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: July 9, 2015

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Lee)
Office of the General Counsel (Corbari) KFC

RE: Docket No. 150110-EI – Petition by Duke Energy Florida, Inc. for approval of modifications to approved as-available purchase tariff.

AGENDA: 07/21/15 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: To be considered after Docket No. 150106-EQ

Case Background

On April 2, 2015, Duke Energy Florida, Inc. (DEF) filed a petition for approval of modifications to its as-available purchase tariff for clarification and to correspond with proposed revisions to DEF's interconnection agreement, which is the subject of Docket No. 150106-EQ.[1]

The Commission has jurisdiction in this matter pursuant to Sections 366.04 and 366.051, Florida Statutes.

[1] Docket No. 150106-EQ-Petition for approval of amended standard offer contract (Schedule COG-2) and amended interconnection agreement by Duke Energy Florida, Inc.

Discussion of Issues

Issue 1: Should the Commission approve DEF's proposed modifications to its as-available purchase tariff?

Recommendation: Yes. DEF's proposed modifications to its as-available purchase tariff are reasonable and consistent with Commission rules. (Lee)

Staff Analysis: Rule 25-17.0825, Florida Administrative Code (F.A.C.), defines as-available energy and sets out a utility's responsibilities with regard to purchasing as-available energy from qualifying facilities (QF). Rule 25-17.080, F.A.C., outlines the criteria that a small power producer or cogenerator must meet in order to achieve QF status. Pursuant to Rule 25-17.0825, F.A.C., as-available energy is energy produced by a QF on an hour-by-hour basis and utilities are required to purchase as-available energy from any QF. Rule 25-17.0825, F.A.C., also requires that as-available energy sales be made pursuant to the terms and conditions of a tariff or a separately negotiated contract.

DEF's as-available purchase tariff provides the required contract terms and conditions including the delivery options, payments to the QF, and cost responsibility of the QF for the payment of interconnection costs. Charges to the QF are specified in DEF's amended interconnection agreement, which is before the Commission for consideration in Docket No. 150106-EQ.[2] Consistent with the amended interconnection agreement, DEF proposed a revision to Sheet 9.330 of the as-available purchase tariff regarding the language concerning QF operation, maintenance, and repair charges according to DEF's interconnection agreement.

In addition, DEF's proposed modifications to its as-available purchase tariff contain revisions intended to clarify the as-available contract language. The additional language in DEF's revised Tariff Sheet 9.108, Article 4.6, specifies delivery options intended to clarify whether the as-available energy will be delivered to parties other than DEF. Revised Tariff Sheet 9.321, Appendix A, Schedule 2, specifies filings that contain the DEF's annual average system line loss analysis for the calculation of the line loss adjustment factor to the avoided energy cost. (See Attachment A)

DEF asserts that these changes are consistent with Commission rules and will allow DEF to further clarify language in the as-available contract language that is also consistent with DEF's amended interconnection agreement. Staff has reviewed DEF's proposed modifications to its as-available purchase tariff and recommends that the proposed modifications be approved because they are reasonable and consistent with Commission rules.

[2] Id.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, DEF's tariff becomes effective the date of the commission vote. If a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Corbari)

Staff Analysis: If Issue 1 is approved, DEF's tariff becomes effective the date of the commission vote. If a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

EXHIBIT B

AS-AVAILABLE PURCHASE TARIFF MODIFICATIONS
(Legislative format)

Tariff Sheets:
9.108, 9.109, 9.110, 9.321, and 9.330

DUKE ENERGY FLORIDA

DUKE ENERGY.

SECTION No. IX
~~FIFTH~~ SIXTH REVISED SHEET No. 9.108
CANCELS ~~FOURTH~~ FIFTH REVISED SHEET No. 9.108

ARTICLE IV: PURCHASE OF AS-AVAILABLE ENERGY

4.1 The QF shall sell and arrange for delivery of the As-Available Energy to the Company and the Company agrees to purchase, accept and pay for the As-Available Energy made available to the Company and which the Company is able to receive at the Point of Delivery in accordance with the terms and conditions of this Agreement, or a separately negotiated contract.

4.2 The QF shall not commence initial deliveries of energy to the Point of Delivery without the prior written consent of the Company, which consent shall not unreasonably be withheld.

