

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 26, 2014

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Matthews, Mtenga)
Office of the General Counsel (Tan) *TM AI TJS*

RE: Docket No. 140073-EQ – Petition for approval of revisions to renewable energy tariffs REN-1 and REN 2, by Florida Public Utilities Company.

AGENDA: 07/10/14 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Section 366.91(3), Florida Statutes (F.S.) requires that each investor-owned utility (IOU) continuously offers to purchase capacity and energy from renewable energy generators. Commission Rules 25-17.200 through 25-17.310, Florida Administrative Code (F.A.C.), implement the statute and require each IOU to file with the Commission, by April 1 of each year, a standard offer contract based on the next avoidable fossil fueled generating unit or planned purchase. On April 4, 2014, Florida Public Utilities Company (FPUC or Utility) filed a petition for approval of revisions to its standard offer contract and associated rate schedule.¹

Because FPUC does not own or operate any electric generating units, the utility does not have any avoidable unit on which to base its standard offer contract. Rule 25-17.250(1), F.A.C.,

¹ In its letter accompanying its petition, FPUC indicated that the failure to timely file the petition was inadvertent and unintentional, and that the filing was made immediately upon discovering the oversight.

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requires that, under these circumstances, the standard offer contract be based on avoiding or deferring a planned purchase. FPUC purchases all of its electric power through purchased power agreements (PPAs) in its Northeast Division from JEA, and in its Northwest Division from Gulf Power Company. The rate schedules REN-1 and REN-2 submitted with the standard offer contract reflect avoided purchases in the Northeast and Northwest Divisions in accordance with the PPAs for each division.

The Commission has jurisdiction over this standard offer contract pursuant to Sections 366.04 through 366.06 and 366.91, F.S.

Discussion of Issues

Issue 1: Should the Commission approve the revised standard offer contract filed by Florida Public Utilities Company?

Recommendation: Yes. The revised standard offer contracts and related rate schedules conform to all the requirements of Rules 25-17.200 through 25-17.310, F.A.C., and reflect the avoidable costs associated with FPUC's power purchase agreements. Staff recommends that the revised standard offer contracts and related rate schedules filed by FPUC be approved as filed. (Matthews)

Staff Analysis: Pursuant to Rule 25-17.250, F.A.C., an IOU 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 kilowatt (kW) or less.

Since FPUC does not generate any electric energy for sale to retail customers, FPUC does not file a Ten-Year Site Plan and has no planned generating unit that can serve as an avoided unit. In such a circumstance, Rule 25-17.250(1), F.A.C., requires that a standard offer be based on avoiding or deferring a planned purchase. FPUC has met this requirement by submitting standard offer contracts based on the Utility's purchased power agreements with Gulf Power Company for the Northwest Division and JEA for the Northeast Division.

FPUC proposes revisions to two rate schedules for each division: REN-1, for as-available energy only; and REN-2, for firm energy and capacity. Energy and capacity payments for these schedules are based on actual costs under FPUC's wholesale contracts with estimates provided in the rate schedule filing. The revisions reflect updated energy price estimates for 2014, and are detailed below. The rate schedules are otherwise unchanged. FPUC's standard offer contract, incorporating the revised rate schedules, is provided as Attachment A.

Similar revisions were approved by the Commission in 2013 by Order No. PSC-13-0328-PAA-EQ, issued July 17, 2013.²

Northwest Division

Payments for energy in 2014 are projected to be 4.146 cents per kilowatt-hour (kWh), which represents an increase of 8.4 percent from the previous year. Payments for capacity are projected to remain at zero due to the so-called "ratchet provision" included in FPUC's contract with Gulf Power Company. This provision precludes any decrease in demand payments to Gulf Power Company based on a decrease in the overall demand or the addition of generation resources including a renewable provider. Actual payments to a renewable provider are based on the actual deferred cost of energy and capacity subject to FPUC's PPA with Gulf Power Company.

² See Order No. PSC-13-0328-PAA-EQ, issued July 17, 2013 in Docket No. 130074-EI – In re: Petition for approval of revisions to standard offer renewable energy tariff REN-1 and REN-2, by Florida Public Utilities Company.

Northeast Division

Payments for energy in 2014 are projected to be 4.360 cents per kilowatt-hour (kWh), which is identical to that of the previous year. Payments for capacity are projected at \$14.31 per kilowatt (kW) of the renewable provider's capacity at time of system peak, which is an increase of \$2.93, or 25.7 percent, from the previous year. Actual payments to a renewable provider are based on the actual deferred cost of energy and capacity subject to FPUC's PPA with JEA.

