

State of Florida



Public Service Commission

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DATE: June 8, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Sickel) *AS*
Office of the General Counsel (Brown) *ALT TOS*
NCB

RE: Docket No. 060367-EQ – Petition for certification as a qualifying facility pursuant to Rule 25-17.080, F.A.C., by Florida Biomass Energy Group, L.L.C.

AGENDA: 06/20/06 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060367.RCM.DOC

Case Background

Florida Biomass Energy Group, L.L.C, ("Florida Biomass" or company) is a Florida limited liability corporation seeking certification as a qualifying facility (QF) pursuant to Rule 25-17.080, Florida Administrative Code (F.A.C.). The company has filed a petition describing plans to install electric generation equipment that would be located on a farm in central Florida where a biomass fuel crop would be grown.

This recommendation addresses the petition filed by Florida Biomass, requesting certification as a QF. The Commission has jurisdiction over this matter pursuant to Sections 366.051, 366.80 through 366.85, and 366.91, Florida Statutes.

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The Discussion of Issues

Issue 1: Should the Commission grant the request of Florida Biomass for certification as a qualifying facility (QF)?

Recommendation: Yes. Florida Biomass qualifies as a small power producer, and should be afforded the opportunities that are provided to a QF under the Commission's Rules. (Sickel)

Staff Analysis: The company proposes to build a combustion turbine nominally rated at 85 MW, with a matched heat recovery steam generator coupled to a steam turbine generator having a nominal 60 MW capacity rating. The combustion turbine would utilize a liquid fuel obtained by pyrolysis conversion of an agricultural (biomass) crop grown on the site. The agricultural portion of the operation is expected to require some 15,000 acres.

The complete operation will be located at a single site. The biomass for the fuel will be grown in a "closed-loop" agricultural process. The term "closed-loop" refers to the cyclic pattern whereby electric generation processes release materials that will be taken back up in the growth of the biomass crop. For example, carbon dioxide will be released as the biomass fuel is converted to oil and then burned in the combustion turbine; however, the fuel crop that is growing is converting carbon dioxide into the compounds that provide the heat content of the biomass fuel. Start-up fuel, consisting of propane or No. 2 fuel oil, will be less than 5% of the thermal input for generation.

The company's petition asserts that the project meets all requirements for certification as a qualifying facility (QF) under the rules of the Federal Energy Regulatory Commission (FERC) except for the FERC size limitation, which is a maximum of 80 MW. Rule 25-17.080(1), F.A.C., allows small power producers to petition the Commission to be granted QF status for the purpose of receiving energy and capacity payments if they otherwise meet requirements set forth in the rules. The rule affords QF status if the petitioner meets the objectives of economically reducing Florida's dependence on oil and deferring utility power plant expenditures.

Rule 25-17.080(2)(b), F.A.C., requires at least 50% of the energy source to be renewable, but estimates for this project put renewable energy at 95% or more. Rule 25-17.080(2)(c) sets an ownership criterion that precludes 50% or greater ownership by a utility, utility holding company, or subsidiary. The petitioner has provided a description of the ownership of Florida Biomass, and no electric utility, utility holding company or utility subsidiary has an ownership interest in the Biomass Investment Group.

The proposed project by the Florida Biomass organization is an effort to produce electric energy that can be sold to end users through a retail electric service provider. The facility would replace fossil generation with generation from a renewable energy source, and contribute to the deferral of utility power plant expenditures for additional generation. Therefore, staff recommends that the project described by Florida Biomass in their petition meets all requirements for certification as a qualifying facility under the Florida Commission's Rule 25-17.080, F.A.C.

Docket No. 060367-EQ

Date: June 8, 2006

Since this docket was opened, Progress Energy has filed a petition¹ for approval of a negotiated contract executed by the parties to enable the purchase of the capacity and energy from the project. The economic advantages for Florida ratepayers will be examined in detail within the review of that contract.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Brown)

Staff Analysis: Yes. If no person whose substantial interests are affected by the proposed action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.

¹ Docket No. 060387-EQ, In re: Petition for Progress Energy Florida, Inc. for approval of a negotiated purchase power contract with Florida Biomass Energy Group, LLC.