

FLORIDA PUBLIC SERVICE COMMISSION

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M E M O R A N D U M

JUNE 12, 1990

TO : STEVE TRIBBLE, DIRECTOR
DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF ELECTRIC AND GAS (BALLINGER, DEAN) *TB*
DIVISION OF LEGAL SERVICES (PALECKI) *J.W.D. PRT MP*

SUBJECT: DOCKET NO. 900004-EU, PLANNING HEARINGS ON LOAD FORECASTS,
GENERATION EXPANSION PLANS, AND COGENERATION PRICES FOR
PENINSULAR FLORIDA'S ELECTRIC UTILITIES

AGENDA: 6/19/90 - CONTROVERSIAL - PAA - PARTIES MAY PARTICIPATE

CRITICAL DATES: SPECIAL EMERGENCY ITEM FOR AGENDA

ISSUE: Should the Commission close out the current standard offer tariff based on one 500 MW coal unit with an in-service date of January 1, 1996?

RECOMMENDATION: Yes. The Commission has received notification that two contracts, one negotiated and one standard offer, have been signed. These contracts total 775 MW which exceeds the 1996 subscription limit of 500 MW. Therefore, the Commission should close out the current standard offer tariff to any prospective qualifying facilities.

BACKGROUND

At the May 25, 1990 agenda conference, the Commission reconsidered its decision in Docket 900004-EU (APH). At that agenda, the Commission selected a 500 MW coal unit with an in-service date of January 1, 1996 as the statewide avoided unit. The Commission also maintained its position on keeping a subscription limit and capped the amount of cogeneration to be signed at 500 MW.

On May 31, 1990, staff received notification that FPL had signed a negotiated contract with Indiantown Cogeneration, L.P. (Bechtel). This contract was executed on May 21, 1990. This project is slated to be a 300 MW coal fired facility with an in-service date of September 1, 1995. This contract is expected to be filed for approval with the Commission very soon.

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On June 6, 1990, staff received a signed copy of a standard offer tariff based on the 1996 coal unit from Consolidated Minerals, Inc. (CMI). This contract was signed by CMI on June 6, 1990. This project is scheduled to be a 475 MW coal fired facility with an in-service date of January 1, 1996. Since this would be a standard offer contract, no further Commission action would be required once a valid interconnection agreement is signed.

At the close of the May 25, 1990 agenda, the Commission directed staff to inform the Commission if and when the subscription amount of 500 MW was reached. The combined total of these two contracts exceeds the subscription limit by 275 MW.

ISSUE: Should the Commission close out the current standard offer tariff based on one 500 MW coal unit with an in-service date of January 1, 1996?

RECOMMENDATION: Yes. The Commission has received notification that two contracts, one negotiated and one standard offer, have been signed. These contracts total 775 MW which exceeds the 1996 subscription limit of 500 MW. Therefore, the Commission should close out the current standard offer tariff to any prospective qualifying facilities.

DISCUSSION: Pursuant to the Commission's directions, staff is bringing before the Commission the issue of how to proceed once the 500 MW subscription limit had been reached. The remainder of this discussion will outline the Commission's options for dealing with the subscription issue.

The first question that must be answered is the validity of the standard offer contract signed by CMI. There are two factors that may cast a shadow on this contract. First, the standard offer contract based on the 1996 coal unit has not been officially approved by the Commission. This is not very material because the changes mainly reflect the changes to the payment streams which staff was directed to administratively approve. Secondly, CMI and FPL have not yet entered into a valid interconnection agreement. This is a prerequisite as stated in Rule 25-17.082, Florida Administrative Code. FPL has indicated it is willing to begin negotiations on a interconnection agreement.

The Commission may also treat the CMI contract as a valid contract for subscription purposes under the assumption that a valid interconnection agreement will be signed prior to the in-service date of the facility. If this is the case, then the Commission would have three options for dealing with the subscription limit issue. The first option would be to allow both contracts to count towards the subscription limit and close the current standard offer contract to any prospective qualifying facilities. This would create a hiatus until the Commission's new cogeneration rules could be implemented. There may be months that no standard offer would be available, but this is exactly the option that Commission exercised in 1989 when the 1995 coal-unit was closed due to over subscription.

Since the Bechtel contract, while not officially approved, was executed prior to the CMI contract, a second option for the Commission would be to limit the CMI contract to 200 MW in order to remain consistent with the purpose of the subscription limit. This would also require closure of the current standard offer contract for prospective qualifying facilities. We do not know if CMI's project would be viable if its project size was limited to 200 MW's.

In addition to either the first or second option, the Commission may also designate another statewide avoided unit from which a new standard offer contract can be developed. The units that the Commission may choose from, based on the record contained in Docket Number 890004-EU, are the original previously designated avoided units. These were a series of 385 MW combined cycle units for the years 1993, 1994 and 1995. FPL was designated as the utility planning to construct these units. There are no other coal units identified in this docket for designation.

A third option would be for the Commission to reconsider its position on subscription limits in general. The Commission could remove any subscription limit on the 1996 unit and continue to allow QF's to sign up against this unit. Clearly, if the Commission's objective is to encourage cogeneration, this option would provide the maximum incentive to get projects undertaken.

The problem of over subscription may be lessened somewhat once the Commission's new cogeneration rules are implemented. Under the proposed rules, standard offer contracts would only be available to qualifying facilities which are less than 75 MW. This provision would ease the problem of over subscription because of the size of current proposed projects to the extent that larger projects would not be entitled to a standard offer contract and would be forced to negotiate with the purchasing utility. This would prevent potential QF's from signing a standard offer just to get a place in the queue.