Conclusion

The revised standard offer contracts and related rate schedules conform to all the requirements of Rules 25-17.200 through 25-17.310, F.A.C., and reflect the avoidable costs associated with FPUC's purchased power agreements. Staff recommends that the revised standard offer contracts and related rate schedules filed by FPUC be approved as filed.

Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed upon issuance of a consummating order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Commission's proposed agency action order. Potential signatories should be aware that, if a timely protest is filed, FPUC's standard offer contract may subsequently be revised. (Tan)

Staff Analysis: This docket should be closed upon issuance of a consummating order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Commission's proposed agency action order. Potential signatories should be aware that, if a timely protest is filed, FPUC's standard offer contract may subsequently be revised.

Florida Public Utilities Company
 F.P.S.C. Renewable Energy Tariff
 Original Volume No. I

~~Seventh~~~~Sixth~~ Revised Sheet No. 23
 Cancels ~~Sixth~~ ~~Fifth~~ Sheet No. 23

NORTHWEST FLORIDA DIVISION
RATE SCHEDULE REN-2

STANDARD RATE FOR PURCHASE OF FIRM ENERGY FROM
RENEWABLE ENERGY PRODUCTION FACILITIES
(QUALIFYING FACILITIES)

Continued from Sheet No. 22

Special Provisions

1. It shall be the QF's responsibility to inform the Company in writing of any change in the QF's electric generating capacity.
2. The QF shall agree to maintain a seventy percent capacity factor for energy delivered on a 12-month rolling average basis. Failure to do so may disqualify the QF for capacity payments under this rate schedule.
3. Any electric service delivered by the Company to the QF shall be metered separately and billed under the rate schedule applicable to the Company's other customers with similar load characteristics. The terms and conditions of the Company's standard rate schedule applicable to the class of service shall pertain.
4. Service under this rate schedule is subject to the rules and regulations of the Company and the Florida Public Service Commission.

Estimated Future Rates

The following are the currently estimates of the Company's future average rates for the purchase of firm capacity and energy from QF's. These are based on data of estimated capacity and fuel costs of the Company's wholesale supplier and are for informational purposes only.

Year	Estimate Average Rate	
	Capacity \$ per KW	Energy cents per KWH
2006	\$7.10	2.31 cents
2007	\$7.25	2.38 cents
2008	\$7.80	4.109 cents
2009	\$0.00	5.851 cents
2010	\$0.00	5.705 cents
2011	\$0.00	5.056 cents
2012	\$0.00	4.840 cents
2013	\$0.00	3.823 cents
2014	\$0.00	4.146 cents

Issued by: Jeffrey Householder, President

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Florida Public Utilities Company
F.P.S.C. Renewable Energy Tariff
Original Volume No. I

~~Seventh Sixth~~ Revised Sheet No. 18
Cancels ~~Sixth Fifth~~ Sheet No. 18

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NORTHWEST FLORIDA DIVISION
RATE SCHEDULE REN-1

STANDARD RATE FOR PURCHASE OF AS-AVAILABLE ENERGY FROM
RENEWABLE ENERGY PRODUCTION FACILITIES
(QUALIFYING FACILITIES)

Availability

Available within the territory served by the Company in Jackson, Calhoun, and Liberty Counties.

Applicability

To any cogeneration or small power producing "qualifying facility".

Character of Service

Alternating current, 60 cycle, single phase or three phase at the options of the Company, at a specified interconnection point and voltage.

Limitations of Service

The capacity rating of the QF's generator shall not exceed:

1. One-half of the Company's minimum requirements of the interconnected distribution circuit; or
2. The thermal capacity of the connected distribution lines or transformers of the Company.

Monthly Rate

1. Payments to QF's for energy sales to Company
 - A. As-Available energy is purchased at a unit cost calculated from avoided fuel costs. Avoided energy costs are the Company's actual fuel cost for energy purchased by the Company from its wholesale supplier for the applicable calendar month.
 - B. The actual fuel costs as defined above will be adjusted upward by a fixed percentage factor for avoided line losses (if any). Such factor will be determined by the Company for each QF based upon the locations of the QF on the Company's distribution system and the applicable voltage level.
 - C. The current base fuel cost in the energy rate of the Company's wholesale supplier is ~~4.146~~ ~~3.823~~ cents per KWH.
 - D. Because the Company's avoided energy cost is based on the wholesale supplier's monthly average fuel cost for energy, the price per KWH is uniform without regard to time of day or system peak, and no variations in computing the amount to be paid is made on the basis of metering techniques.

