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May 4, 2012

**BY HAND DELIVERY**

Ms. Ann Cole, Clerk  
Office of the Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

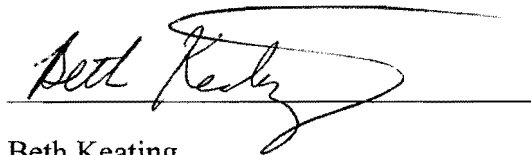
**Re: Docket 120058 -- Petition for approval of a negotiated renewable energy power purchase contract for power purchased with Rayonier Performance Fibers, LLC, by Florida Public Utilities Company.**

Dear Ms. Cole:

Enclosed for filing, please find the original and seven (7) copies of Florida Public Utilities Company's Responses to Commission Staff's First Set of Data Requests.

As always, please don't hesitate to contact me if you have any questions or concerns in this regard. Thank you for your kind assistance with this filing.

Sincerely,



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Tallahassee, FL 32301  
(850) 521-1706  
*Attorneys for Florida Public Utilities Company*

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DOCUMENT NUMBER-DATE

02873 MAY-4 2012

Re: Docket No. 120058-EQ - Petition for approval of a negotiated renewable energy power purchase contract for power purchased with Rayonier Performance Fibers, LLC, by Florida Public Utilities Company.

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**Florida Public Utilities Company's Response to Staff's First Data Requests**

Florida Public Utilities Company (hereinafter "FPUC", "Buyer", or "Company") provides its responses to Staff's First Data Requests, dated April 20, 2012.

1. Please indicate the state in which Rayonier was organized and where it is registered to do business.

**Response:** Rayonier Performance Fibers, LLC is a Delaware Limited Liability Company authorized to conduct business in Georgia and Florida.

2. How many employees does Rayonier currently employ in Florida?

**Response:** Rayonier employs 533 employees in the state of Florida.

3. How many new jobs would be created in Florida during the construction and operation phase of the proposed facility?

**Response:** Rayonier will hire 65-75 construction employees during the installation of the facility. A total of 85,000 – 95,000 man-hours will be expended. The operation phase of the facility will not require any additional full time employees.

4. Please complete the table describing all generation facility projects which Rayonier has developed, constructed, operated, or maintained in the past.

**Response:** In the past, Rayonier installed and operated the three generators at the Fernandina Beach mill listed below. The capacity from these generators is used only in the mill's process. No generation facility has been installed, in the past, to sell power to FPUC. The No.4 STG was put in service in 1975 and the No.3 STG was put in service in 1951. Both generators are in service today and have maintained an uptime level of over 98% since start-up. The No.2 STG was retired in 2005. Upon placing the new turbine in service, the No. 3 STG will be retired.

GENERATOR	SPEED	OUTPUT RATING	VOLTS	STEAM CONDITION	AMPS	EXCITER
No. 3 STG	3600	7500 KVA	4160	530 PSIG/700 DEG	1045	BRUSHLESS
No. 4 STG	3600	26000 KVA	4160	850 PSIG/875 DEG	3608	STATIC
No. 2 STG	3600	6250 KVA	4160	RETIRED		

5. Please identify any delays, if any, in construction experienced by the above-referenced projects.

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FPSC-COMMISSION CLERK

**Response:** There were no delays in construction experienced by the above-referenced projects. The generation facilities were installed on time and within budget.

6. Please identify and discuss, if any, project(s) which Rayonier contracted for with regards to the development, construction, operation or maintenance of an electric generator but did not complete.

**Response:** In the past, Rayonier has not contracted for any project(s) with regards to the development, construction, operation or maintenance of an electric generator.

7. Will Rayonier require an additional fuel supply contract for operation of the proposed project?
- If so, with whom?
  - What is the duration of this contract?

**Response:**

- An additional fuel supply contract for the operation of the proposed project will not be required. The additional power capacity is a result of efficiency gains from replacing the No. 3 Steam Turbine Generator. The No. 3 STG has a heat rate of 40 KPPH / MW as compared to the heat rate of 16 KPPH / MW with the new Steam Turbine Generator. Unlike the No. 3 STG, Rayonier will include a condenser with the new turbine which will allow for the capture of 30 -35 kpph of steam that was previously vented to the atmosphere.
  - Not applicable.
8. Will Rayonier outsource any of its contract obligations, such as engineering, procurement, and construction of the proposed facility?
- If yes, please identify the entity that will provide these services.

**Response:** Rayonier has outsourced the following activities only:

- Engineering  
Amec Engineering Inc.  
396 Plasters Ave NE  
Atlanta, GA 30324  
PH 404-873-4761

Construction  
CR Meyers  
1717 N. 26<sup>th</sup> Street  
Escanaba, MI. 49829-2558  
PH 906-233-9914  
FX 906-233-9924

9. Has Rayonier obtained any financing for the proposed project? If so, please explain.

**Response:** Rayonier has not obtained outside financing for the proposed project. The project is funded through Rayonier's Capital Plan.

