

State of Florida



Public Service Commission

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DATE: March 15, 2012

TO: Office of Commission Clerk (Cole)

FROM: Division of Regulatory Analysis (Garl, S. Brown) *SGB*
Office of the General Counsel (Robinson) *PC RC NT*

RE: Docket No. 110312-EQ – Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

AGENDA: 03/27/12 – 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\110312.RCM.03.15.12.DOC

Case Background

On March 12, 2007, the Commission's adopted amendments to Rule 25-17.0832, Florida Administrative Code (F.A.C.), and new Rules 25-17.200 through 25-17.310, F.A.C., relating to renewable generating facilities became effective. The new rules require each investor-owned utility (IOU) to file with the Commission by April 1 of each year 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. Florida Power & Light Company (FPL) filed the required standard offer contract by the April 1, 2011, deadline, which was

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approved by the Commission.¹ The standard offer contract was based on a 2016 Port Everglades project as the next avoidable unit.

Rule 25-17.250(2), F.A.C., requires that approved standard offer contracts remain open until the utility files a petition for a need determination and that it should not be closed until a new standard offer contract is approved. FPL filed a petition for a need determination on November 21, 2011, for modernization of its Port Everglades Energy Center.² With the filing of the need determination, the next avoided unit changed and most of the cost data in the previous standard offer contract (with Port Everglades as the next avoided unit) must be revised to reflect the new next avoided unit. The standard offer contract is the continuously open offer to purchase energy from any company generating electricity from a renewable fuel source, as required by Commission rules. FPL, therefore, submitted a new standard offer contract for the Commission's approval in this docket on November 28, 2011. The Commission suspended the associated renewable energy tariff on January 31, 2012,³ pending Commission action in this docket.

The Commission has jurisdiction over this contract pursuant to Sections 366.04 and 366.91, Florida Statutes (F.S.).

¹ See Order No. PSC-11-0466-TRF-EQ, issued on October 13, 2011, in Docket No. 110091-EQ, In re: Petition for approval of renewable energy tariff and standard offer contract by Florida Power & Light Company.

² See Docket No. 110309-EI, In re: Petition to determine need for modernization of Port Everglades Plant by Florida Power & Light Company.

³ See Order No. PSC-12-0045-PCO-EQ, issued on January 31, 2012, in Docket No. 110312-EQ, In re: Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

Discussion of Issues

Issue 1: Should the Commission approve the standard offer contract and associated renewable energy tariff filed by Florida Power & Light Company?

Recommendation: Yes. The revised standard offer contract and tariff filed on November 28, 2011, comply with Rules 25-17.200 through 25-17.310, F.A.C., and should be approved. (Garl, S. Brown)

Staff Analysis: Pursuant to Rule 25-17.250, F.A.C., investor-owned utilities, such as FPL, must 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 kW or less. Rule 25-17.250(1), F.A.C., specifies that the standard offer contract must be based on the next avoidable fossil fueled generating unit identified in the utility's Ten-Year Site Plan (TYSP).

FPL's 2011 TYSP, filed on April 1, 2011, is based on data as of January 1, 2011, that identified a 1,191 MW natural gas-fired combined cycle greenfield unit with an in-service date of June 1, 2016, as its next fossil fueled generating unit. On November 21, 2011, FPL filed a petition for a need determination for the modernization of its Port Everglades Energy Center.⁴ The modernization project is scheduled for an in-service date of June 2016. A hearing on the Port Everglades project was held on February 20, 2012. The Commission is scheduled to make its decision on the need determination on March 27, 2012.

Pursuant to Section 186.801(2), F.S., the Legislature contemplated the fluid nature of TYSPs stating, in part, that the "10-year site plans submitted by an electric utility are tentative information for planning purposes only and may be amended at any time at the discretion of the utility upon written notification to the commission." Pursuant to Section 186.801 (2), F.S., "[a] complete application for certification of an electrical power plant site under chapter 403, when such site is not designated in the current 10-year site plan of the applicant, shall constitute an amendment to the 10-year site plan." FPL's 2012 TYSP is due April 1, 2012.

