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Pensacola, Florida 32520

Tel 850.444.6111



ORIGINAL

October 1, 1999

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 991183-EQ

On August 20, 1999, Gulf Power Company filed its standard offer contract for the purchase of firm capacity and energy from certain small qualifying facilities. Attached are three pages from that filing that have been revised and need to replace the respective pages in that filing. The pages are 9.9, 9.11, and 9.24.

Upon approval, please return two copies of the approved tariff sheets to my attention.

Sincerely,

*Susan D. Ritenour*

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

- AFA \_\_\_\_\_
- APP \_\_\_\_\_ |w
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_ Enclosures
- CTR \_\_\_\_\_
- EAG 1/10 cc:
- LEG \_\_\_\_\_
- MAS \_\_\_\_\_
- OPC \_\_\_\_\_
- PAI \_\_\_\_\_
- SEC \_\_\_\_\_
- WAW \_\_\_\_\_
- OTH \_\_\_\_\_

Beggs and Lane  
Jeffrey A. Stone, Esquire  
Florida Public Service Commission  
Connie Kummer

DOCUMENT NUMBER-DATE

11929 OCT-4 89

FPSC-RECORDS/REPORTING

11929 OCT-48

DOCUMENT NUMBER-DATE

Tariff Sheets

# GULF POWER COMPANY

## RATES FOR PURCHASES BY THE COMPANY

Firm capacity and energy are purchased at a unit cost, in dollars per kilowatt per month and cents per kilowatt hour, respectively, based on the value of Gulf's Designated Avoided Unit as described herein.

### A. Firm Capacity Rates

Four options, 1, 2, 3, and 4, as set forth below, are available concerning payment for firm capacity which is produced by the Qualifying Facility (QF) or Solid Waste Facility and delivered to the Company. The capacity payment will be the product of the QF's Committed Capacity and the applicable rate from the QF's chosen capacity payment option. Once selected, an option shall remain in effect for the term of the contract with the Company. Tariff Sheet 9.11 contains the monthly rate per kilowatt in accordance with Option 1, of firm capacity the Qualifying Facility or Solid Waste Facility has contractually committed to deliver to the Company and is based on the minimum contract term for an agreement pursuant to this standard offer rate schedule which extends ten (10) years beyond the anticipated in-service date of the Designated Avoided Unit (i.e., through May 31, 2012). Payment schedules for other options and longer contract terms will be made available by the Company to a Qualifying Facility or Solid Waste Facility upon request. At a maximum, firm capacity and energy shall be delivered for a period of time equal to the anticipated plant life of the Designated Avoided Unit, commencing with the anticipated in-service date of the Designated Avoided Unit.

Option 1 - Value of Deferral Capacity Payments - Value of Deferral Capacity Payments shall commence on June 1, 2002, the anticipated in-service date of the Designated Avoided Unit, provided the Qualifying Facility or Solid Waste Facility is delivering firm capacity and energy to the Company. Capacity payments under this option shall consist of monthly payments, escalating annually, of the avoided capital and fixed operating and maintenance expense associated with the Designated Avoided Unit and shall be equal to the value of the year-by-year deferral of the Designated Avoided Unit, calculated in conformance with the applicable provisions of FPSC Rule 25-17.0832, F.A.C.

Option 2 - Early Capacity Payments - Payment schedules under this option are based on an equivalent net present value of the Value of Deferral Capacity Payments for the Designated Avoided Unit with an in-service date of June 1, 2002. The Qualifying Facility or Solid Waste Facility shall select the month and year in which the delivery of firm capacity and energy to the Company is to commence and capacity payments are to start. Early Capacity Payments shall consist of monthly payments, escalating annually, of the avoided capital and fixed operating and maintenance expense associated with the Designated Avoided Unit. Avoided capacity payments shall be calculated in conformance with the applicable provisions of FPSC Rule 25-17.0832, F.A.C. At the option of the Qualifying Facility or Solid Waste Facility, Early Capacity Payments may commence at any time after the specified earliest capacity payment date and before the anticipated in-service date of the Designated Avoided Unit provided the Qualifying Facility or Solid Waste Facility is delivering firm capacity and energy to the Company. Where Early Capacity Payments are elected, the cumulative present value of the capacity payments made to the Qualifying Facility or Solid Waste Facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the Qualifying Facility or Solid Waste Facility had such payments been made pursuant to Option 1.

