

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of standard offer contract for small qualifying facilities and producers of renewable energy, by Tampa Electric Company.

DOCKET NO. 080184-EQ  
ORDER NO. PSC-08-0547-TRF-EQ  
ISSUED: August 19, 2008

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman  
LISA POLAK EDGAR  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

ORDER APPROVING STANDARD OFFER CONTRACT AND  
ASSOCIATED TARIFFS FILED BY TAMPA ELECTRIC COMPANY

BY THE COMMISSION:

Background

Since January 1, 2006, each investor-owned electric utility (IOU), as well as each electric municipal utility subject to the Florida Energy Efficiency and Conservation Act (FEECA), has been required to continuously offer to purchase capacity and energy from specific types of renewable sources. Section 366.91(3), Florida Statutes, specifies that the contracts for purchase must be based on the utility's full avoided cost as defined in Section 366.051, Florida Statutes, and provide a term of at least ten years. Rules 25-17.200 through 25-17.310, Florida Administrative Code, implement the statutes.

In accord with applicable statutes and rules, Tampa Electric Company (TECO or Company) filed its petition on March 31, 2008, requesting our approval of its proposed standard offer contract and associated tariffs based on its Ten-Year Site Plan for 2008-2017. The proposed contract is based on a 2012 combustion turbine as the avoided unit.

The petition explains that a combined cycle unit appears in the Ten-Year Site Plan, scheduled to be in service by 2013. However, TECO did not offer this plant as an avoided unit because release of a Request for Proposal (RFP) for the plant would remove it from availability as an avoided unit. Since the RFP was to be released prior to April 30, 2008, the Company elected to avoid administrative costs associated with including that 2013 combined cycle plant as an avoided unit.

On April 22, 2008, TECO filed a supplement to include an additional avoided unit in its petition for approval of its standard offer. The Company explained that the original filing did not recognize the fact that a combined cycle plant having a scheduled in service date of 2017 would

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be included in the Ten-Year Site Plan. Also, a change had been made to the planned in service date for the avoided unit used in the original filing, so that the unit is planned for May 2012, rather than June of that year. As a result, the supplement provides cost and other parameters that have been revised to align with the earlier date.

This Order addresses whether TECO's proposed standard offer contract and associated tariffs are in compliance with Rules 25-17.200 through 25-17.310, Florida Administrative Code, and should therefore be approved. We have jurisdiction over this matter pursuant to Sections 366.04 through 366.06, and 366.91 and 366.92, Florida Statutes.

#### Decision

As an IOU, TECO is required to continuously make available a standard offer contract for purchase of firm capacity and energy from renewable generating facilities and small qualifying facilities with a design capacity of 100 kW or less, pursuant to Rule 25-17.250(1), Florida Administrative Code. By April 1 each year, TECO must file a standard offer contract based on the next avoidable fossil fueled generating unit, for each technology type associated with planned units listed in the Company's Ten-Year Site Plan.

The 2008 Ten-Year Site Plan filed by TECO includes a combined cycle unit having an in-service date of 2013. However, while preparing the standard offer filing to be made by April 1, the Company was also preparing to issue an RFP for the 2013 combined cycle plant. The RFP was issued on April 11, 2008, and as a result, the 2013 plant was not available as an avoided unit. Recognizing the preparation and administrative costs associated with considering an alternative that would not be available, TECO did not provide a standard offer based on the 2013 combined cycle plant as the avoided unit. We agree with the Company's observations and actions taken in this regard.

In accord with Rule 25-17.250(1), Florida Administrative Code, TECO filed a petition dated March 31, 2008, requesting approval of a standard offer contract based on a combustion turbine schedule to be in service in 2012. On April 22, 2008, the Company filed supplemental information based on an additional unit, a combined cycle plant projected to be in service in 2017. In addition, the later filing advised us that the original avoided unit will have an in service date of May 2012, rather than June of 2012. In the supplemental filing, TECO also provided revised avoided costs based on the new in service date. With the update included, we find that the TECO-supplemented 2008 standard offer contract meets the requirements of Rule 25-17.250(2), Florida Administrative Code, regarding the portfolio approach.

TECO Tariff Sheet No. 8.212 specifies that the term of the contract extends at least ten years beyond the in-service date of the avoided unit, as required by Rule 25-17.250(3), Florida Administrative Code. The renewable energy provider may select any final date after that, up to the last day of service by the avoided unit. We find that TECO's standard offer contract is in compliance with this requirement.

The capacity payments to the renewable generator are provided in Schedule COG-2, beginning on Tariff Sheet No. 8.326. The payments are to be computed utilizing a value of

deferral methodology along with appropriate values for the specific avoided unit. For the 2012 combustion turbine, Appendix C, beginning on Tariff Sheet No. 8.406, is to be used; for the 2017 combined cycle unit, Appendix D, beginning on Tariff Sheet No. 8.438, is to be used. The renewable provider may select from options that provide early payments which are equivalent to the net present value of deferral capacity payments for the avoided unit. The options allow for a revenue stream that best matches the financing requirements of the renewable generator, in accord with the requirements of Rule 25-17.250(4), Florida Administrative Code.

Tariff Sheet No. 8.216 provides that energy payments will be either fixed or based on the Company's actual avoided costs, as selected by the renewable provider. This provision complies with the requirements of Rule 25-17.250(5), Florida Administrative Code, and gives the renewable generator flexibility that will aid in making financial arrangements.

Tariff Sheet No. 8.238 provides that either party may re-open the contract in the event that new environmental or other regulations, enacted during the term of the contract, will impact the full avoided costs associated with the avoided unit. This complies with the requirements of Rule 25-17.270, Florida Administrative Code. That sheet also provides that all rights to the ownership of environmental attributes are retained by the renewable generator, as required by Rule 25-17.280, Florida Administrative Code.

The Company's ratepayers are protected by the completion and performance security arrangements on Tariff Sheet Nos. 8.222 through 8.228. The arrangements are in compliance with requirements of Rule 25-17.0832(3), Florida Administrative Code. No mention is made of an adjustment for imputed debt in the standard offer filing by TECO.

In conclusion, we find that TECO's proposed supplemented standard offer contract, with revised tariff sheets, is in compliance with Rules 25-17.200 through 25-17.310, Florida Administrative Code, and they are hereby approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the supplemented Standard Offer Contract and associated tariffs proposed by Tampa Electric Company are hereby approved, effective July 29, 2008. It is further

ORDERED that if a protest is filed within 21 days of issuance of this Order, the tariffs shall remain in effect pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 19th day of August, 2008.



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ANN COLE  
Commission Clerk

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 9, 2008.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.