

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

MEMORANDUM

October 11, 1990

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF ELECTRIC AND GAS (BALLINGER, KUMMER) ^{TS} ^{AK} J.W.D. J.D.G.
DIVISION OF LEGAL SERVICES (PALECKI) ^{MP}

RE: DOCKET NO. 900004-EU, FLORIDA POWER CORPORATION, PETITION FOR APPROVAL OF RATE SCHEDULES COG-1 AND COG-2

AGENDA: 10/23/90 - CONTROVERSIAL AGENDA - PARTIES MAY PARTICIPATE

CRITICAL DATES: NONE

CASE BACKGROUND

On June 6, 1990, Florida Power Corporation (FPC) filed its petition for approval of rate schedules COG-1 and COG-2 pursuant to the Commission vote in Docket No. 900004-EU, Hearings on Load Forecasts, Generation Expansion Plans, and Cogeneration Prices for Peninsular Florida's Utilities.

Per the Commission's administrative procedures, Staff approved the FPC's rates for COG-1 and COG-2, except for those portions relating to transmission capacity costs which were not part of the Commission's vote on May 25, 1990. At the July 31, 1990 Agenda Conference, the Commission voted to suspend the questionable tariff sheets from FPC's COG-1 and COG-2 tariffs until Staff could return to the Commission with a recommendation as to the merits of including such language in a Standard Offer Contract.

DISCUSSION OF ISSUES

ISSUE 1: Should FPC's Seventh Revised Sheet No. 9.104 and Sixth Revised Sheet No. 9.206 be approved?

RECOMMENDATION: Yes. The additional language proposed by FPC is necessary to ensure that QF's properly reimburse FPC's ratepayers for any reduction in transfer capability.

STAFF ANALYSIS: As part of FPC's request for approval of its COG-1 and COG-2 rate schedules, FPC included tariff language requiring that transmission capacity costs be incorporated into the payments received by QF's. More specifically, the costs outlined in the proposed COG-1 and COG-2 rate schedules would include all costs associated with any impairment or reduction of the electric power transfer

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

capability between FPC's northern territory and FPC's load centers in central/southern Florida that are attributable to the interconnection of the QF with FPC's system. The original language referred to a specific PSC Docket. Similar language was incorporated into the interconnection agreement between FPC and Timber Energy as well. The revised language now proposed by FPC is generic and does not bind the PSC in any form. (See Attachment 1)

Rule 25-27.086, Florida Administrative Code, states in part that:
"[w]here purchases from a qualifying facility will impair the utility's ability to give adequate service to the rest of its customers or, due to operational circumstances, purchases from qualifying facilities will result in costs greater than those which the utility would incur if it did not make such purchases, or otherwise place an undue burden on the utility, the utility shall be relieved of its obligation under Rule 25-17.082 to purchase electricity from a qualifying facility."

While this Rule may seem to negate the necessity for additional language to be placed in standard offer contracts, Staff would recommend that this Rule is clearly applicable to COG-1, or as-available, tariffs but may present a force majeure situation for COG-2, firm capacity and energy, contracts. The FPC's tariff language goes one step beyond this general language by identifying a location in its service territory where potential problems may exist and clarifies the applicability of this Rule. This additional information is especially valuable for an off the shelf contract where the utility is forced to honor the contract.

The revised tariff sheets would place future potential cogenerators on notice as to the transmission constraints in Northwest Florida and their subsequent liabilities and will also provide valuable information to potential QF's when they are analyzing the merits of their own project. Staff would like to note that since the Commission voted to close out the current standard offer contract based on a 1996 500 MW coal unit, the prospective application of this language is moot. However, FPC has received a signed standard offer contract from Panda Energy Inc. that includes the original transmission capacity cost language that was suspended by the Commission at the July 31, 1990 Agenda Conference. Therefore, the Commission's action on this matter is necessary in order for Panda Energy to fully evaluate their options.

The inclusion of this language in the standard offer contract is also important because it will serve to keep the standard offer contract and negotiated contracts on an even playing field. The issue of transmission capacity costs has become a very important negotiating factor for FPC and should be properly reflected in a standard offer contract that is also available to the potential qualifying facility.

