

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: April 20, 2006

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

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

RE: Docket No. 060226-EU – Requests for approval of electric utilities' long-term energy emergency plans, filed pursuant to Rule 25-6.0185, F.A.C.

AGENDA: 05/02/06 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060226.RCM.DOC

Case Background

Rule 25-6.0185, Florida Administrative Code (F.A.C.), attached as Attachment A, requires electric utilities that own or control electric generation facilities to file a long-term energy emergency plan and periodic updates with the Public Service Commission (PSC) and the Florida Reliability Coordinating Council (FRCC). It was not until the rule was amended in 1998 that the plans were required to be submitted to the Commission for approval. Specifically, the initial submission date was January 31, 1999. Subsequently, the utilities were required to review their plans every three calendar years and either submit a revised plan for Commission approval or provide a letter indicating the adequacy of the existing plan. In Order No. PSC-03-0770-PAA-EM issued June 27, 2003, in Docket No. 030400-EM, titled In re: Requests for Approval of Electric Utilities' Long-Term Emergency Plans Filed Pursuant To Rule 25-6.0185, F.A.C., the

Commission approved the utilities' long-term energy emergency plans and ordered the utilities to file new plans, or a letter indicating no changes were made, every three years thereafter.

On January 15, 2006, staff contacted the utilities governed by this rule to have them submit up to date copies of their long-term energy emergency plans. The following utilities submitted plans: Florida Power & Light Company (FPL), Tampa Electric Company (TECO), Progress Energy Florida, Inc. (PEF), Gulf Power Company (Gulf), Utilities Commission of New Smyrna Beach, City of Lakeland (Lakeland), Seminole Electric Cooperative (Seminole), City of Tallahassee (City), Florida Municipal Power Agency (FMPA), Reedy Creek Improvement District (Reedy Creek), Homestead Energy Services (Homestead), Gainesville Regional Utilities (GRU), Orlando Utilities Commission (OUC), and JEA. The Commission has jurisdiction to approve these plans pursuant to Sections 366.04 and 366.05, Florida Statutes.

Discussion of Issues

Issue 1: Should the current long-term energy emergency plans be approved?

Recommendation: Yes. The plans meet the established criteria for long-term energy emergency plans. The majority of the changes to the plans consist of position name and duty changes as well as personnel name updates. After a thorough review of the utilities' long-term energy emergency plans, staff recommends that the plans meet the established requirements set out in Rule 25-6.0185, Florida Administrative Code. (McRoy)

Staff Analysis: Each plan was carefully reviewed by staff to confirm compliance with Rule 25-6.0185, Florida Administrative Code. Specifically, this rule requires all plans to contain: (1) a description of specific actions to be taken by the utility upon the Governor's declaration of a fuel supply emergency; (2) a description of the interchange of energy and the physical sharing of fuel stocks and/or fuel deliveries; (3) a description of priorities for customer interruptions; and (4) objective criteria for notifying the Chairman of the FRCC Reliability Assessment Group (RAG) of the existence of a long-term emergency. Below is a summary of how each section of the rule was addressed by the plans.

Identification of Specific Actions

Upon the declaration of a fuel emergency by the Governor, the general order of specific actions is as follows: (1) reduce power usage at utility-owned facilities, (2) public appeals to conserve energy, (3) optimization of fuels, (4) direct customer appeals, (5) voltage reductions to conserve fuels, (6) implement interruptible and load management programs, (7) relaxation of environmental constraints, and (8) implementing firm load curtailment procedures.

Interchange of Energy and the Sharing of Fuels

All utilities monitor and forecast energy supplies for generation as well as load reserves on a constant basis. The plans specify the actions to be taken when the energy supply falls below a specific threshold or in the event of the Governor's declaration of an emergency. The utility plans generally address these requirements by ceasing exports, obtaining power from affiliates or other utilities, and purchasing fuel from other utilities.

Priorities for Customer Interruptions

The utility plans address priorities for customer interruptions by listing action levels beginning with appeals for voluntary consumption reductions by both residential and commercial customers. Next were required outages through load management and interruptible load-shedding procedures. Finally, if required, curtailing firm load as necessary. These actions are described in detail in the plans or referenced procedures. At all stages provisions were made to insure customer notification. Special provisions were included to insure firm power to customers on life support and for essential services such as fire and police services, hospitals, national defense, water, sanitation and communication services, cold storage facilities, and public and commercial transportation.

Notification of the FRCC

All utilities addressed the notification of the FRCC as a step in their plans with some utilities listing the person assigned to this function.

The rule requires any changes to be approved by the Commission. Listed below is a brief summary of the utilities proposed changes to their individual long-term energy emergency plans that were approved in Order No. PSC-03-0770-PAA-EM, issued on June 27, 2003. The majority of the changes to the plans consist of position name and duty changes as well as personnel name updates.

FLORIDA POWER & LIGHT COMPANY (FPL)

FPL revised several of its position names along with clarifying personnel responsibility dealing with its Fuel Emergency and Emergency Facilities & Equipment plans.

PROGRESS ENERGY FLORIDA, INC. (PEF)

PEF revised some of its position names and added the Energy Control Center (ECC) in a flow chart of sections involved in this process. The ECC coordinates all the utility's activities associated with a fuel emergency. A Fuel Supply Committee was established and will consist of one representative from each of the following sections: Power Trading, Energy Control, Portfolio Management, Coal Procurement, Gas & Oil Trading, Regulatory Affairs and Corporate Communications. Other representatives may be identified by the Fuel Supply Committee. The Director of the ECC or designated representative will serve as Chairman of the Fuel Supply Committee.