10. Please provide the path schedule/timeline for permitting and construction of the proposed facility. In your answer, please include all critical deadlines, including but not limited to: Land Acquisition, Zoning, Permitting (such as those relating to Zoning, Construction, or Water Use), Construction, Testing, Transmission, and Delivery of Capacity, and identify any events that have been completed.

**Response:** See the table below for the schedule and timeline for permitting and construction of the facility. Because the new turbine will be constructed on Rayonier's existing site, there are not land acquisition, zoning, or permits required.

ITEM	START	SCHEDULED COMPLETE	FORECAST COMPLETE	% COMPLETE
PERMIT	NO PERMIT REQUIRED			
ENGINEERING	11-1-2011	3-1-2012	4-30-2012	99%
CONSTRUCTION	1-13-2012	6-15-2012	7-31-2012	37%

11. As of this data request, has Rayonier met the requirements in order to be considered a qualifying facility?
- a. If not, by when will they be required to?

**Response:** Yes, Rayonier has met the requirements in order to be considered a qualifying facility.

FERC FORM 556

Submission ID: 331276

Filed By: Rayonier Performance Fibers, LLC

Signed By: William Manzer

Filing Desc: Public Form 556 of Rayonier Performance Fibers, LLC under Docket QF12-47-000.

Submission Date/Time: 12/7/2011 3:53:02 PM

Filed Date: 12/7/2011 3:53:02 PM

12. Please describe any events that may delay or accelerate key milestones that determine the commercial in-service date of the proposed facility.

**Response:** The following key milestones may delay or accelerate the commercial in-service date of the facility:

Turbine delivery – Italy to Florida by ship

Generator delivery – Brazil to Florida by ship

Construction delays due to equipment deliveries, weather conditions, etc.

13. Please provide a general layout diagram of the equipment that will be purchased or constructed for the operation of this facility, including structures, boilers, turbines, etc.

**Response:** Please see Attachment A.

14. For clarification purposes, what is the capacity factor the proposed facility is expected to run at during normal operation?

**Response:** The capacity factor that the proposed facility is expected to run at during normal operations is:

$$\frac{\text{AVERAGE POWER}}{\text{MAXIMUM POWER}} = \frac{16\text{MW}}{22\text{MW}} = 73\%$$

15. On page 6 of the Negotiated Contract, “On-Peak Hours” are defined as 5:01 am – 7:00 pm during Winter Season Week Days, 10:01 am – 9:00 pm during Summer Season Week Days, and 8:01 am – 11:00 pm for November Week Days. Please justify this classification with any relevant information that may support the specified range of these times.

**Response:** The basis for the peak period is the actual load experience of the Northeast Division of FPUC for the years 2008-2010. For these years, week day hourly load shapes are developed, by month. The peak period of each month is determined by visual inspection, with the objective of insuring that the peak hour for the month occurs during the peak period, as identified. Months are grouped into summer and winter seasons according to the similarity of the peak periods. The November week day hourly loads are unusually similar, with noticeably less variation over extended daytime hours. For this reason, November is not assigned to either of the summer or winter periods. Hourly load analysis and accompanying load data can be provided.

16. Please explain why it is reasonable that the facility will require a 21 MW turbine, but will only be providing 1.7 to 3 MW of generation to be purchased by FPUC.

**Response:** The Rayonier facility requires additional power and steam for its own usage, which is expected to be provided by the new 21 MW turbine. This is defined in the Agreement as “Internal Use Energy.” Consequently, it is anticipated that the remaining excess energy that the facility will typically make available for sale to the Company under the terms and conditions of the Agreement is between 1.7 and 3 MW.

17. Section 4(a) iv of the Negotiated Contract states that the ownership of the existing interconnecting transmission line will be transferred from the Seller to the Buyer.

a. If the contract is terminated, what are the conditions that would determine the continued ownership of the existing transmission line?

b. The final sentence states that “the Seller shall remain responsible for all maintenance and servicing of such transmission line (at its sole expense).” This conflicts with the

initial sentence stating that ownership will be granted to the Buyer. Please reconcile these statements.

