STATE OF FLORIDA

GENERAL COUNSEL
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Public Service Commission

August 26, 2010

John T. Burnett
Associate General Counsel
Progress Energy Service Company, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042

STAFF'S SECOND DATA REQUEST

Re: Docket No. 100345-EQ - Petition for approval of negotiated purchase power contract with Hathaway Renewable Energy, Inc. by Progress Energy Florida, Inc.

Dear Mr. Burnett:

By this letter, the Commission staff requests that Progress Energy Florida, Inc. (PEF) provide responses to the following data requests within (fourteen) 14 days.

Please answer the following questions regarding Hathaway Renewable Energy, Inc. (Hathaway)

1. Please provide a detailed timeline or schedule of events beginning with initial negotiation talks leading up to an agreed and signed contract proposal between Hathaway and PEF and ending with the submittal of the proposed contracts to the FPSC.

2. Please describe in detail the schedule of application requirements to be met in order for each facility to qualify for grants from the 2009 American Reinvestment and Renewal Act, as mentioned in Hathaway's response to Q9 of Staff's First Data Request.

3. In Staff's First Data Request, PEF's response to Q14 was a percent based from the 2009 Standard Offer Contract. Was there any consideration given to the performance abilities of the type of technology being used to verify the reliability of a capacity factor of 94%?

4. Are the security provisions and performance measures of the contracts consistent with PEF's past contracts negotiated with third-party vendors? If not, please explain the reason for any changes.

5. PEF's response to Q16 of Staff's First Data Request states that PEF used the 2009 Ten Year Site Plan (TYSP) fuel price forecast instead of the 2010 TYSP fuel price forecast as stated on Page 2 of the petition. Why was the 2009 TYSP forecast used instead of the 2010 TYSP forecast?

6. What fuel forecast was used to determine the Total Project Net Benefit/ (Cost) NPV for the contract? Please include in your response the date of the forecast and the entity that developed the forecast.

7. PEF's response to Q16 of Staff's First Data Request states that PEF used the 2009 TYSP fuel price forecast to calculate the forecasted fuel prices for natural gas. How did PEF estimate the forecasted fuel prices for the years 2019 through 2038 (the years beyond the 2009 TYSP forecast through the life of the project) and from whom was this forecast obtained?

8. In PEF's responses to Staff's Second Data Request in Docket No. 090537-EQ, PEF provided Staff an Attachment A in response to Q3. Attachment A is also provided in this Data Request. Following the model set forth in Attachment A, please provide staff the appropriate calculations using both the 2009 TYSP fuel price forecast and the 2010 TYSP fuel price forecast. Please use a variance of 15% above and below the forecasted fuel prices instead of the 20% used in Attachment A.

9. The avoided unit capacity payments in the 2009 standard offer contract appear to be significantly less than the avoided unit capacity payments in the 2010 standard offer contract. Please explain why there appears to be such a significant decrease in payments (i.e. reduction of the costs of the technology).

10. Commission Rule 25-17.250, Florida Administrative Code (F.A.C.) contains the following:

    (2) Continuous Offers.
    (a) <u>In order to ensure that each utility continuously offers a purchase contract to producers of renewable energy, each standard offer contract shall remain open until</u>:
    1. A request for proposals (RFP) pursuant to Rule 25-22.082, F.A.C., is issued for the utility's planned generating unit; or
    2. The utility files a petition for a need determination or commences construction for generating units not subject to Rule 25-22.082, F.A.C.
    3. <u>The generating unit upon which the standard offer contract was based is no longer part of the utility's generation plan, as evidenced by a petition to that effect filed with the Commission or by the utility's most recent Ten-Year Site Plan</u>.
    (b) <u>Before a standard contract offering is closed, the utility shall file a petition for approval of a new standard offer contract based on the next unit of the same generating technology, if any, in its Ten-Year Site Plan. If no generating unit of the same technology is in the utility's Ten-Year Site Plan, the utility shall notify the Director of the Division of Economic Regulation prior to closing a standard offer</u>. (emphasis added)

    In Docket No. 100009-EI, PEF Witness Lyash supported Exhibit JL-3 which included three generation expansion plans that did not include the 2018, 178 MW combustion turbine found in PEF's 2010 standard offer contract. Based on the information provided by PEF witness Lyash, should PEF close its 2010 standard offer contract?

11. Between the 2009 Standard Offer Contract, the 2010 Standard Offer Contract, and the newly reported avoided Combined Cycle facility, please explain what PEF would consider a reasonable baseline for the contract's avoided unit cost payments.

Please answer questions 12 – 17 using the table provided below. Please provide each response with a separate table.

$000	(7)	(8)	(9)	(10)
	Avoided Capacity Payments	Avoided Energy Payments	(7) + (8) Avoided Energy & Capacity Payments	Avoided Cumulative Payments
Units	$	$	$	$
Year				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
Total				
NPV 2010$				

12. Please complete the table assuming the 2019 Generic 2x1 G CC listed in Exhibit JL-3 of PEF witness Lyash's testimony in Docket No. 100009. Please assume the fuel forecast used in PEF's 2010 TYSP.