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NORTHWEST FLORIDA DIVISION
RATE SCHEDULE REN-1

STANDARD RATE FOR PURCHASE OF AS-AVAILABLE ENERGY FROM
RENEWABLE ENERGY PRODUCTION FACILITIES
(QUALIFYING FACILITIES)

Continued from Sheet No. 19

Estimated Future Rates

The following are the current estimates of the Company's future average rates for the purchase of as-available energy from QF's. These are based on data of estimated fuel costs of the Company's wholesale supplier and are for informational purposes only.

<u>Year</u>	<u>Estimated Average Rate per KWH</u>
2006	2.31 cents
2007	2.38 cents
2008	4.109 cents
2009	5.851 cents
2010	5.705 cents
2011	5.056 cents
2012	4.840 cents
2013	3.823 cents
2014	4.146 cents

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NORTHWEST FLORIDA DIVISION
RATE SCHEDULE REN-2

STANDARD RATE FOR PURCHASE OF FIRM ENERGY FROM
RENEWABLE ENERGY PRODUCTION FACILITIES
(QUALIFYING FACILITIES)

Continued from Sheet No. 22

Special Provisions

1. It shall be the QF's responsibility to inform the Company in writing of any change in the QF's electric generating capacity.
2. The QF shall agree to maintain a seventy percent capacity factor for energy delivered on a 12-month rolling average basis. Failure to do so may disqualify the QF for capacity payments under this rate schedule.
3. Any electric service delivered by the Company to the QF shall be metered separately and billed under the rate schedule applicable to the Company's other customers with similar load characteristics. The terms and conditions of the Company's standard rate schedule applicable to the class of service shall pertain.
4. Service under this rate schedule is subject to the rules and regulations of the Company and the Florida Public Service Commission.

Estimated Future Rates

The following are the currently estimates of the Company's future average rates for the purchase of firm capacity and energy from QF's. These are based on data of estimated capacity and fuel costs of the Company's wholesale supplier and are for informational purposes only.

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2006	\$7.10	2.31 cents
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2009	\$0.00	5.851 cents
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2011	\$0.00	5.056 cents
2012	\$0.00	4.840 cents
2013	\$0.00	3.823 cents
2014	\$0.00	4.146 cents

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F.P.S.C. Renewable Energy Tariff
Original Volume No. 1

~~Seventh Sixth Revised Sheet No. 26~~
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NORTHEAST FLORIDA DIVISION
RATE SCHEDULE REN-1

STANDARD RATE FOR PURCHASE OF AS-AVAILABLE ENERGY FROM
RENEWABLE ENERGY PRODUCTION FACILITIES
(QUALIFYING FACILITIES)

Continued from Sheet No. 25

Estimated Future Rates

The following are the current estimates of the Company's future average rates for the purchase of as-available energy from QF's. These are based on data of estimated fuel costs of the Company's wholesale supplier and are for informational purposes only.

<u>Year</u>	<u>Estimated Average Rate per KWH</u>
2006	1.95 cents
2007	2.474 cents
2008	4.014 cents
2009	5.514 cents
2010	4.416 cents
2011	5.064 cents
2012	4.774 cents
2013	4.360 cents
2014	4.360 cents

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NORTHEAST FLORIDA DIVISION
RATE SCHEDULE REN-2

STANDARD RATE FOR PURCHASE OF FIRM ENERGY FROM
RENEWABLE ENERGY PRODUCTION FACILITIES
(QUALIFYING FACILITIES)

Continued from Sheet No. 28

Special Provisions

1. It shall be the QF's responsibility to inform the Company in writing of any change in the QF's electric generating capacity.
2. The QF shall agree to maintain a seventy percent capacity factor for energy delivered on a 12-month rolling average basis. Failure to do so may disqualify the QF for capacity payments under this rate schedule.
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4. Service under this rate schedule is subject to the rules and regulations of the Company and the Florida Public Service Commission.

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Year	Estimate Average Rate	
	Capacity \$ per KW	Energy cents per KWH
2006	\$6.00	1.95 cents
2007	\$7.00	2.474 cents
2008	\$7.00	4.014 cents
2009	\$8.91	5.514 cents
2010	\$10.67	4.416 cents
2011	\$11.38	5.064 cents
2012	\$11.38	4.774 cents
2013	\$11.38	4.360 cents
2014	\$14.31	4.360 cents

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