**Response:**

- a. If the contract is terminated prior to the Commercial Operation Date, then the ownership of the existing interconnecting transmission line will remain with Rayonier. Otherwise, as a condition precedent to the effectiveness of the Agreement, transfer of ownership of the existing interconnecting transmission line will have occurred and the line will be owned by the Company.
  - b. As part of the negotiations of this Agreement, the parties agreed that the Buyer (Company) would be willing to own the existing interconnecting transmission line but only if the Seller continues to pay for all maintenance and servicing of such transmission line. It is contemplated that the Company would perform such maintenance and servicing and be reimbursed by Rayonier for the costs. The Company had no incentive to own the existing transmission line, and pay for all maintenance and servicing, since it has agreed to install a new transmission line by the Spring of 2014 (see Section 4(i)).
18. Section 4(i) of the Negotiated Contract states that the “Buyer shall bear costs of relocating the transmission line and removal and disposition of transmission line and equipment...” Were the costs of these procedures included in the cost analysis made in Attachment B of the Petition?
- a. If not, please update the cost-effectiveness analysis with these costs.

**Response:** The Company believes that the costs related to the relocation of the transmission line and removal and disposition of the existing transmission line and equipment are not fuel related costs. The Company does not contemplate recovering the costs associated with the relocation of the transmission line or the removal and disposition of the existing transmission line and equipment through the fuel clause. The Company believes that these are rate base costs and should be recovered through base rates from those customers that receive the benefits of such facilities. As such, these costs were not included in the cost analysis made in Attachment B, nor should they be reflected therein.

19. Section 6 of the Negotiated Contract states the installation, operation, maintenance, and replacement of meters at the Delivery Point are the responsibility of the Buyer. However, Appendix D, Section 1.6, states that, unless otherwise agreed upon, the facility is required to bear all costs associated with the change-out, upgrade or addition of equipment including meters. Please clarify this inconsistency.

**Response:** The key phrase in Appendix D, Section 1.6 is “unless otherwise agreed upon.” Appendix D is a standard form used by the Company for Facility Connection Requirements. In this Agreement, the parties have agreed that the Company will be responsible for the installation, operation, maintenance and replacement of meters at the Delivery Point. The Company, therefore, does not believe there to be any inconsistency with the language in the Agreement.

20. Section 7(a) of the Negotiated Contract states that Rayonier is permitted to establish a Committed Capacity up to 5 MW. Should Rayonier establish a higher Committed Capacity, how will this affect the projected savings of the proposed facility?

**Response:** If Rayonier establishes a higher Committed Capacity and actually sells more energy to the Company, then the projected savings would be greater.

21. Please elaborate if there are any performance requirements for the Seller, what they entail, and if there are any penalties associated with failing to meet these requirements.

**Response:** Yes, the Agreement does contain performance requirements for the Seller. Section 10.4 contains these requirements. Although this Agreement is not for firm service, the Company has negotiated terms and conditions that are intended to provide proper incentives for Rayonier to sell as much energy as possible to the Company. As stated above, the more energy sold by Rayonier, the larger the savings that can be passed on to rate payers. However, the performance requirements are also intended to ensure that, when Rayonier is unable to sell a minimum level of energy under the terms of the Agreement, then the price that the Company pays for the energy actually provided is reduced to the Energy Price in lieu of the All-In Price. To be clear, the Company only pays for the energy delivered under the Agreement. The performance requirements only pertain to the price that the Company will pay, not to any minimum quantity required to be provided.

22. Section 7(b) of the Negotiated Contract establishes that the Seller retains the right to determine the amount of energy it sells.
- a. Does this allow the Seller the freedom to refuse to sell energy at any given point?
  - b. If so, please indicate if there are any provisions in the Negotiated Contract require Seller to sell energy within a minimum time frame or condition.

**Response:**

- a. The Seller is not obligated to sell any energy at any time to the Company under the Agreement.
  - b. Not applicable.
23. In Attachment B of FPUC's petition, FPUC provides a cost comparison of FPUC's purchased power agreement with JEA and the proposed negotiated contract with Rayonier.
- a. Please clarify the total cumulative Net Present Value savings produced by the proposed negotiated contract over the life of the contract.
  - b. Are the values in Attachment B in Net Present Value? **If so**, please include the cost analysis in Nominal Value. **If not**, please explain how these values accounted for general inflation.
  - c. Page 18 of the Negotiated Contract contains a table describing the appropriate hourly capacity and energy purchase prices (\$/MWh). Please provide an additional cost table

containing equivalent information (Energy Price, Capacity Price, All-In Price if applicable) from the JEA contract used to calculate the cost comparison in Attachment B.

**Response:**

- a. Please see Revised Attachment B, which reflects the Net Present Value of the projected annual savings produced over the life of the contract.
- b. No, the values are Nominal Values. The values contained in Attachment B are the Company's current estimate of future prices over the life of the contract. It is uncertain how, or if, inflation will effect fuel prices in the future.
- c. The prices associated with the contract between FPUC and JEA are shown in the tables of Example A of Appendix E, attached to the contract.

24. The bottom of page 18 of the Negotiated Contract states that “in no event shall the above prices, in total, at any applicable point in time be less than Buyer's avoided cost for Electric Energy...” As this conflicts with the analysis in Attachment B, where Negotiated Contract costs are less than avoided costs, how does this statement ensure that there will be continued savings when compared to the Buyer's avoided cost?

