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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20170248-EI

PETITION FOR APPROVAL OF  
FUEL COST PROXY  
SUBSTITUTION TO QUALIFYING  
FACILITY CONTRACT BETWEEN  
DUKE ENERGY FLORIDA, LLC  
AND CFR/BIOGEN (N/K/A  
ORANGE COGENERATION  
LIMITED PARTNERS), RIDGE  
GENERATING STATION LIMITED  
PARTNERSHIP, MULBERRY  
ENERGY COMPANY, INC.  
(N/K/A POLK POWER  
PARTNERS), AND ORLANDO  
COGEN LIMITED, L.P.

FILED 2/15/2018  
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FPSC - COMMISSION CLERK

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PROCEEDINGS: COMMISSION CONFERENCE AGENDA  
ITEM NO. 10

COMMISSIONERS  
PARTICIPATING: CHAIRMAN ART GRAHAM  
COMMISSIONER JULIE I. BROWN  
COMMISSIONER DONALD J. POLMANN  
COMMISSIONER GARY F. CLARK

DATE: Tuesday, February 6, 2018

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: ANDREA KOMARIDIS  
Court Reporter and  
Notary Public in and for  
the State of Florida at Large

PREMIER REPORTING  
114 W. 5TH AVENUE  
TALLAHASSEE, FLORIDA  
(850) 894-0828

1 P R O C E E D I N G S

2 CHAIRMAN GRAHAM: Item No. 10.

3 MR. ELLIS: Good morning, Commissioners.

4 Item No. 10 will be introduced by Doug Wright,  
5 our newest staff engineer in the resource-planning  
6 section. This is his first agenda introducing an  
7 item.

8 CHAIRMAN GRAHAM: Welcome.

9 MR. WRIGHT: Thank you. Good morning,  
10 Commissioners. Doug Wright with Commission staff.

11 Item No. 10 is Duke Energy Florida's petition  
12 for approval of amendments modifying purchase power  
13 agreements with Orange Cogeneration Limited  
14 Partners, Ridge Generation Station Limited  
15 Partnership, Polk Power Partners, and Orlando Cogen  
16 Limited, LP.

17 These amendments seek to substitute the  
18 delivered price of coal burned at Crystal River 1  
19 and 2 with a fuel-cost proxy substitute index in an  
20 effort to facilitate energy-payment calculations  
21 made pursuant to the contracts following the  
22 retirement of these coal generators in April of  
23 2018.

24 The remaining total annual payments under the  
25 modified purchase power agreements are expected to

1 remain approximately equivalent to those estimated  
2 prior to modification through the durations of the  
3 contracts.

4 Staff has reviewed the utility's petition and  
5 recommends approval as modified by the letter  
6 agreement between Duke Energy Florida and Ridge  
7 Generating Station Limited Partnership.

8 No comments were filed in this docket. Staff  
9 and the utility are available for any questions.

10 CHAIRMAN GRAHAM: Thank you, staff.

11 Commissioners, any questions of staff or the  
12 utilities on Item No. 10?

13 Commissioner Polmann.

14 COMMISSIONER POLMANN: Thank you for paying  
15 attention to my inability to push the button.

16 Mr. Wright, what would you like me to ask you?

17 (Laughter.)

18 MR. WRIGHT: Anything you would like, sir.

19 COMMISSIONER POLMANN: Oh, you shouldn't have  
20 said that.

21 Well, Commissioner Patronis, CFO Patronis, is  
22 not here, which is probably good for you. You're  
23 not wearing any particular insignia tie.

24 Could you please explain to us, in whatever  
25 detail you feel is appropriate, the concept of a

1 proxy?

2 MR. WRIGHT: Sure. To my understanding --

3 COMMISSIONER POLMANN: This is new to me, by  
4 the way. So, it's not really a --

5 MR. WRIGHT: Okay.

6 COMMISSIONER POLMANN: A silly question.

7 MR. WRIGHT: Okay. So, to my understanding, a  
8 proxy is used when a direct measurement of a value  
9 is infeasible or uneconomic or impossible. So,  
10 instead, you measure another related metric. And  
11 you use those measurements and assume the  
12 relationship between what you measure and what you  
13 are actually intending to track is correlated  
14 enough that the substitute measurements are  
15 appropriate enough to base further conclusions on.

16 So, for example, in this case, Crystal River 1  
17 and 2 are being used -- the fuel for those are  
18 being used as a measurement to predict or to track  
19 what the fuel would be for other avoided units  
20 because that avoided unit has similar  
21 characteristics to what Crystal River 1 and 2 have.

22 And therefore, the fuel used by Crystal River  
23 1 and 2 should be reasonably expected to be -- it  
24 will follow the same use pattern as the avoided  
25 unit. And therefore, you can draw conclusions

1 based on Crystal River 1 and 2's fuel use.

2 COMMISSIONER POLMANN: Okay. Are -- are there  
3 no other -- there's no other use of coal? I  
4 mean -- what we're doing here is -- is for the --  
5 the power they're purchasing elsewhere, right?

6 MR. WRIGHT: This -- this specific -- these  
7 specific amendments are attempting to replace the  
8 measurement of the coal at Crystal River 1 and 2  
9 with a composite proxy based on market values of  
10 coal and transportation costs because, after  
11 April 2018, directly measuring the consumption --  
12 or the fuel price of coal at Crystal River 1 and 2  
13 would be impossible because those units are being  
14 retired.

15 COMMISSIONER POLMANN: Is there no other coal  
16 use?

17 MR. ELLIS: Duke does have other coal units,  
18 from my understanding, at the same site, even four  
19 and five, but the issue becomes the type of coal.  
20 Depending upon the design of the unit, from my  
21 understanding, they require different  
22 characteristics, sulfur content, et cetera, which  
23 affects the price.

24 COMMISSIONER POLMANN: Okay. So, the price of  
25 that coal is distinctly different.

1 MR. ELLIS: Yes, that's correct.

2 COMMISSIONER POLMANN: All right. Well, thank  
3 you for that explanation.

4 That's all I have, Mr. Chairman.

5 CHAIRMAN GRAHAM: Okay. I'll entertain a  
6 motion.

7 COMMISSIONER BROWN: Move staff recommendation  
8 on Item 10.

9 COMMISSIONER POLMANN: Second.

10 CHAIRMAN GRAHAM: It's been moved and  
11 seconded, staff recommendation on Item No. 10.

12 Any further discussion? Seeing none, all in  
13 favor, say aye.

14 (Chorus of ayes.)

15 CHAIRMAN GRAHAM: Any opposed?

16 By your action, you approve Item No. 10.

17 Thank you, staff.

18 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA )  
COUNTY OF LEON )

I, ANDREA KOMARIDIS, Court Reporter, do hereby  
certify that the foregoing proceeding was heard at the  
time and place herein stated.

IT IS FURTHER CERTIFIED that I  
stenographically reported the said proceedings; that the  
same has been transcribed under my direct supervision;  
and that this transcript constitutes a true  
transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative,  
employee, attorney or counsel of any of the parties, nor  
am I a relative or employee of any of the parties'  
attorney or counsel connected with the action, nor am I  
financially interested in the action.

DATED THIS 15th day of February, 2018.



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ANDREA KOMARIDIS  
NOTARY PUBLIC  
COMMISSION #GG060963  
EXPIRES February 9, 2021