



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** June 19, 2009  
**TO:** Ann Cole, Commission Clerk - PSC, Office of Commission Clerk  
**FROM:** Thomas E. Ballinger, Utilities System/Engineering Spec Supv - SES, Office of Strategic Analysis and Governmental Affairs *TJB ALT*  
**RE:** Revised page to recommendation filed in Docket No. 090155-EQ, June 18, 2009, for June 30, 2009 Agenda.

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Please revise the third page of the recommendation filed <sup>*June - ac*</sup> ~~April~~ 18, 2009 in the above docket. This revision is being made to correct a typographical error changing the wording from "Power" to "Public" in order to correctly identify the company.

Cc: Mary Bane, Ryder Rudd, Bob Trapp, Jean Hartman

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### Discussion of Issues

**Issue 1:** Is the standard offer contract filed by Florida ~~Power~~Public Utilities Company in compliance with Rules 25-17.200 through 25-17.310, F.A.C.?

**Recommendation:** Yes. The Standard Offer Contract proposed by FPUC is in compliance with Rules 25-17.200 through 25-17.310, F.A.C., and therefore should be approved. (Sickel, Ellis)

**Staff Analysis:** Because the utility is an IOU, Rule 25-17.250(1), F.A.C., requires FPUC 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. Since FPUC does not generate any electric energy for sale to retail customers, FPUC does not file a Ten-Year Site Plan and has no planned unit that can serve as an avoided unit. In such a case, Rule 25-17.250(1), F.A.C., requires that the standard offer be based on avoiding or deferring a planned purchase. The standard offer contract provided by FPUC meets this requirement.

As FPUC has two geographic regions, rate schedules for two different divisions have been submitted, with different characteristics. The first is the Northwest Florida division, which consists of FPUC territories in Jackson, Calhoun, and Liberty Counties. The second is the Northeast Florida division, which consists of FPUC territory in Nassau County. Each division has different pricing for As-Available Energy, identified as rate schedule REN-1, and Firm Power, identified as rate schedule REN-2, which were attached to its petition.

The Northwest division's proposed rate schedule pricing features a significant change in pricing, as the REN-2 rate schedule is estimated at \$0.00/kw. This results in renewable energy providers being able to receive energy payments, but no capacity payments. This is the result of the contract methodology used in FPUC's contract with Gulf Power Company for delivery of power to the Northwest division. FPUC's contract contains a ratchet provision, establishing a minimum charge to FPUC based upon the level of peak demand observed when the contract was first initiated. FPUC is projected to be at or below this minimum demand level for 2009, so any further reduction in demand would not reduce contracted payments to Gulf Power Company. In the event of future increases in demand above the minimum set by the contract, a renewable energy provider could contribute to avoiding additional capacity. In this event, FPUC would revise these estimates and reward a capacity payment based upon the avoided cost.

The Northeast division's proposed rate schedule pricing retains a capacity payment, as it receives power through JEA, formerly Jacksonville Electric Authority, under a separate contractual agreement which does not have a similar ratchet provision. Energy payments for both divisions were adjusted to reflect the current avoided contracted cost. Excluding modifications to capacity and energy payments discussed above, no other modifications were made to the Renewable Energy Tariff approved by the Commission last year.