PEF also revised its Alert condition and Fuel Emergency procedures. PEF's new policy states that an alert condition will exist when the inventory of fuel supply (on a system basis) reaches the following burn levels: Light Oil – 50 hours and Residual – 6 days. In PEF's prior plan an alert condition was triggered when the inventory of fuel for both Light Oil and Residual fell below a 10 day supply.

TAMPA ELECTRIC COMPANY (TECO)

TECO revised some of its position names along with clarifying personnel responsibility dealing with fuels.

CITY OF NEW SMYRNA BEACH

No changes to plan.

CITY OF LAKELAND (Lakeland)

Lakeland removed language addressing load management since Lakeland no longer has a load management program.

SEMINOLE ELECTRIC COOPERATIVE (Seminole)

Seminole revised some of its position names along with clarifying personnel responsibility dealing with Purchased Power and Critical Inventory Level.

CITY OF TALLAHASSEE (City)

The City updated its system description for generation, transmission and distribution systems. The City also updated its emergency Purchase Power Procedures. In the City's prior plan, the City did not anticipate any difficulties in securing sufficient gas at competitive market prices in the future. In its new plan the City acknowledged it could encounter difficulties in securing sufficient gas supply at competitive market prices in the future, as a result of catastrophic events.

FLORIDA MUNICIPAL POWER AGENCY (FMPA)

FMPA revised its plan in regard to Fuel Oil and Natural Gas Emergencies. In general, for generation that can utilize natural gas, enough fuel oil is on site to run a unit at 50% capacity factor for approximately 5 to 10 days. At Ft. Pierce, some of the units are not permitted (due to environment constraints) to use fuel oil unless natural gas is not available. As such, only enough fuel oil is on site at Ft. Pierce for the units to run at a 25% capacity factor for approximately 5 to 10 days. FMPA also revised their plan to indicate the retirement of specific units.

REEDY CREEK IMPROVEMENT DISTRICT (REEDY CREEK)

Reedy Creek updated its system description for generation, transmission and distribution systems.

HOMESTEAD ENERGY SERVICES (Homestead)

Homestead updated its system description for generation, transmission and distribution systems.

GAINESVILLE REGIONAL UTILITIES (GRU)

No changes to plan.

ORLANDO UTILITIES COMMISSION (OUC)

OUC updated its title page with the revision date of 6/10/04.

JEA

JEA updated its procedures for dealing with Emergency Fuel Supply and Fuel Procurement by adding additional criteria for defining a fuel emergency. No changes were made to their process or procedures.

Conclusion

The plans meet the established criteria for long-term energy emergency plans. The majority of the changes to the plans consist of position name and duty changes as well as personnel name updates. After a thorough review of the utilities' long-term energy emergency plans, staff recommends that the plans meet the established requirements, set out in Rule 25-6.0185, F.A.C., and therefore recommends Commission approval.

Issue 2: When should affected utilities file a compliance letter or plan update?

Recommendation: Each affected utility should file the next compliance letter or plan update no later than January 31, 2009, and every three-calendar years thereafter. Each plan update should include a type and strike version to highlight changes to the plan. (McRoy)

Staff Analysis: Rule 25-6.185(2), Florida Administrative Code, requires each utility subject to the rule to notify the Commission in writing every three calendar years that the utility has reviewed its fuel emergency plan. As a result, each affected utility should file the next compliance letter or plan update indicating any changes to the plan, no later than January 31, 2009, and every three calendar years thereafter.

Staff expended a considerable amount of time reviewing both the new and prior version of each utilities plan for modifications and changes. In order to reduce staff review time, staff recommends that the utilities submit a type and strike version of their plan and clearly indicate what changes were made.

Issue 3: 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. (Fleming)

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.

25-6.0185 Electric Utility Procedures for Long-Term Energy Emergencies.

(1) Each electric utility in Florida that owns or controls electric generation facilities must have on file with the Commission a long-term energy emergency plan to establish a systematic and effective means of anticipating, assessing, and responding to a long-term emergency caused by a fuel supply shortage. A long-term utility energy emergency exists when the fuel supplies of an individual utility are decreasing or are anticipated to decrease below a level adequate to provide continuous, uninterrupted service to its customers.

(2) Beginning on January 31, 1999, and every three calendar years thereafter, each utility subject to this rule must notify the Commission in writing that the utility has reviewed its fuel emergency plan.

(a) If a utility determines that its existing plan requires modification, a revised plan shall be submitted for Commission approval with the notification of review.

(b) If a utility determines no changes are necessary, the utility must file a letter stating that the required review has been conducted and that the existing plan continues to be adequate.

(3) At the time the utility submits its revised plan to the Commission, it shall also provide a copy of the plan to the Florida Reliability Coordinating Council (FRCC).

(4) The Commission shall review and either approve or reject each utility's plan. The Commission's review shall consider whether each utility's plan adequately:

(a) Identifies specific actions to be taken by the utility upon the Governor's declaration of a fuel supply emergency;

(b) Addresses interchange of energy and the physical sharing of fuel stocks or fuel deliveries or both;

(c) Sets priorities for customer interruptions; and

(d) Establishes objective criteria for notifying the Chairman of the FRCC Reliability Assessment Group (RAG) of the existence of a long-term energy emergency on the system of the utility.

(5) In reviewing individual utility plans of electric utilities serving areas west of the Apalachicola River, whose electric facilities and emergency contingency plans are coordinated with utilities outside of Florida, the Commission will take into account such utilities' geographical location and interconnections with utilities outside of Florida.

(6) Plans not approved by the Commission shall be revised and resubmitted to the Commission pursuant to Commission order and within the time specified in the order.

Specific Authority 350.127(2), 366.05(1) FS.

Law Implemented 366.04(5), 366.05(7) FS.

History—New 6-28-82, Formerly 25-6.185, Amended 3-24-99