

FLORIDA PUBLIC SERVICE COMMISSION  
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M E M O R A N D U M

July 18, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF APPEALS (BELLAK) *RCB D JH*  
DIVISION OF ELECTRIC & GAS (BALLINGER) *RLT*  
DIVISION OF RESEARCH & REGULATORY REVIEW (HEWITT) *BA Prof*

RE: DOCKET NO. 960214-EU - PROPOSED REVISION TO RULE 25-6.035, ADEQUACY OF SUPPLY

AGENDA: JULY 30, 1996 - REGULAR AGENDA - RULE ADOPTION - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

RULE STATUS: ADOPTION MAY BE DEFERRED

SPECIAL INSTRUCTIONS: S:\PSC\APP\WP\960214.RCM

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CASE BACKGROUND

On April 4, 1996, the Commission approved staff's recommendation to propose revisions to Rule 25-6.035, Adequacy of Supply. Although no requests for hearing were received, comments were filed suggesting various changes.

In comments filed June 7, 1996, Tampa Electric Company (Tampa Electric) asked that the following discussion in staff's April 4, 1996 recommendation be referenced by the Commission in its adoption of the rule:

The Commission established reserve margin criteria in order to maintain equitable reserve sharing among utilities, not to set a prudent level of reserves. While these are related, they should be kept separate. A prudent level of reserves was not the subject of the hearing in Docket No. 940345-EU. Therefore, if the Commission adopts a rule, it should be for the purposes of insuring equitable reserve sharing and coordination of interchange, not a minimal level for prudence.

DOCUMENT NUMBER-DATE

07607 JUL 18 96

FPSC-RECORDS/REPORTING

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In comments filed June 7, 1996, Gulf Power Company (Gulf) suggested that a sentence in proposed Rule 25-6.035(1) be modified with the additional phrase "in Peninsular Florida" as follows:

Each utility [in Peninsular Florida] shall also coordinate the sharing of energy reserves with other utilities in Peninsular Florida.

In comments filed June 14, 1996, Florida Power Corporation (FPC) made the following suggestions as to the scope of the rule:

- 1) FPC contends that the rule should apply to "electric utilities" rather than just "public utilities".
- 2) The rule should address planned reserve margins for periods other than the expected annual peak load.
- 3) The rules should incorporate specified changes to the operating reserve requirements.
- 4) FPC suggests that additional requirements be added to Section (4) of the rule.

In comments filed June 6, 1996, Seminole Electric Cooperative, Inc. (Seminole) suggested that language in the summary of the rule noticed in the FAW (preamble) more precisely match the rule language. Seminole also suggested replacement of the phrase "firm load" with "native load and other firm commitments" in the definition of "L".

In comments filed June 10, 1996, the Joint Administrative Procedures Committee (JAPC) suggested that Subsection (2) include criteria the Commission will employ when considering a petition for an exception. JAPC also noted the lack of criteria in Subsection (3) and words which might vest unbridled discretion in the Commission.

#### DISCUSSION OF ISSUES

ISSUE 1: Should the clarification sought by Tampa Electric be made?

RECOMMENDATION: Yes. Tampa Electric's suggested clarification should be made.

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**STAFF ANALYSIS:** Tampa Electric suggested no changes to the proposed rule, but only sought a clarification that the purpose of the rule was to establish a minimum reserve level for interchange purposes, not a minimum prudence level. Staff concurs in Tampa Electric's suggestion.

**ISSUE 2:** Should Gulf's suggested changes be incorporated in proposed Rule 25-6.035?

**RECOMMENDATION:** No. Gulf's suggested changes should not be incorporated in proposed Rule 25-6.035.

**STAFF ANALYSIS:** Gulf contends that since it was not a party to Docket 940345-EU, it should be excluded from proposed Rule 25-6.035. The changes suggested by Gulf would require only peninsular utilities to coordinate reserves with each other. Staff recommends the rejection of this limiting language because all electric utilities should be required to coordinate reserves for emergencies. It is sufficient that, for lack of a record basis, the proposed rule does not require Gulf to maintain a minimum reserve level. This adequately reflects the subject matter of Docket 940345-EU as identifying potential overreliance problems within Peninsular Florida. Staff recommends that any further limiting language -- with the consequences described above -- should be rejected.

**ISSUE 3:** Should FPC's four suggested changes be incorporated in proposed Rule 25-6.035?

**RECOMMENDATION:** The first change, suggested by FPC should be incorporated, but the remaining changes should be rejected.

**STAFF ANALYSIS:** 1) FPC's suggestion that the rule apply to all "electric utilities", rather than just "public utilities", should be incorporated for the reasons already discussed in Issue 2, supra.

2) FPC's suggestion of language requiring utilities to plan for periods other than peak demand, while reasonable, goes beyond the purposes of the rule. The intent of the rule is not to establish a minimum prudence level, but a level that can be used for interchange purposes only. The change should therefore be rejected.

3) FPC's suggested changes to operating reserve requirements would have the effect of amending the Florida Electric Power Coordinating Group's (FCG) operating manual -- the source of the operating reserve requirements -- without a consensus of the other

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member utilities of the FCG. The change should therefore be rejected.

4) FPC's suggested changes to Section (4) of the rule were the subject of a stipulation between FPC and FPL at the Federal Energy Regulatory Commission (FERC) hearing concerning the approval of new interchange tariffs sought by FPL. These changes should remain as interchange tariff language rather than being incorporated in proposed Rule 25-6.035. The change should therefore be rejected.

**ISSUE 4:** Should Seminole's two suggested changes be incorporated in proposed Rule 25-6.035?

**RECOMMENDATION:** Language in future notices of the rule (preamble) should be changed to more accurately describe the rule. Changes reflecting Seminole's suggestion that the definition of "L" in subsection (1) of the rule should be changed should be rejected.

