

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: August 6, 2009

TO: Office of Commission Clerk (Cole)

FROM: Office of Strategic Analysis and Governmental Affairs (Sickel, Ellis)
Office of the General Counsel (Hartman)

RE: Docket No. 090166-EQ – Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

AGENDA: 08/18/09 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 12/01/09 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\SGA\WP\090166.RCM.DOC

Case Background

Since January 1, 2006, each investor-owned electric utility (IOU), as well as each electric municipal utility subject to the Florida Energy Efficiency and Conservation Act (FEECA),¹ 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.

¹ Sections 366.80-366.85 and 403.519, F.S.

On April 1, 2009, Florida Power & Light Company (FPL or Company) filed its petition for approval of a renewable energy tariff and standard offer contract, based on the Ten Year Site Plan for 2009-2018. In the period 2009 through 2018, FPL has no fossil-fueled generating units that could qualify as an avoided unit for the standard offer contract. As a result, FPL included a notation that using the forecasted capacity need determined in the 2009 Ten Year Site Plan development process, a fossil-fueled generation unit capable of serving as the avoided unit would next be required in 2021. The unit is a greenfield 1,219 megawatt (MW) natural gas-fired combined cycle plant with a projected in-service date of June 1, 2021.

Due to recent a Commission decision relating to FPL's 2008 standard offer contract, FPL filed revisions to its petition on May 29, 2009, based upon Commission Order PSC-09-0394-FOF-EQ.²

The Commission has jurisdiction over this matter pursuant to Sections 366.04 through 366.06, 366.91, and 366.92, Florida Statutes (F.S.).

² Issued June 2, 2009, in Docket No. 080193-EQ, In re: Petition for approval of renewable energy tariff and standard offer contract, by Florida Power & Light Company.

Discussion of Issues

Issue 1: Should the standard offer contract filed by Florida Power & Light Company be approved?

Recommendation: Yes. The standard offer contract and related tariff, as modified on May 29, 2009, complies with Rules 25-17.200 through 25-17.310, F.A.C., and Order No. PSC-09-0394-FOF-EQ. (Sickel, Ellis)

Staff Analysis: Because the utility is an IOU, Rule 25-17.250(1), F.A.C., requires FPL 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 kilowatt (kW) or less. In its 2009 Ten Year Site Plan, FPL has no uncertified fossil units for the period 2009 to 2018. In an effort to promote renewable generation, FPL has identified a unit beyond the 10 year planning horizon as the avoided unit. The unit is a greenfield 1,219 MW natural gas-fired combined cycle plant with a projected in-service date of June 1, 2021.

Original Standard Offer Filing

The original petition filed April 1, 2009, contains a standard offer contract and related renewable energy tariff that reflects the avoided unit. Multiple tariff sheets were modified to reflect a change in the avoided unit, from June 1, 2014, to June 1, 2021, and are detailed below.

As required by Rule 25-17.230(4), F.A.C., the renewable energy tariff, QS-2, submitted by FPL includes provisions for interconnection of the facility and related charges on tariff sheet No. 10.306. In addition to updating interconnection charges, FPL has updated the customer charges to reflect lower costs of metering.

As required by Rule 25-17.0832(4)(e), F.A.C., the renewable energy tariff, QS-2, submitted by FPL includes example payments for firm capacity to the renewable energy provider on tariff sheet No. 10.301. In addition, tariff sheet No. 10.311 includes sufficient financial and economic information necessary to calculate firm capacity payments available under each payment option, including early, levelized, early levelized, and flexible capacity payment streams. For possible energy payments, estimated unit fuel costs and as-available energy costs are also provided on tariff sheet No. 10.304. Staff believes this information is sufficient to allow a renewable energy provider to estimate possible payment streams for energy and capacity that the standard offer contract could provide.

Staff believes that these provisions are in compliance with Rules 25-17.200 through 25.17-310, F.A.C.

Modified Standard Offer Provisions

The original petition, filed April 1, 2009, includes a standard offer contract similar to the 2008 standard offer contract. As previously mentioned, FPL's filed revisions to its original petition on May 29, 2009, in compliance with Order No. PSC-09-0394-FOF-EQ. The revised tariff sheets are detailed below.

Rule 25-17.0832(4)(b), F.A.C., provides that the rates, terms, and other conditions of each utility's standard offer contracts must be based on and equal to the avoided unit's. This is required for the economic assumptions, as well as technical assumptions, such as the unit's availability. Pursuant to the Commission's Order, FPL filed modifications to the availability to represent the projected availability of the avoided unit over the term of the standard offer contract, as well as supporting documentation. FPL has modified tariff sheet Nos. 9.032 and 10.313 to reflect this change. The contract lists an availability of 94 percent as the threshold for full capacity payments, based upon the avoided unit's average total of availability, which is calculated from the estimated planned outages, forced outages, and maintenance outages for the first ten years of operation. Supporting documents have also been provided for these calculations.

Rule 25-17.280, F.A.C., provides that all tradable renewable energy credits (TRECs) are the exclusive property of the renewable generator. FPL has modified tariff sheet 9.044, as per the Commission's Order, to now read:

17.6.2 Ownership and Offering For Sale Of Renewable Energy Attributes

The QS retains any and all rights to own and to sell any and all environmental attributes associated with the electric generation of the Facility, including but not limited to, any and all renewable energy certificates, "green tags" or other tradable environmental interests (collectively "RECs"), of my description.

Staff believes that these provisions are in compliance with Order No. PSC-09-0394-FOF-EQ.

Conclusion

The provisions of the 2009 standard offer contract and renewable energy tariff submitted by FPL conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C. FPL has filed tariff sheets that reflect the economic and technical assumptions of the 2021 avoided unit. FPL has also complied with Commission Order No. PSC-09-0394-FOF-EQ, which addresses the avoided unit's availability, and the right of first refusal of TRECs. In conclusion, staff believes that FPL's proposed standard offer contract is in compliance with Rules 25-17.200 through 25-17.310, F.A.C., and Order No. PSC-0394-FOF-EQ, and should therefore be approved.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation to approve the proposed standard offer contract filed by FPL, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 090166-EQ should be closed, and the standard offer contract filed by FPL 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 FPL's tariffs and standard offer contract 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 filed by FPL, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 090166-EQ should be closed, and the standard offer contract filed by FPL 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 FPL's tariffs and standard offer contract may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.