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State of Florida



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

COMMISSION
CLERK**-M-E-M-O-R-A-N-D-U-M-**

DATE: June 2, 2011

TO: Office of Commission Clerk (Cole)

FROM: Division of Regulatory Analysis (Ellis) *POE JB*
 Office of the General Counsel (Harris) *ATCOK BNS*

RE: Docket No. 110095-EQ – 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 revised tariff schedule REF-1, by Gulf Power Company.

AGENDA: 06/14/11 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\RAD\WP\110095.RCM.06-14-11.DOC

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.

Gulf Power Company (Gulf) filed its petition for approval of its modified standard offer for purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities and approval of revised tariff schedule REF-1 on April 1, 2011.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Docket No. 110095-EQ
Date: June 2, 2011

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 standard offer contract filed by Gulf Power Company?

Recommendation: Yes. The provisions of the 2011 standard offer contract and related tariffs submitted by Gulf conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C. (Ellis)

Staff Analysis: Because Gulf 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 2011 Ten-Year Site Plan, Gulf has not identified any fossil-fueled generating units for the period 2011-2020, but it has identified a unit beyond the ten year planning horizon as the avoided unit. The unit would be a 366 megawatt (MW) natural gas-fired combustion turbine with a projected in-service date of June 1, 2022.

A renewable generator can 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 Normal, Levelized, Early, or Early Levelized payments.

If a renewable generator elects to receive payments under the Normal or Levelized options, it would receive as-available energy rates until June 1, 2022, the in-service date of the avoided unit. 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. Table 1 estimates the annual payments that would be made to a renewable facility of 50 MW running at a 90 percent capacity factor, with an in-service date of 2012.

Table 1 - Estimated Annual Payments to a 50 MW Biomass Facility (90% Capacity Factor)

Year	Energy Payment	Capacity Payment (By Type)			
		Normal	Levelized	Early	Early Levelized
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
2012	17,116	-	-	1,140	1,302
2013	18,926	-	-	1,164	1,308
2014	19,820	-	-	1,188	1,308
2015	20,755	-	-	1,212	1,308
2016	20,841	-	-	1,236	1,314
2017	21,689	-	-	1,260	1,314
2018	22,556	-	-	1,284	1,320
2019	24,295	-	-	1,308	1,320
2020	24,854	-	-	1,338	1,320
2021	26,877	-	-	1,362	1,326
2022	27,669	2,373	2,555	1,392	1,326
2023	29,683	4,134	4,386	1,416	1,332
2024	31,303	4,212	4,392	1,446	1,332
2025	33,014	4,296	4,404	1,476	1,338
2026	34,686	4,380	4,410	1,506	1,338
2027	36,511	4,470	4,416	1,530	1,344
2028	38,064	4,560	4,428	1,566	1,344
2029	40,126	4,650	4,434	1,596	1,350
2030	41,470	4,740	4,446	1,626	1,350
2031	42,712	4,836	4,452	1,656	1,356

Gulf submitted a total of 18 revised tariff sheets, including 11 revised sheets for the standard offer contract and seven revised sheets corresponding to Schedule REF-1. All of the revised sheets reflect changes to the date of the avoided unit, interconnection language, and/or economic parameters. Beyond these revisions, all other terms, such as provisions for performance, payment, and security, are retained from the 2010 standard offer contract and related tariffs.

The provisions of the 2011 standard offer contract and related tariffs submitted by Gulf conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C. The standard offer contract provides flexibility in the arrangements for payments so that a developer of renewable generation may select the payment stream best suited to its financial needs. As such, staff believes the standard offer contract and related tariffs submitted by Gulf should be approved as filed.

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 Gulf, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 110095-EQ should be closed, and the standard offer contracts and tariffs filed by Gulf 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 Gulf's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised. (Harris)

Staff Analysis: If the Commission approves staff's recommendation to approve the proposed standard offer contract and tariffs filed by Gulf, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 110095-EQ should be closed, and the standard offer contracts and tariffs filed by Gulf 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 Gulf's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.