**GULF POWER COMPANY**

MONTHLY CAPACITY PAYMENTS RATE \$/KW/MONTH

<u>Contract Period</u>	<u>Avoided Capital Cost \$/KW-MO</u>	<u>Avoided O&amp;M Cost \$/KW-MO</u>	<u>Total Avoided Capacity Cost \$/KW-MO</u>
06/01/1999 to 05/31/2000	0.00	0.00	0.00
06/01/2000 to 05/31/2001	0.00	0.00	0.00
06/01/2001 to 05/31/2002	0.00	0.00	0.00
06/01/2002 to 05/31/2003	3.71	0.39	4.10
06/01/2003 to 05/31/2004	3.82	0.40	4.21
06/01/2004 to 05/31/2005	3.93	0.41	4.33
06/01/2005 to 05/31/2006	4.04	0.42	4.46
06/01/2006 to 05/31/2007	4.16	0.43	4.59
06/01/2007 to 05/31/2008	4.28	0.44	4.72
06/01/2008 to 05/31/2009	4.40	0.46	4.86
06/01/2009 to 05/31/2010	4.53	0.47	5.00
06/01/2010 to 05/31/2011	4.66	0.48	5.14
06/01/2011 to 05/31/2012	4.79	0.50	5.29

The capacity payment for a given month will be added to the energy payment for such month and tendered by the Company to the QF as a single payment as promptly as possible, normally by the twentieth business day following the day the meter is read.

**B. Energy Rates**

- (1) Payments Starting On June 1, 2002: The QF shall be paid at the avoided energy rate for all energy delivered to the Company during periods in which the Company has requested the QF to operate at the Company's as-available energy rate as described in Schedule COG-1, Sheet 9.3.

All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

- (2) Payments Prior To June 1, 2002: The as-available energy rate will apply to all energy delivered by the QF to the Company prior to June 1, 2002.

The calculation of as-available payments to the Qualifying Facility shall be based on the sum, over all hours of the billing period in which the QF is not called on by the Company, of the product of each hour's avoided energy cost times the purchases by the Company for that hour as described in Schedule COG-1, Sheet 9.3.

All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

## GULF POWER COMPANY

4.2.3 Capacity Payments. The QF chooses to receive capacity payments from the Company under Option \_\_\_\_\_ as described in the Company's Schedule COG-2, Sheets 9.9 and 9.10 of the Company Tariff for Retail Electric Service as they exist at the time this Agreement is properly submitted by the QF to the Company as tendered acceptance of the Company standard offer. The Capacity Payments to be made by Gulf to the QF are based upon a combined cycle generating unit with the following economic assumptions:

Size: 574 MW	Installed Costs (2002): \$373.15/kw
Discount Rate: 8.29%	AFUDC Rate: 9.68%
Annual Inflation: 2.88%	K-factor: 1.5311
Annual Capacity Factor: 62%	Fixed O & M: \$4.62/kw-yr
Equivalent Availability: 92%	Unit Life: 20 years

The Company agrees it will pay the QF a capacity payment. This capacity payment will be the product of the QF's Committed Capacity and the applicable rate from the QF's chosen capacity payment option in accordance with Tariff Sheet Nos. 9.9 and 9.10, as it exists at the time this Agreement is properly submitted by the QF to the Company as tendered acceptance of the Company's standard offer. In the event either: (1) the date specified in Section 2 of this Agreement is later than June 1, 2012; or (2) the date specified in Paragraph 4.2.2 as the date capacity payments are to begin is one other than the two standing dates shown on Sheet No. 9.11, a payment schedule will be calculated by the Company and attached to this agreement as Exhibit D. Under those circumstances, the payment schedule set forth in Exhibit D will be used in the calculation of capacity payments pursuant to this paragraph. The capacity payment for a given month will be added to the energy payment for such month and tendered by the Company to the QF as a single payment as promptly as possible, normally by the twentieth business day following the day the meter is read.

In October of each year of this Contract, the Company will calculate the availability of the QF over the most recent twelve month period ending August 31. For purposes of this Agreement, availability means Equivalent Availability Factor (EAF) as defined by the NERC GADS. If the availability (EAF) of the QF is not equal to or greater than 0.92 (92%), then the Company may deem the QF to be in non-performance of its commitment and thereby invoke the provisions of Section 8 of this contract.