**RECOMMENDATION:** Seminole is correct that the current preamble in the rule notice inaccurately summarizes the rule. Therefore, the inaccuracy should be corrected in any future notices. Staff does not believe that a change is required in the definition of "L" in subsection (1) of the rule. Section (4) of the rule clearly allows the utility the option of relying upon non-firm load to meet its planning or operating reserve requirements. Section (1) of the rule lays out the minimum reserve standards. Clearly, if a utility meets a minimum level of reserves without relying upon non-firm load, then the potential for that utility to have to utilize its non-firm load for another utility's firm load is not great. The change should therefore be rejected.

**ISSUE 5:** Should criteria be added to Sections (2) and (3) as suggested by JAPC to avoid vesting unbridled discretion in the Commission to allow for exceptions?

**RECOMMENDATION:** Yes. JAPC's suggested changes should be incorporated in proposed Rule 25-6.035.

**STAFF ANALYSIS:** Sections (2) and (3) should be modified to incorporate language contained in Order No. PSC-94-1256-FOF-EU as follows:

Section (2) - Add the following to the last sentence: based upon the very high availability of certain non-firm purchases.

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Section (3) - Replace the last sentence with the following:  
A utility may petition the Commission for approval of other methods demonstrating equivalent reliability on a case-by-case basis.

RCB  
Attachments

1  
2 25-6.035 Adequacy of Resources Supply. (1) Each utility shall  
3 maintain sufficient generating capacity, supplemented by regularly  
4 available generating and non-generating resources, in order to meet  
5 all reasonable demands for service and provide a reasonable reserve  
6 for emergencies. Each utility shall also coordinate the sharing of  
7 energy reserves with other utilities in Peninsular Florida. To  
8 achieve an equitable sharing of energy reserves, Peninsular Florida  
9 utilities shall be required to maintain, at a minimum, a 15%  
10 planned reserve margin. The planned reserve margin for each  
11 utility shall be calculated as follows:

12 
$$RM = [(C - L)/L]*100 \quad \text{where:}$$

- 13 "RM" - Is defined as the utility's percent planned reserve  
14 margin;  
15 "C" - Is defined as the aggregate sum of the rated  
16 dependable peak-hour capabilities of the resources  
17 that are expected to be available at the time of  
18 the utility's annual peak; and  
19 "L" - Is defined as the expected firm peak load of the  
20 system for which reserves are required.

21 The following shall be utilized as the operating reserve  
22 standard for Peninsular Florida's utilities: operating reserves  
23 shall be maintained by the combined Peninsular Florida system at a  
24 value equal to or greater than the loss of generation that would  
25 result from the most severe single contingency. The operating

CODING: Words underlined are additions; words in  
~~struck-through~~ type are deletions from existing law.

1  
2 reserves shall be allocated among the utilities in proportion to  
3 each utility's maximum demand for the preceding year, and the  
4 summer gross Southeastern Electric Reliability Council (SERC)  
5 capability of its largest unit or ownership share of a joint unit,  
6 whichever is greater. Fifty percent shall be allocated on the  
7 basis of demand and fifty percent on the basis of the summer gross  
8 SERC capability of the largest unit. Operating reserves shall be  
9 fully available within ten minutes. At least 25% of the operating  
10 reserves shall be in the form of spinning reserves which are  
11 automatically responsive to a frequency deviation from normal.

12 (2) Treatment of Purchased Power. Only firm purchase power  
13 agreements may be included as a resource for purposes of  
14 calculating a planned or operating reserve margin. A utility may  
15 petition the Commission on a case-by case basis for exceptions to  
16 this rule.

17 (3) Treatment of Shared Generating Units. Only the utility  
18 which has first call on the generating unit may count the unit  
19 towards its planned or operating reserve margin. A utility has  
20 first call on a unit if the unit is available and the utility has  
21 the contractual right to dispatch the unit to meet its native load  
22 and other firm contractual commitments before any other party to  
23 the unit's sharing arrangement. The Commission may consider other  
24 methods on a case by case basis.

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# Public Service Commission

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

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**DATE:** July 22, 1996  
**TO:** Blanca Bayo, Director, Division of Records & Reporting  
**FROM:** Division of Electric and Gas (Tom Ballinger) *TBS*  
**RE:** Revised Attachment To Recommendation In Docket No. 960214-EU

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*MAB*

*JDJ*

Attached is a revised page number 8 to staff's recommendation filed in Docket No. 960214-EU. Subsequent to filing, the staff noticed that the attached rule language did not correspond to what the Commission had proposed at the April 4, 1996 Agenda conference. The attached revision corrects this error.

If you have any questions, please contact me.

TB:kt



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2       (4) Treatment of Non-Firm Load. If non-firm load (i.e.  
3 customers receiving service under load management, interruptible,  
4 curtailable, or similar tariffs) is relied upon by a utility when  
5 calculating its planned or operating reserves, the utility shall be  
6 required to make such reserves available to maintain the firm  
7 service to requirements of other utilities.

8       (5) Buy-through Power for Interruptible Customers.  
9 Interruption of service to non-firm customers is not an emergency.  
10 As such, a utility shall not be required to provide buy-through  
11 power for another utility's interruptible customers under  
12 obligatory emergency interchange schedules. The generating  
13 capacity of the utility's plant, supplemented by the electric power  
14 regularly available from other sources, must be sufficiently large  
15 to meet all reasonable demands for service and provide a reasonable  
16 reserve for emergencies.

17 Specific Authority 366.05(1) FS.

18 Law Implemented 366.03 FS.

19 History--New 7-29-69, Formerly 25-6.35, Amended \_\_\_\_\_.

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