4.3 The RF/QF shall retain any and all rights to own and to sell any and all Environmental Attributes associated with the electric generation of the Facility.

4.4 During minimum load conditions on the Company's system the QF shall comply with the Company's Minimum Load Emergency Curtailment Procedures as approved by the FPSC and as updated from time to time.

4.5 In the event that the Company has not received any deliveries of energy from the QF by the date in Section 3.5 or for a period of two years or more then the Company will contact the QF in writing using the information in Section 15 requesting the QFs future plans. The Company shall have the right to terminate this Agreement unless the QF replies in writing within a reasonable timeframe that it would like this Agreement to continue.

4.6 Deliveries of As-Available Energy to the Company shall be made in accordance to the following one-time-only option.

( ) All deliveries of As-Available Energy from this Facility will be made to the Company.

( ) As-Available Energy deliveries from this Facility will be made to the Company and to other parties.

~~4.5~~

ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy – FL
EFFECTIVE: ~~October 2, 2014~~

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SECTION No. IX
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~~ARTICLE V: INTERCONNECTION~~

5.1 ~~The QF's interconnection scheduling and cost responsibilities and parallel operating procedures shall be those specified in a separate interconnection agreement.~~

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EFFECTIVE: ~~October 3, 2014~~

ARTICLE V: INTERCONNECTION

5.1 The QF's interconnection scheduling and cost responsibilities and parallel operating procedures shall be those specified in a separate interconnection agreement.

5.2 The location and voltage of the Point of Interconnection and the Point of Metering will be specified by the interconnection/transmission service agreement.

ARTICLE VI: ENERGY PAYMENTS

6.1 For that electric energy received by the Company at the Point of Delivery each month, the Company will pay the QF an amount as computed in Appendix A.

6.2 Energy payments pursuant to sections 9.1.1 and 9.1.2 hereof shall be subject to the delivery voltage adjustment value applicable to the Facility and approved from time to time by the FPSC pursuant to Appendix A.

6.3 Upon agreement by the Company and the QF and subject to approval by the FPSC, an alternative rate for the purchase of As-Available Energy may be negotiated in a separate agreement.

ARTICLE VII: CHARGES TO THE QF

The Company shall bill and the QF shall pay all charges applicable under Appendix A.

ARTICLE VIII: METERING

8.1 All electric energy shall be capable of being measured as described in Appendix A, Determination of Payment, at the Point of Metering. All electric energy delivered to the Company shall be adjusted for losses from the Point of Metering to the Point of Delivery. Any additional required metering equipment to measure electric energy and the telemetering equipment necessary to transmit such measurements to a location

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~~specified by the Company shall be installed, calibrated and maintained by the Company and all related costs shall be charged to the QF, pursuant to Appendix A, as part of the Company's Interconnection Facilities.~~

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specified by the Company shall be installed, calibrated and maintained by the Company and all related costs shall be charged to the QF, pursuant to Appendix A, as part of the Company's Interconnection Facilities.

8.2 All meter testing and related billing corrections, for electricity sold and purchased by the Company, shall conform to the metering and billing guidelines contained in FPSC Rules 25-6.052 through 25-6.060 and FPSC Rule 25-6.103, as they may be amended from time to time, notwithstanding that such guidelines apply to the utility as the seller of electricity.

ARTICLE IX: PAYMENT PROCEDURE

9.1 Bills shall be issued and payments shall be made monthly to the QF and by the QF in accordance with the following procedures:

9.1.1 The electric energy payment calculated for a given month shall be tendered, with cost tabulations showing the basis for payment, by the Company to the QF as a single payment. Such payments to the QF shall be due and payable twenty (20) business days following the date the meters are read.

9.1.2 When any amount is owing from the QF, the Company shall issue a monthly bill to the QF with cost tabulations showing the basis for the charges. All amounts owing to the Company from the QF shall be due and payable twenty (20) business days after the date of the Company's billing statement. Amounts owing to the Company for retail electric service shall be payable in accordance with the provisions of the applicable rate schedule.

9.1.3 At the option of the QF, the Company will provide a net payment or net bill, whichever is applicable, that consolidates amounts owing to the QF with amounts owing to the Company.

