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: June 2, 2011

TO: Office of Commission Clerk (Cole)

FROM: Division of Regulatory Analysis (Ma)
Office of the General Counsel (Evans)

RE: Docket No. 110093-EI – Petition for approval of revisions to the standard offer contract and rate schedules COG-1 and COG-2, by Tampa Electric Company.

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\110093.RCM.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.

Tampa Electric Company (TECO) filed its petition for approval of revisions to the standard offer contract and rate schedules COG-1 and COG-2 on April 4, 2011. The contract, as directed by Rule 25-17.250, F.A.C., is based on TECO's 2011 Ten-Year Site Plan.

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 standard offer contract filed by Tampa Electric Company?

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

Staff Analysis: Because TECO 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, TECO has identified a 61 megawatt (MW) natural gas-fired combustion turbine as its next fossil-fueled generating unit. The in-service date of the unit is projected to be May 1, 2013.

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 Normal, Levelized, Early, or Early Levelized payments.

If a renewable generator elects to receive payments under the Normal or Levelized options, it would receive as-available energy rates until May 1, 2013, 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 90 percent capacity factor, with an in-service date of 2012.

Table 1 - Estimated Annual Payments to a 50 MW Biomass Facility (90% Capacity Factor)

Year	Energy Payment	Capacity Payment (By Type)			
		Normal	Levelized	Early	Early Levelized
	($000)	($000)	($000)	($000)	($000)
2012	20,354			4,847	5,424
2013	20,980	3,692	4,126	4,939	5,442
2014	21,198	5,644	6,209	5,033	5,460
2015	23,319	5,751	6,230	5,129	5,479
2016	25,010	5,860	6,251	5,226	5,497
2017	26,033	5,972	6,273	5,326	5,517
2018	26,042	6,085	6,295	5,427	5,536
2019	24,765	6,201	6,317	5,530	5,556
2020	24,830	6,319	6,340	5,635	5,577
2021	25,932	6,439	6,363	5,742	5,598
2022	25,656	6,561	6,387	5,851	5,619
2023	27,538	6,686	6,411	5,962	5,641
2024	28,114	6,813	6,436	6,076	5,663
2025	28,443	6,942	6,461	6,191	5,685
2026	28,824	7,074	6,487	6,309	5,708
2027	30,026	7,208	6,513	6,429	5,731
2028	30,161	7,345	6,540	6,551	5,755
2029	31,451	7,485	6,567	6,675	5,779
2030	31,812	7,627	6,594	6,802	5,804
2031	32,732	7,772	6,623	6,931	5,829

It is important to note that TECO's standard offer contract does not use a typical definition of capacity factor. For example, during summer months, the capacity factor is the sum of 80 percent of the on-peak monthly average and 20 percent of the off-peak monthly average operation. During winter months, the capacity factor is the sum of 90 percent of the on-peak monthly average and 10 percent of the off-peak monthly average operation. This method closely mimics the projected performance of combustion turbine generating units.

TECO submitted a total of twelve revised tariff sheets, which included two revised sheets of TECO's as-available rate schedule, COG-1, and ten revised sheets of TECO's firm capacity and energy provider rate schedule, COG-2. All of the revised sheets reflect updated economic parameters of the avoided unit, clarification of definitions, and corrections to typographical errors. 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 TECO 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 that the standard offer contract and related tariffs submitted by TECO 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 TECO, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 110093-EI 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 approval of 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. (Evans)

Staff Analysis: If the Commission approves staff's recommendation to approve the proposed standard offer contract and tariffs filed by TECO, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 110093-EI 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 approval of 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.