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Public Service Commission

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COMMISSION  
CLERK

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

DATE: June 2, 2011

TO: Office of Commission Clerk (Cole)

FROM: Division of Regulatory Analysis (Lewis) *KL TB*  
Office of the General Counsel (Tan) *AT RT*

RE: Docket No. 110092-EI – Petition for approval of amended standard offer contract, by Progress Energy Florida, Inc.

AGENDA: 06/14/11 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\RAD\WP\110092.RCM.06-14-11.DOC

Case Background

Since January 1, 2006, each investor owned electric utility (IOU) has been required to continuously offer to purchase capacity and energy from specific types of renewable resources. 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.

Progress Energy Florida, Inc. (PEF) filed its petition for approval of amended standard offer contract on April 26, 2011. The contract, as directed by Rule 25-17.250, F.A.C., is based on PEF's 2011 Ten-Year Site Plan.

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FPSC-COMMISSION CLERK

Docket No. 110092-EI

Date: June 2, 2011

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

### **Discussion of Issues**

**Issue 1:** Should the Commission approve the revised standard offer contract filed by Progress Energy Florida, Inc.?

**Recommendation:** Yes. The standard offer contract and related tariffs comply with Rules 25-17.200 through 25-17.310, F.A.C. (Lewis)

**Staff Analysis:** Because PEF is an IOU, Rule 25-17.250(1), F.A.C., requires it to continuously make available a standard offer contract for the purchase of firm capacity and energy from renewable generating facilities and small qualifying facilities with a design capacity of 100 kilowatts (kW) or less. In its 2011 Ten-Year Site Plan, PEF has identified a 178 megawatt (MW) gas-fired combustion turbine as its next fossil fueled generating unit. The in-service date of the unit is projected to be June 1, 2020.

A renewable generator can elect to have no performance requirements to deliver energy on an as-available basis under the current standard offer. If the renewable generator commits to certain performance requirements based on the avoided unit, including being on-line and delivering capacity by the in-service date, it can receive a capacity payment. To promote renewable generation, the Commission requires multiple options for capacity payments, including the option to receive Early or Levelized payments.

If a renewable generator elects to receive payments under the Normal or Levelized options, it would receive as-available energy rates until June 1, 2020, the in-service date of the avoided unit. If the Early or Early Levelized options are selected, capacity payments begin at an earlier date but tend to be less in the outer years as the net present value of payments must remain the same. In addition, capacity payments greater than those made under the Normal option require additional performance security from the renewable generator. Table 1 estimates the annual payments that would be made to a renewable facility of 50 MW running at a 94 percent capacity factor, with an in-service date of 2012.

**Table 1 - Estimated Annual Payments to a 50 MW Biomass Facility (94% Capacity Factor)**

Year	Energy Payment	Capacity Payment (By Type)			
		Normal	Levelized	Early	Early Levelized
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
2012	\$18,703	-	-	\$1,356	\$1,572
2013	\$20,961	-	-	\$1,380	\$1,572
2014	\$21,412	-	-	\$1,404	\$1,572
2015	\$22,943	-	-	\$1,434	\$1,572
2016	\$24,880	-	-	\$1,464	\$1,572
2017	\$25,925	-	-	\$1,494	\$1,578
2018	\$26,549	-	-	\$1,530	\$1,578
2019	\$29,439	-	-	\$1,560	\$1,578
2020	\$28,810	\$1,992	\$2,177	\$1,590	\$1,584
2021	\$26,493	\$3,480	\$3,738	\$1,626	\$1,584
2022	\$25,545	\$3,552	\$3,744	\$1,662	\$1,590
2023	\$22,599	\$3,624	\$3,744	\$1,692	\$1,590
2024	\$24,770	\$3,696	\$3,750	\$1,728	\$1,590
2025	\$28,035	\$3,768	\$3,756	\$1,764	\$1,596
2026	\$28,198	\$3,840	\$3,762	\$1,800	\$1,596
2027	\$29,504	\$3,918	\$3,768	\$1,842	\$1,602
2028	\$30,840	\$3,996	\$3,774	\$1,878	\$1,602
2029	\$31,441	\$4,080	\$3,780	\$1,920	\$1,602
2030	\$33,456	\$4,158	\$3,786	\$1,956	\$1,608
2031	\$34,615	\$4,242	\$3,792	\$1,998	\$1,608

PEF submitted a total of 13 revised tariff sheets, including 8 revised sheets of the standard offer contract and 5 revised sheets corresponding to Rate Schedule COG-2. All of the revised sheets pertain to the date of the avoided unit, economic parameters, or document formatting. Beyond these revisions, all other terms, such as provisions for performance, payment, and security are retained from the 2010 standard offer contract and related tariffs.

The provisions of the 2011 standard offer contract and related tariffs submitted by PEF conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C. The standard offer contract provides flexibility in the arrangements for payments so that a developer of renewable generation may select the payment stream best suited to its financial needs. As such, staff believes the standard offer contract and related tariffs submitted by PEF should be approved as filed.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If the Commission approves staff's recommendation to approve the proposed standard offer contract and tariffs filed by PEF, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 110092-EI should be closed upon issuance of a Consummating Order, and the standard offer contracts and tariffs filed by Progress Energy 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 approval of Progress Energy's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.  
(Tan)

**Staff Analysis:** If the Commission approves staff's recommendation to approve the proposed standard offer contract and tariffs filed by PEF, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 110092-EI should be closed upon issuance of a Consummating Order, and the standard offer contracts and tariffs filed by Progress Energy 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 approval of Progress Energy's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.