Testimony filed in the need determination proceeding, in Docket No. 110309-EI, demonstrates that FPL's current generation plan projects that its next avoidable fossil fuel generating unit within the meaning of Rule 25-17.250, F.A.C., would be a 1,262 MW combined cycle unit at a greenfield site with an expected in-service date of June 1, 2021.⁵ Staff believes FPL's revised standard offer contract and related tariff should be based on the 2021 greenfield unit which reflects FPL's current estimate of avoidable costs.

Consistent with Rule 25-17.250(4), F.A.C., if a renewable generator commits to certain performance requirements, including being on-line and delivering capacity by the avoided unit's in-service date, it can receive a capacity payment. To promote renewable generation, the

⁴ See Docket No. 110309-EI, In re: Petition to determine need for modernization of Port Everglades Plant by Florida Power & Light Company.

⁵ See Direct Testimony of Juan Enjamio, Exhibit JEE-2, filed on November 21, 2011, in Docket No. 110309-EI, In re: Petition to determine need for modernization of Port Everglades Plant by Florida Power & Light Company.

Commission requires multiple options for capacity payments. If a renewable generator elects to receive Normal or Levelized capacity payments, it would receive those payments starting on the in-service date of the avoided unit (2021). As previously discussed, FPL's existing standard offer contract is based on the Port Everglades Project as the avoided unit with an in-service date of 2016; therefore, the shift in the in-service date of the avoided unit to 2021 could be less beneficial to renewable providers in the near term as capacity payments would not be received until a later date.

If Early or Early Levelized capacity payments are selected, those payments would begin at an earlier date but tend to be less in later 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 94 percent capacity factor, with the avoided unit in-service date of 2021.

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

Year	Energy Payment (\$000)	Capacity Payment (By Type)			
		Normal (\$000)	Levelized (\$000)	Early (\$000)	Early Levelized (\$000)
2012	19,643	-	-	-	-
2013	17,832	-	-	-	-
2014	17,741	-	-	-	-
2015	19,005	-	-	2,862	3,392
2016	21,978	-	-	2,947	3,408
2017	23,732	-	-	3,034	3,424
2018	25,197	-	-	3,124	3,441
2019	26,556	-	-	3,217	3,459
2020	29,224	-	-	3,312	3,477
2021	22,925	5,862	6,586	3,411	3,495
2022	24,594	6,036	6,618	3,512	3,514
2023	26,324	6,215	6,652	3,616	3,534
2024	28,135	6,399	6,687	3,723	3,554
2025	29,937	6,589	6,722	3,834	3,575
2026	30,591	6,784	6,759	3,948	3,596
2027	31,147	6,986	6,797	4,065	3,618
2028	31,713	7,193	6,836	4,185	3,640
2029	32,289	7,407	6,876	4,310	3,663
2030	32,876	7,626	6,917	4,438	3,687
2031	33,474	7,853	6,959	4,569	3,712
2032	34,082	8,086	7,002	4,705	3,737
Total (2011 NPV)	\$259,982	\$28,027	\$28,027	\$28,027	\$28,027

Conclusion

FPL submitted four revised sheets of FPL's renewable standard offer contract and six revised tariff sheets corresponding to FPL's QS-2 rate schedule. All of the revised sheets reflect changes associated with the 2021 greenfield unit, with a majority of the revisions related to the new economic parameters. Beyond these revisions, all other terms, such as provisions for performance, payment, and security are retained from the previous 2011 standard offer contract and related tariffs.

The provisions of the revised standard offer contract and related tariff 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 recommends the revised standard offer contract and related tariff filed on November 28, 2011, by FPL 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 tariff filed by FPL, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 110312-EQ should be closed upon issuance of a consummating order, and the standard offer contract and tariff filed by FPL 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 tariff should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that FPL's tariff and standard offer contract may be subject to a request for hearing, and if a hearing is held, may subsequently be revised. (Robinson)

Staff Analysis: If the Commission approves staff's recommendation to approve the proposed standard offer contract and tariff filed by FPL, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 110312-EQ should be closed upon issuance of a consummating order, and the standard offer contract and tariff filed by FPL 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 tariff should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that FPL's tariff and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.