DOCKET NO. 900004-EU
October 11, 1990

At the July 31, 1990 Agenda Conference, Staff mentioned that this language might be more appropriate in the interconnection agreement. After some more thought, this may not be an important factor after all. No matter where this language is incorporated, it puts the QF on notice as to the potential for additional costs that may be incurred. In fact, it may be more appropriate to have this language in the contract so as to not have confusion over the validity of the project at a later date when the interconnection agreement is typically signed.

Based on the above discussion, Staff would recommend that FPC's Seventh Revised Sheet No. 9.104 and Sixth Revised Sheet No. 9.206 be approved.

ATTACHMENT 1



RATE SCHEDULE COG-1
STANDARD RATE FOR PURCHASE OF AS-AVAILABLE ENERGY FROM
QUALIFYING COGENERATION & SMALL POWER PRODUCTION FACILITIES (QUALIFYING FACILITIES)
(Continued from Page No. 4)

Charges to Qualifying Facility: (Continued)

C. Interconnection Charge for Variable Utility Expenses:

The Qualifying Facility shall be billed monthly for the cost of variable utility expenses associated with the operation and maintenance of the interconnection. These include (a) the Company's inspections of the interconnection and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the Qualifying Facility if no sales to the Company were involved.

In lieu of payments for actual charges the Qualifying Facility may pay a monthly charge equal to 0.50% of the installed cost of the interconnection facilities.

D. Taxes and Assessments:

The Qualifying Facility shall be billed monthly an amount equal to the taxes, assessments, or other impositions, if any, for which the Company is liable as a result of its purchases of As-Available Energy produced by the Qualifying Facility.

(Continued on Page No. 6)

ISSUED BY: T. W. Raines, Jr., Director, Rate Department

EFFECTIVE:



RATE SCHEDULE COG-2
STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY FROM
QUALIFYING COGENERATION & SMALL POWER PRODUCTION FACILITIES (QUALIFYING FACILITIES)
(Continued from Page No. 6)

Charges to Qualifying Facility: (Continued)

E. Transmission Capacity Costs:

The costs subject to this rate schedule may include the costs associated with any impairment or reduction of, or other adverse effect on, the electric power transfer capability between the Company's northern Florida territory and the Company's load centers in central and southern Florida, resulting from or attributable to the interconnection of the Qualifying Facility with the Company's electrical system (hereinafter referred to as "Transmission Capacity Costs"), to the extent that such costs are recognized by the FPSC or any other regulatory agency with jurisdiction over such costs, and made the responsibility of the Qualifying Facility via an order applicable to the Qualifying Facility.

The Company and the Qualifying Facility agree that whether, and in what amount, Transmission Capacity Costs shall be the responsibility of the Qualifying Facility, shall be determined in accordance with the determination as to applicability and method and procedures prescribed by final order of the FPSC or by final order of any other regulatory agency with jurisdiction over such costs.

Provided, however, that nothing in this rate schedule shall prevent the Qualifying Facility or the Company from taking any position in any other FPSC docket concerning Transmission Capacity Costs, or in any proceeding conducted by any other regulatory agency with jurisdiction over such costs.

Provided further, that if the Qualifying Facility concludes that the amount of its Transmission Capacity Costs' responsibility ultimately determined will render the construction of the Qualifying Facility uneconomic or not in the Qualifying Facility's best economic interest, the Qualifying Facility shall have the right to terminate the contemporaneous Standard Offer Contract between the Company and the Qualifying Facility with respect to the Qualifying Facility as follows. The Qualifying Facility may elect, at its single option, to terminate by notifying the Company in writing either (1) within 90 days of any final FPSC order, no longer subject to appeal, or (2) within 60 days of the final order, no longer subject to appeal, of any other regulatory agency with jurisdiction over such costs. Upon such election, neither the Company nor the Qualifying Facility shall have any further right or obligation under the Standard Offer Contract.

(Continued on Page No. 8)

ISSUED BY: T. M. Raines, Jr., Director, Rate Department

EFFECTIVE: