

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 30, 2010

TO: Office of Commission Clerk (Cole)

FROM: Division of Regulatory Analysis (S. Brown) *StB* *VB* *RLT*
Office of the General Counsel (M. Brown, Tan) *MB* *TH* *AT* *MM*

RE: Docket No. 100168-EI – Petition for approval of amended standard offer contract, by Progress Energy Florida.

AGENDA: 07/13/10 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 12/26/10 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\RAD\WP\100168.RCM.7-13-10.DOC

RECEIVED PSC
 10 JUN 30 AM 11:53
 COMMISSIONER
 CLERK

Case Background

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

Progress Energy Florida (Progress) filed its petition for approval of an amended standard offer contract and accompanying tariff COG-2 rate schedule on April 1, 2010. The contract, as directed by Florida Public Service Commission Rule 25-17.250, F.A.C., is based on the 2010 Ten-Year Site Plan. Progress has identified a 178 megawatt (MW) combustion turbine fueled by

DOCUMENT NUMBER DATE
 05394 JUN 30 2010
 FPSC-COMMISSIONER CLERK

Docket No. 100168-EI
Date: June 30, 2010

natural gas as a unit available to be avoided. The in-service date of the unit is projected to commence on June 1, 2018.

The Commission has jurisdiction over this matter pursuant to Sections 366.04 through 366.06, 366.91, and 366.92, F.S.

Discussion of Issues

Issue 1: Should the Commission approve the amended standard offer contract filed by Progress Energy Florida?

Recommendation: Yes. The standard offer contract and related tariffs comply with Rules 25-17.200 through 25-17.310, F.A.C. (S. Brown)

Staff Analysis: Because Progress is an IOU, Rule 25-17.250(1), F.A.C., requires it to continuously make available a standard offer contract for the purchase of firm capacity and energy from renewable generating facilities and small qualifying facilities with a design capacity of 100 kilowatts (kW) or less. In its 2010 Ten-Year Site Plan, Progress has identified a 178 MW natural gas-fired combustion turbine as its avoided unit. The projected in-service date of the unit is June 1, 2018.

Any renewable generator can still elect to have no performance requirements to deliver energy on an as-available basis under the current standard offer. If the renewable generator commits to certain performance requirements based on the avoided unit, including being on-line and delivering capacity by the in-service date, it can receive a capacity payment. To promote renewable generation, the Commission requires multiple options for capacity payments, including the option to receive Early or Levelized payments. Table 1 illustrates the various annual payments that would be made to a renewable facility of 50 MW running at a 94 percent capacity factor, with an in-service date of January 1, 2011.

Table 1 – Estimated Annual Payments to a 50 MW Renewable Facility (94% Capacity Factor)

Year	Capacity Payment Type			
	Normal	Levelized	Early	Early Levelized
	(\$000)	(\$000)	(\$000)	(\$000)
2011	\$ 21,228	\$ 21,228	\$ 22,812	\$ 23,184
2012	\$ 23,652	\$ 23,652	\$ 25,284	\$ 25,608
2013	\$ 28,800	\$ 28,800	\$ 30,480	\$ 30,756
2014	\$ 30,056	\$ 30,056	\$ 31,784	\$ 32,018
2015	\$ 34,856	\$ 34,856	\$ 36,638	\$ 36,818
2016	\$ 36,512	\$ 36,512	\$ 38,348	\$ 38,474
2017	\$ 39,109	\$ 39,109	\$ 40,999	\$ 41,077
2018	\$ 45,045	\$ 45,603	\$ 43,359	\$ 43,383
2019	\$ 43,362	\$ 43,812	\$ 41,622	\$ 41,592
2020	\$ 41,857	\$ 42,205	\$ 40,069	\$ 39,985
2021	\$ 40,545	\$ 40,785	\$ 38,703	\$ 38,559
2022	\$ 42,096	\$ 42,228	\$ 40,206	\$ 40,002
2023	\$ 43,851	\$ 43,869	\$ 41,901	\$ 41,637
2024	\$ 48,284	\$ 48,176	\$ 46,274	\$ 45,944
2025	\$ 50,143	\$ 49,915	\$ 48,079	\$ 47,683
2026	\$ 51,514	\$ 51,160	\$ 49,384	\$ 48,922
2027	\$ 54,816	\$ 54,336	\$ 52,626	\$ 52,098
2028	\$ 54,695	\$ 54,083	\$ 52,445	\$ 51,839
2029	\$ 56,136	\$ 55,386	\$ 53,820	\$ 53,142
2030	\$ 57,811	\$ 56,923	\$ 55,429	\$ 54,673

If a renewable generator elects to receive payments under the Normal or Levelized options, it would receive as-available energy rates until 2018, the in-service date of the avoided units. If the Early or Early Levelized options are selected, capacity payments begin at an earlier date but tend to be less in the outer years as the net present value of payments must remain the same. In addition, capacity payments greater than those made under the Normal option require additional performance security from the renewable generator.

Progress submitted several revised tariff sheets related to the proposed amended standard offer, and corresponding to its COG-2 rate schedule. The revised sheets reflect the modifications in some of the language in the proposed contract, changes in the minimum specifications and milestones, and changes in the economic parameters of the avoided unit. Beyond these revisions, all other terms are retained from the 2009 standard offer contract.

The provisions of the 2010 standard offer contract and related tariffs submitted by Progress conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C. Progress has filed tariff sheets that reflect the economic and technical assumptions of the 2018 avoided unit. The amended standard offer contract provides flexibility in the arrangements for payment so that a developer of renewable generation may select the payment stream best suited to its financial needs. Staff believes the standard offer contract and related tariff complies with Rules 25-17.200 through 25-17.310, F.A.C., and therefore should be approved.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation to approve the proposed standard offer contract and tariffs filed by Progress, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 100168-EQ should be closed, and the standard offer contracts and tariffs filed by Progress should be effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the Commission's order, the tariffs should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that Progress' tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised. (M. Brown, Tan)

Staff Analysis: If the Commission approves staff's recommendation to approve the proposed standard offer contract and tariffs filed by Progress, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 100168-EQ should be closed, and the standard offer contracts and tariffs filed by Progress should be effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the Commission's order, the tariffs should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that Progress' tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.