**Response:** Within the context of the contract, as stated at the top of page 19, “avoided cost” refers to the REN-1 tariff, which includes only energy/fuel-related costs. Within this context, contract prices are above avoided costs (REN-1 tariff rate), but less than the total cost paid under the existing JEA contract, thus ensuring continued savings to rate payers for energy purchased under the Negotiated Contract.

25. Would the parties' amendments for ancillary services due to change in future conditions, as set forth in Section 10.5 of the Negotiated Contract be required to be submitted to the Commission for approval?

**Response:** Under current regulatory conditions, the Company does not believe that any ancillary services would be regulated by the Commission. However, as stated in Section 10.5, “**Should future conditions change, including market and regulatory requirements,**” and the result of these changes were that ancillary services become regulated by the Commission, then, and only then, would such amendments be submitted to the Commission for approval.

26. In Attachment 1 of Appendix A, “sludge” is explained to be a component of one of the fuels. How does Rayonier dispose of the sludge prior to it being utilized for the proposed facility?

**Response:** Prior to installing the Bubbling Fluidized Bed boiler in 2007, the Fernandina Mill trucked all sludge to off-site landfills.

27. Attachment C of Appendix G states that an additional interconnection study is not necessary.
- a. Has the existing Rayonier facility and interconnection equipment been used to export energy onto the grid prior to the proposed facility?



- b. If upgrades to Rayonier's interconnection are necessary in the future, who would be responsible for the cost of these upgrades?

**Response:**

- a. The existing Rayonier facility and interconnection equipment has not been used to export energy onto the FPU transmission network.
- b. If upgrades to the interconnection are necessary in the future, Rayonier will be the responsible party for any costs of these upgrades.

28. Who is the future seller for the Renewable tariff? Please explain why it is reasonable to assume the cost of the future standard offer contract will remain the same throughout the life of the facility.

**Response:** The Company will likely issue an RFP in 2015 or 2016 for a purchased power provider beginning after the expiration of the current JEA contract (December 31, 2017). At this time, the Company does not know who the next purchased power provider will be. The Company has assumed that the cost of the future standard offer contract will remain constant for Attachment B for illustrative purposes only. If the future pricing were to change (increase or decrease), the terms of the Agreement would modify the price paid to Rayonier by a corresponding amount. The level of savings would change (savings would increase if prices increase; savings would decrease if prices decrease), but overall savings would always exist under the terms of the Agreement.

29. Appendix A is entitled *Facilities Description*. The last paragraph of Appendix A that addresses the general operating characteristics of the proposed Rayonier facility states that during maintenance, the Rayonier mill will require approximately 14 MW power from FPUC to continue operations.

- a. What is the current energy tariff the facility is paying to operate the existing facility?
- b. With the construction and operation of the generating facility, will the 14 MW of power required during maintenance be purchased by Rayonier under a back-up power rate?
- c. If so, what are Rayonier's total savings from changing from the current energy tariff to a back-up power rate? Are these savings to Rayonier reflected in their negotiated contract prices when calculating the cost analysis in Attachment B?

**Response:**

- a. The current energy tariff that the Rayonier facility is billed under when they purchase power from the Company is rate schedule GSLD-1.
- b. No, the rate schedule will remain GSLD-1.
- c. Not applicable.

**DOCKET NO. 120058-EQ**

**FPUC'S RESPONSES TO  
STAFF'S FIRST DATA REQUESTS**

**ATTACHMENT A**



**DOCKET NO. 120058-EQ**

FPUC'S RESPONSES TO  
STAFF'S FIRST DATA REQUESTS

ATTACHMENT B  
(Revised Attachment B to Petition – Redacted)

Projected Savings - Rayonier Contract

Attachment B  
Revised

Projected MWh Purchased	16,980										
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Projected Cost per MWh - Rayonier Contract	[REDACTED]										
Projected Cost - Rayonier Contract	[REDACTED]										
Projected Cost per MWh - JEA Contract	[REDACTED]										
Projected Cost - JEA Contract	[REDACTED]										
Projected Cost per MWh - Future Contract	[REDACTED]										
Projected Cost - Future Contract	[REDACTED]										
Projected Annual Savings	[REDACTED]										
Net Present Value of Annual Savings	[REDACTED]										

Assumptions:

- 1) Power Purchase from Rayonier begins July 1, 2012
- 2) Projected Cost per MWh - Rayonier Contract reflects the projected average price over the entire year
- 3) Projected Cost from JEA and Future Power Provider remains constant over 10 year period
- 4) Provisions of Rayonier Contract will always result in savings compared to alternative purchases (Decremental Cost provision)
- 5) Discount rate for NPV calculation is assumed to be [REDACTED]