

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: March 24, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (McRoy)
Office of the General Counsel (Brown)

RE: Docket No. 041405-EQ – Petition of Progress Energy Florida, Inc. for approval of amendment to existing cogeneration contract with Pinellas County.

AGENDA: 04/05/05 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\041405.RCM.DOC

Case Background

Progress Energy Florida, Inc. (PEF) currently purchases capacity and energy from Pinellas County's Solid Waste Operations Resource Recovery Facility under a Power Purchase Agreement. The contract requires a committed capacity of 54.75 megawatts for a term that expires at the end of 2024. The agreement was originally approved for cost recovery by the Commission pursuant to Order No. 21952, issued October 20, 1989 in Docket No. 890637-EQ, In re: Petition for approval of contracts between Florida Power Corporation (FPC) and Pinellas County. The contract was last modified pursuant to Order No PSC-01-1088-PAA-EQ, issued May 7, 2001, in Docket No. 010275-EQ, In re: Petition for approval of amendment to cogeneration contract with Pinellas County Resource Recovery Facility by Florida Power Corporation.

On December 16, 2004, PEF filed a petition with the Commission for the approval of a letter agreement between PEF and Pinellas County. The letter agreement modifies the current agreement, and is included as Attachment A to staff's recommendation. PEF is requesting the

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Commission grant this petition and approve the modification of the current agreement. The Commission has jurisdiction over this subject matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve PEF's petition to modify its current agreement with Pinellas County?

Recommendation: Yes. The proposed changes will not be included in calculating the facility's capacity factor and do not affect the economics or cost-effectiveness of the contract. (McRoy)

Staff Analysis: Paragraph 4 of the current contract states:

- a. The County shall reduce its electric energy sales and deliveries to FPC by approximately 20 megawatts (MW) for an accumulative period totaling four calendar weeks each year, consisting of seven 24-hour days each such week.
- b. The reduction period referenced above shall be scheduled during the months of October, November and December. FPC shall have the right to designate the weeks during such months.

To provide greater operational flexibility to both the county and PEF, the parties concluded that it would be desirable to provide the opportunity to schedule planned outages at the facility during the Spring and Fall months, and to clarify that more than one 20 megawatt (MW) planned outage can be scheduled at the facility at the same time. Both the county and PEF agreed to amend the current agreement by modifying the above paragraph 4. The new language is underlined as follows:

- a. The County shall reduce its electric energy sales and deliveries to PEF by approximately 20 megawatts (MW) for an accumulative period totaling four calendar weeks each year, consisting of seven 24-hour days each such week. These 20 MW reductions may be combined so that a 40 MW reduction for one week is the equivalent of two 20 MW reductions for one week.
- b. The reduction periods referenced in subparagraph 4(a) above shall be scheduled during the months of March, April, October, November or December. PEF shall have the right to designate the weekly periods during such months.

PEF states that the planned outages subject to the Amendment are not included in calculating the facility's capacity factor and the amendment has no effect on the economics or cost-effectiveness of the contract with Pinellas County. Staff agrees that the proposed changes to the current contract will allow for better coordination and scheduling of planned outages along with better load management. Further, since these proposed changes will not be included in calculating the facility's capacity factor and do not affect the economics or cost-effectiveness of the contract, staff believes the petition should be approved.

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Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Brown)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order