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SECTION No. IX
~~FOURTH~~ FIFTH REVISED SHEET No. 9.330
CANCELS ~~THIRD~~ FOURTH REVISED SHEET No. 9.330

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APPENDIX A
RATES

SCHEDULE 3

CHARGES TO QUALIFYING FACILITY

Customer Charges:

The Qualifying Facility shall be responsible for all FPSC approved charges for any retail service that may be provided by the Company. The Qualifying Facility shall be billed at the customer charge rate stated in DEF's applicable standby tariff monthly for the costs of meter reading, billing, and other appropriate administrative costs.

Operation, Maintenance, and Repair Charges:

The Qualifying Facility shall pay for operation, maintenance and repair charges in accordance with its interconnection/transmission service agreement.~~be billed monthly for the costs associated with the operation, maintenance, and repair of the interconnection. These include (a) the Company's inspections of the interconnection and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the Qualifying Facility if no sales to the Company were involved.~~

~~The Qualifying Facility shall pay a monthly charge equal to 0.50% of the Interconnection Costs less the Interconnection Costs Offset.~~

Taxes and Assessments:

The Qualifying Facility shall be billed or credited monthly an amount equal to the taxes, assessments, or other impositions, if any, for which the Company is liable as a result of its installation of facilities in connection with this Agreement, its purchase of As-Available Energy produced by the Qualifying Facility, or any other activity undertaken pursuant to this Agreement. Such amount billed shall not include any amounts (i) for which the Company would have been liable had it generated or purchased from other sources an equivalent amount of electric energy; or (ii) which are recovered by the Company.

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SECTION No. IX
~~FOURTH~~ FIFTH REVISED SHEET No. 9.321
CANCELS ~~THIRD~~ FOURTH REVISED SHEET No. 9.321

APPENDIX A
RATES

SCHEDULE 2
METHODOLOGY FOR CALCULATING AVOIDED ENERGY COSTS

Page 2 of 2

Determination of Identifiable Variable Operation & Maintenance Cost:

The Company's Fossil Plant Performance Department examines for a five year historic period all the Company's production operation and maintenance expenses excluding fuel costs and identifies the variable component. A ratio of variable costs to total O&M costs excluding fuel is derived for various fossil generating types. The appropriate ratio is applied to each fossil generating type's unit cost (on a KWH basis) for the most current twelve months' period to establish the current variable O&M unit cost for each generating type. These unit costs are then weighted according to the current twelve months' generation output of each generating type to determine the average current variable O&M unit cost.

Determination of Line Loss (Delivery Voltage) Adjustment:

The Company's average system line losses are analyzed annually for the prior calendar year, and delivery efficiencies are developed for the transmission, distribution primary, and distribution secondary voltage levels. This analysis is provided in the Company's ~~semi-annual~~ fuel cost recovery filing with the FPSC ~~in Exhibit Schedule E1~~ and/or the Company's filing of its Open Access Transmission Tariff with FERC. An adjustment factor, calculated as the reciprocal of the appropriate delivery efficiency factor, is applicable to the above determined avoided costs to reflect the delivery voltage level at which QF energy is received by the Company.

Determination of Payment:

The actual payment to each QF for the period is determined by one of the following methods:

1. **For QFs (less than 100 KW) Time-of-Day Metered**

   Average On-Peak and Off-Peak energy prices derived from the "Energy Price Matrix" are applied to the QFs corresponding On-Peak and Off-Peak energy contained in the "Energy Received Matrix." Added to this amount is an amount representing avoided variable O&M cost which is calculated by applying the Company's variable O&M cost per KWH to the total energy received by the Company from the QF. The total amount derived is then adjusted by the delivery voltage adjustment.

2. **For QFs (less than 100 KW) Non-Time-of-Day Metered**

   The average Off-Peak energy price derived from the "Energy Price Matrix" is applied to the QF's energy contained in the "Energy Received Matrix." Added to this amount is an amount representing avoided variable O&M cost which is calculated by applying the Company's variable O&M cost per KWH to the total energy received by the Company from the QF. The total amount derived is then adjusted by the delivery voltage adjustment.

3. **For QFs (100 KW or Greater) Hourly Metered**

   The "Energy Price Matrix" is applied to corresponding elements of the QF's "Energy Received Matrix." Added to this amount is an amount representing avoided variable O&M cost which is calculated by applying the Company's variable O&M cost per KWH to the total energy received by the Company from the QF. The total amount derived is then adjusted by the delivery voltage adjustment.

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