13. Please complete the table assuming the 2019 Generic 2x1 G CC listed in Exhibit JL-3 of PEF witness Lyash's testimony in Docket No. 100009. Please assume a fuel forecast that is **15 percent above** PEF's 2010 TYSP.

14. Please complete the table assuming the 2019 Generic 2x1 G CC listed in Exhibit JL-3 of PEF witness Lyash's testimony in Docket No. 100009. Please assume a fuel forecast that is **15 percent below** PEF's 2010 TYSP.

15. Please complete the table assuming PEF's 2010 standard offer contract. Please assume the fuel forecast used in PEF's 2010 TYSP.

16. Please complete the table assuming PEF's 2010 standard offer contract. Please assume a fuel forecast that is **15 percent above** PEF's 2010 TYSP.

17. Please complete the table assuming PEF's 2010 standard offer contract. Please assume a fuel forecast that is **15 percent below** PEF's 2010 TYSP.

Please answer questions 18 – 20 using the table provided below. Please provide each response with a separate table.

$000	(7)	(8)	(9)	(10)
	Contract Energy Payments	Contract Capacity Payments	(7) + (8) Contract Energy & Capacity Payments	Cumulative Contract Payments
Units	$	$	$	$
Year				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
Total				
NPV 2010$				

18. Please complete the table for the Contract between PEF and Hathaway. Please assume the fuel forecast used in PEF's 2010 TYSP. Also, please ensure that the energy payments are consistent with the parameters described in section 12.1 of the contract.

19. Please complete the table for the Contract between PEF and Hathaway. Please assume a fuel forecast that is **15 percent above** PEF's 2010 TYSP. Also, please ensure that the energy payments are consistent with the parameters described in section 12.1 of the contract.

20. Please complete the table for the Contract between PEF and Hathaway. Please assume a fuel forecast that is **15 percent below** PEF's 2010 TYSP. Also, please ensure that the energy payments are consistent with the parameters described in section 12.1 of the contract.

Please file the original and five copies of the requested information by Thursday, September 9, 2010, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6185 if you have any questions.

Sincerely,

Lee Eng Tan
Senior Attorney
Office of the General Counsel

TLT/gdr

cc: Office of Commission Clerk (Docket No. 100345-EQ)
Kevin W. Hathaway, Hathaway Renewable Energy, Inc.
Office of the General Counsel (Brown)
Division of Regulatory Analysis (Victor Ma)

Attachment A

Dollars in $000 High Fuel - 20% Increase	NPV	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
NPV of Payments to BGE	$ 231,583	10,622	19,570	18,311	17,133	16,070	14,995	14,030	13,128	12,314	11,490	10,751	10,059	9,435	8,804	8,238	7,707	7,230	6,746	6,312	5,906	2,734
NPV of Avoided Capacity Costs	$ 43,007	$ -	$ -	$ 1,998	$ 3,283	$ 3,141	$ 3,008	$ 2,877	$ 2,753	$ 2,635	$ 2,524	$ 2,414	$ 2,314	$ 2,214	$ 2,119	$ 2,028	$ 1,942	$ 1,858	$ 1,779	$ 1,705	$ 1,632	$ 781
NPV of Avoided Energy Costs	$ 282,757	$ 14,146	$ 26,538	$ 24,021	$ 22,967	$ 19,768	$ 16,517	$ 15,273	$ 14,288	$ 13,489	$ 13,077	$ 12,463	$ 12,023	$ 10,852	$ 10,560	$ 10,085	$ 9,877	$ 9,124	$ 8,580	$ 8,087	$ 7,622	$ 3,399
NPV of Net Benefit (Cost)	$ 94,181	3,525	6,968	7,709	9,118	6,839	4,530	4,120	3,913	3,811	4,111	4,127	4,277	3,630	3,875	3,876	4,113	3,753	3,613	3,480	3,348	1,446

Dollars in $000 Low Fuel - 20% Decrease	NPV	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
NPV of Payments to BGE	$ 231,583	10,622	19,570	18,311	17,133	16,070	14,996	14,030	13,128	12,314	11,490	10,751	10,059	9,435	8,804	8,238	7,707	7,230	6,746	6,312	5,906	2,734
NPV of Avoided Capacity Costs	$ 43,007	$ -	$ -	$ 1,998	$ 3,283	$ 3,141	$ 3,008	$ 2,877	$ 2,753	$ 2,635	$ 2,524	$ 2,414	$ 2,314	$ 2,214	$ 2,119	$ 2,028	$ 1,941	$ 1,858	$ 1,779	$ 1,705	$ 1,632	$ 781
NPV of Avoided Energy Costs	$ 188,505	$ 9,431	$ 17,691	$ 16,013	$ 15,312	$ 13,178	$ 11,012	$ 10,182	$ 9,525	$ 8,993	$ 8,719	$ 8,309	$ 8,015	$ 7,235	$ 7,040	$ 6,723	$ 6,585	$ 6,083	$ 5,720	$ 5,391	$ 5,082	$ 2,266
NPV of Net Benefit (Cost)	$ (71)	(1,190)	(1,879)	(299)	1,462	249	(975)	(971)	(850)	(685)	(247)	(27)	270	13	355	514	839	712	753	784	808	314