF-1 tariff, and the Company proposes no revision to that part of the contract.

Except for cases where we approve a specific adjustment, an IOU is prohibited from reducing avoided cost payments to a renewable generator through the mechanism of an imputed debt equivalent adjustment. In its petition, Gulf agrees that if such an adjustment is determined to be necessary, the Company will return to the Commission for approval pursuant to Rule 25-17.290, Florida Administrative Code. We find Gulf's standard offer contract and associated tariffs is in compliance with this requirement.

The Company's payments to the renewable generator consist 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 renewable generating facility goes into service. 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. 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. The arrangements offered on Tariff Sheet Nos. 9.83 through 9.86 of Gulf's 2007 contract met these requirements. In the 2008 contract, Tariff Sheet No. 9.85 provides numerical revisions reflecting updated avoided cost information. No other revisions to Sheet Nos. 9.83 through 9.86 have been filed. We find Gulf is in compliance with this requirement.

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. Rule 25-17.250(6)(a), Florida Administrative Code, provides the first option: prior to the in-service date of the avoided unit, as-available energy prices may be fixed on an annual basis based on the Company'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. Rule 25-17.250(6)(b), Florida Administrative Code, allows a renewable generator to fix a portion of the base energy costs associated with the avoided unit to be amortized on a present value basis over the term of the contract, beginning as early as the in-service date of the renewable generating facility. The renewable generator and the purchasing utility must agree on the portion of energy costs to be amortized in this manner. Provisions on Sheet Nos. 9.86 and 9.87 of Gulf's 2007 contract were in compliance with these requirements and remain unchanged.

The provisions of the 2008 standard offer contract submitted by Gulf conform to all requirements of Rules 25-17.200 through 25-17.310, Florida Administrative Code. The contract provides flexibility in the arrangements for payment so that a developer of renewable generation may select the payment stream best suited to his financial needs. At the same time, security provisions of the contract provide protection for the Company's ratepayers.

In conclusion, we find that Gulf Power Company'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 Gulf Power 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

(S E A L)

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.