# Legislative Format

# GULF POWER COMPANY

## RATES FOR PURCHASES BY THE COMPANY

Firm capacity and energy are purchased at a unit cost, in dollars per kilowatt per month and cents per kilowatt hour, respectively, based on the value of Gulf's Designated Avoided Unit as described herein.

### A. Firm Capacity Rates

Four options, 1, 2, 3, and 4, as set forth below, are available concerning payment for firm capacity which is produced by the Qualifying Facility (QF) or Solid Waste Facility and delivered to the Company. The capacity payment will be the product of the QF's Committed Capacity and the applicable rate from the QF's chosen capacity payment option. Once selected, an option shall remain in effect for the term of the contract with the Company. ~~Exemplary payment schedules, shown on sheets following this section, Tariff Sheet 9.11 contains~~ the monthly rate per kilowatt in accordance with Option 1, of firm capacity the Qualifying Facility or Solid Waste Facility has contractually committed to deliver to the Company and ~~is~~ based on the minimum contract term for an agreement pursuant to this standard offer rate schedule which extends ten (10) years beyond the anticipated in-service date of the Designated Avoided Unit (i.e., through May 31, ~~2012~~2008). Payment schedules for other options and longer contract terms will be made available by the Company to a Qualifying Facility or Solid Waste Facility upon request. At a maximum, firm capacity and energy shall be delivered for a period of time equal to the anticipated plant life of the Designated Avoided Unit, commencing with the anticipated in-service date of the Designated Avoided Unit.

Option 1 - Value of Deferral Capacity Payments - Value of Deferral Capacity Payments shall commence on June 1, ~~2002~~1998, the anticipated in-service date of the Designated Avoided Unit, provided the Qualifying Facility or Solid Waste Facility is delivering firm capacity and energy to the Company. Capacity payments under this option shall consist of monthly payments, escalating annually, of the avoided capital and fixed operating and maintenance expense associated with the Designated Avoided Unit and shall be equal to the value of the year-by-year deferral of the Designated Avoided Unit, calculated in conformance with the applicable provisions of FPSC Rule 25-17.0832, F.A.C.

Option 2 - Early Capacity Payments - Payment schedules under this option are based on an equivalent net present value of the Value of Deferral Capacity Payments for the Designated Avoided Unit with an in-service date of June 1, ~~2002~~1998. ~~The earliest date that Early Capacity Payments can be received by a Qualifying Facility or Solid Waste Facility shall be June 1, 1995. This is an approximation of the lead time required to commit for manufacture, site, and construct the Designated Avoided Unit.~~ The Qualifying Facility or Solid Waste Facility shall select the month and year in which the delivery of firm capacity and energy to the Company is to commence and capacity payments are to start. Early Capacity Payments shall consist of monthly payments, escalating annually, of the avoided capital and fixed operating and maintenance expense associated with the Designated Avoided Unit. Avoided capacity payments shall be calculated in conformance with the applicable provisions of FPSC Rule 25-17.0832, F.A.C. At the option of the Qualifying Facility or Solid Waste Facility, Early Capacity Payments may commence at any time after the specified earliest capacity payment date and before the anticipated in-service date of the Designated Avoided Unit provided the Qualifying Facility or Solid Waste Facility is delivering firm capacity and energy to the Company. Where Early Capacity Payments are elected, the cumulative present value of the capacity payments made to the Qualifying Facility or Solid Waste Facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the Qualifying Facility or Solid Waste Facility had such payments been made pursuant to Option 1.

**GULF POWER COMPANY**

MONTHLY CAPACITY PAYMENTS RATE \$/KW/MONTH

Contract Year		Option 1	Option 2	Option 3	Option 4
		Normal	Early	Levelized	Early
From	To	Payments	Payments	Payments	Payments
Beginning		Beginning	Beginning	Beginning	Beginning
06/01/98		06/01/98	06/01/95	06/01/98	06/01/95
6/1/95	5/31/96	--	1.64	--	1.87
6/1/96	5/31/97	--	1.70	--	1.88
6/1/97	5/31/98	--	1.75	--	1.89
6/1/98	5/31/99	2.55	1.81	2.87	1.89
6/1/99	5/31/00	2.63	1.87	2.88	1.90
6/1/00	5/31/01	2.71	1.94	2.89	1.91
6/1/01	5/31/02	2.80	2.00	2.90	1.92
6/1/02	5/31/03	2.89	2.07	2.91	1.92
6/1/03	5/31/04	2.98	2.14	2.92	1.93
6/1/04	5/31/05	3.08	2.21	2.93	1.94
6/1/05	5/31/06	3.18	2.29	2.94	1.95
6/1/06	5/31/07	3.28	2.36	2.96	1.96
6/1/07	5/31/08	3.39	2.44	2.97	1.97

