

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 17, 2008

TO: Office of Commission Clerk (Cole)

FROM: Office of Strategic Analysis & Governmental Affairs (Sickel, Lewis, Montford)
Division of Economic Regulation (Kummer)
Office of the General Counsel (Hartman)

RE: Docket No. 080184-EQ – Petition for approval of standard offer contract for small qualifying facilities and producers of renewable energy, by Tampa Electric Company.

AGENDA: 07/29/08 – Regular Agenda –Tariff Filing– Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Argenziano

CRITICAL DATES: 12/02/08 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: Place next to items on the Agenda for Docket Nos. 080187-EQ, 080193-EQ, 080194-EQ, and 080283-EQ

FILE NAME AND LOCATION: S:\PSC\SGA\WP\080184.RCM.DOC

Case Background

Since January 1, 2006, each investor-owned electric utility (IOU), as well as each municipal electric utility subject to the Florida Energy Efficiency and Conservation Act (FEECA), has been required to continuously offer to purchase capacity and energy from specific types of renewable sources. Section 366.91(3), Florida Statutes (F.S.), specifies that the contracts for purchase must be based on the utility's full avoided cost as defined in Section 366.051, F.S., and provide a term of at least ten years. Rules 25-17.200 through 25-17.310, Florida Administrative Code (F.A.C.), implement the statutes.

In accord with applicable statutes and rules, Tampa Electric Company (TECO or Company) filed its petition on March 31, 2008, requesting approval of its proposed standard offer contract and associated tariffs based on the Ten-Year Site Plan for 2008-2017. The proposed contract is based on a 2012 combustion turbine as the avoided unit.

The petition explains that a combined cycle unit appears in the Ten-Year Site Plan, scheduled to be in service by 2013. However, TECO did not offer this plant as an avoided unit because release of an RFP for the plant would remove it from availability as an avoided unit. Since the RFP was to be released prior to April 30, 2008, the Company elected to avoid administrative costs associated with including that 2013 combined cycle plant as an avoided unit.

On April 22, 2008, TECO filed a supplement to include an additional avoided unit in its petition for approval of its standard offer. The utility explained that the original filing did not recognize the fact that a combined cycle plant having a scheduled in-service date of 2017 would be included in the Ten-Year Site Plan. Also, a change had been made in the planned in-service date for the avoided unit used in the original filing, so that the unit is planned for May 2012, rather than June of that year. As a result, the supplement provides cost and other parameters that have been revised to align with the earlier date.

This recommendation will address the standard offer contract, including the supplemental filing, and associated tariffs filed by TECO in the instant docket. The Commission has jurisdiction over this matter pursuant to Sections 366.04 through 366.06. and 366.91 and 366.92, F. S.

Discussion of Issues

Issue 1: Is the standard offer contract, as supplemented, filed by Tampa Electric Company in compliance with Rules 25-17.200 through 25-17.310, Florida Administrative Code?

Recommendation: Yes. The Standard Offer Contract proposed by TECO is in compliance with Rules 25-17.200 through 25-17.310, F.A.C., and therefore should be approved. (Sickel, Kummer, Lewis, Montford)

Staff Analysis: As an IOU, TECO is required to continuously make available a standard offer contract for purchase of firm capacity and energy from renewable generating facilities and small qualifying facilities with a design capacity of 100 kW or less, pursuant to Rule 25-17.250(1), F.A.C. By April 1 each year, TECO must file a standard offer contract based on the next avoidable fossil fueled generating unit, for each technology type associated with planned units listed in the utility's Ten-Year Site Plan.

The 2008 Ten-Year Site Plan filed by TECO includes a combined cycle unit having an in-service date of 2013. However, while preparing the standard offer filing to be made by April 1, the Company was also preparing to issue an RFP for the 2013 combined cycle plant. The RFP was issued on April 11, 2008, and as a result the 2013 plant was not available as an avoided unit. Recognizing the preparation and administrative costs associated with considering an alternative that would not be available, TECO did not provide a standard offer based on the 2013 combined cycle plant as the avoided unit. Staff agrees with the Company's observations and actions taken in this regard.

In accord with Rule 25-17.250(1), F.A.C., TECO filed a petition dated March 31, 2008, requesting approval of a standard offer contract based on a combustion turbine schedule to be in service in 2012. On April 22, 2008, the Company filed supplemental information based on an additional unit, a combined cycle plant projected to be in service in 2017. In addition, the later filing advised that the original avoided unit will have an in-service date of May 2012, rather than June of 2012. In the supplemental filing, TECO also provided revised avoided costs based on the new in-service date. With the update included, the TECO supplemented 2008 standard offer meets the requirements of Rule 25-17.250(2), F.A.C., regarding the portfolio approach.

TECO tariff Sheet No. 8.212 specifies that the term of the contract extends at least ten years beyond the in-service date of the avoided unit, as required by Rule 25-17.250(3), F.A.C. The renewable energy provider may select any final date after that, up to the last day of service by the avoided unit.

The capacity payments to the renewable generator are provided in Schedule COG-2, beginning on Sheet No. 8.326. The payments are to be computed utilizing a value of deferral methodology along with appropriate values for the specific avoided unit. For the 2012 combustion turbine, Appendix C, beginning on Sheet No. 8.406, is to be used; for the 2017 combined cycle unit, Appendix D, beginning on Sheet No. 8.438, is to be used. The renewable provider may select from options that provide early payments which are equivalent to the net present value of deferral capacity payments for the avoided unit. The options allow for a

revenue stream that best matches the financing requirements of the renewable generator, in accord with requirements of Rule 25-17.250(4), F.A.C.

Sheet No. 8.216 provides that energy payments will be either fixed or based on the utility's actual avoided costs, as selected by the renewable provider. This provision complies with the requirements of Rule 25-17.250(5), F.A.C., and gives the renewable generator flexibility that will aid in making financial arrangements.

Sheet No. 8.238 provides that either party may re-open the contract in the event that new environmental or other regulations, enacted during the term of the contract, will impact the full avoided costs associated with the avoided unit. This complies with the requirements of Rule 25-17.270, F.A.C. That sheet also provides that all rights to the ownership of environmental attributes are retained by the renewable generator, as required by Rule 25-17.280, F.A.C.

The Company's ratepayers are protected by the completion and performance security arrangements on Sheet Nos. 8.222 through 8.228. The arrangements are in compliance with requirements of Rule 25-17.0832(3), F.A.C. No mention is made of an adjustment for imputed debt in the standard offer filing by TECO.

In conclusion, staff believes that TECO's proposed supplemented standard offer contract is in compliance with Rules 25-17.200 through 25-17.310, F.A.C., and should therefore be approved.

Issue 2: Should this docket be closed?

Recommendation: If the Commission approves staff's recommendation to approve the proposed Standard Offer Contract, including the supplemental filing, and tariffs filed by TECO, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 080184-EQ should be closed, and the Standard Offer Contracts and tariffs filed by TECO should be effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the Commission's order, the tariffs should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that TECO's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised. (Hartman)

Staff Analysis: If the Commission approves staff's recommendation to approve the proposed Standard Offer Contract, including the supplemental filing, and tariffs filed by TECO, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 080184-EQ should be closed, and the Standard Offer Contracts and tariffs filed by TECO should be effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the Commission's order, the tariffs should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that TECO's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.