Contract Period	Avoided	Avoided	Total
	Capital	O&M	Avoided
	Cost	Cost	Capacity
	\$/KW-MO	\$/KW-MO	\$/KW-MO
06/01/1999 to 05/31/2000	0.00	0.00	0.00
06/01/2000 to 05/31/2001	0.00	0.00	0.00
06/01/2001 to 05/31/2002	0.00	0.00	0.00
06/01/2002 to 05/31/2003	3.71	0.39	4.10
06/01/2003 to 05/31/2004	3.82	0.40	4.21
06/01/2004 to 05/31/2005	3.93	0.41	4.33
06/01/2005 to 05/31/2006	4.04	0.42	4.46
06/01/2006 to 05/31/2007	4.16	0.43	4.59
06/01/2007 to 05/31/2008	4.28	0.44	4.72
06/01/2008 to 05/31/2009	4.40	0.46	4.86
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The capacity payment for a given month will be added to the energy payment for such month and tendered by the Company to the QF as a single payment as promptly as possible, normally by the twentieth business day following the day the meter is read.

B. Energy Rates

- (1) Payments Starting On June 1, 2002~~1998~~: The QF shall be paid at the avoided energy rate for all energy delivered to the Company during periods in which the Company has requested the QF to operate as though it were part of the Company's Designated Avoided Unit. ~~During all other hours of QF operation, the QF will be paid for the energy which it delivers to the Company at the Company's as-available energy rate as described in Schedule COG-1, Sheet 9.3.~~

All purchases shall be adjusted for losses from the point of metering to the point of interconnection.



(2) Payments Prior To June 1, 2002-1998: The as-available energy rate will apply to all energy delivered by the QF to the Company prior to June 1, 2002-1998.

The calculation of as-available payments to the Qualifying Facility shall be based on the sum, over all hours of the billing period in which the QF is not called on by the Company, of the product of each hour's avoided energy cost times the purchases by the Company for that hour as described in Schedule COG-1, Sheet 9.3.

All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

**ISSUED BY:** Travis T. J. Bowden

**EFFECTIVE:** October 10, 1994

## GULF POWER COMPANY

4.2.3 Capacity Payments. The QF chooses to receive capacity payments from the Company under Option \_\_\_\_\_ as described in the Company's Schedule COG-2, Sheets 9.9 and 9.10 of the Company Tariff for Retail Electric Service as they exist at the time this Agreement is properly submitted by the QF to the Company as tendered acceptance of the Company standard offer. The Capacity Payments to be made by Gulf to the QF are based upon a combined cycle generating unit with the following economic assumptions:

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The Company agrees it will pay the QF a capacity payment. This capacity payment will be the product of the QF's Committed Capacity and the applicable rate from the QF's chosen capacity payment option in accordance with Tariff Sheet Nos. 9.9 and 9.10, contained in Schedule COG-2, Sheet No. 9.11 as it exists at the time this Agreement is properly submitted by the QF to the Company as tendered acceptance of the Company's standard offer. In the event either: (1) the date specified in Section 2 of this Agreement is later than June 1, ~~2012~~2008; or (2) the date specified in Paragraph 4.2.2 as the date capacity payments are to begin is one other than the two standing dates shown on Sheet No. 9.11, a payment schedule will be calculated by the Company and attached to this agreement as Exhibit D. Under those circumstances, the payment schedule set forth in Exhibit D will be used in the calculation of capacity payments pursuant to this paragraph. The capacity payment for a given month will be added to the energy payment for such month and tendered by the Company to the QF as a single payment as promptly as possible, normally by the twentieth business day following the day the meter is read.

In October of each year of this Contract, the Company will calculate the availability of the QF over the most recent twelve month period ending August 31. For purposes of this Agreement, availability means Equivalent Availability Factor (EAF) as defined by the NERC GADS. ~~the ratio of "average capacity from the facility delivered during the period of requested operation" to "Committed Capacity."~~ If the availability (EAF) of the QF is not equal to or greater than ~~0.92 (92%)~~0.98 (98%), then the Company may deem the QF to be in non-performance of its commitment and thereby invoke the provisions of Section 8 of this contract.