Ann Cole 080533

From: Mary Bane
Sent: Monday, December 01, 2008 4:01 PM
To: Kathy Lewis
Cc: Tom Ballinger; Ryder Rudd; Michael Cooke; Jennifer Brubaker; Jean Hartman; Phillip Ellis; William C. Garner; Roberta Bass; Lorena Holley; Larry Harris; Bill McNulty; Ann Cole; Betty Ashby; Mary Bane; Bob Trapp
Subject: RE: Item 6 - December 2, 2008 Agenda

Approved.

From: Kathy Lewis
Sent: Monday, December 01, 2008 3:14 PM
To: Mary Bane
Cc: Tom Ballinger; Ryder Rudd; Michael Cooke; Jennifer Brubaker; Jean Hartman; Phillip Ellis
Subject: Item 6 - December 2, 2008 Agenda

Dr. Bane -

Staff requests permission to make an oral modification to Item #6, Petition for approval of negotiated power purchase contract for purchase of firm capacity and energy with Horizon Energy Group, LLC, by Progress Energy Florida, Inc. (Docket 080533-EQ).

The oral modification is necessary to correct a scrivener's error on page 4 of the recommendation. Staff would strike a sentence from the paragraph as shown below as the sentence does not correctly reflect the contract. Please let me know if you have any questions.

Thank you - Kathy Lewis

From Page 4 of recommendation

B. Cost-Effectiveness

Traditionally, payments to QFs have been divided into two parts, capacity and energy, and are based on the cost of capacity and energy from the designated avoided unit. The traditional payment for avoided capacity is a monthly payment in $/kilowatt-month. The traditional payment for energy costs is based on the current forecasted energy price of the avoided unit in $/megawatt hours (MWh), but is adjusted as actual fuel costs are known. The terms of the contract calculate payments for the avoided energy and capacity based on a projected committed capacity of 60 MW. In the contract, Horizon's energy payment has been fixed and combined with the capacity payment; therefore the contract payment rate includes both capacity and energy payments. ~~The contract also includes a set percentage increase of the energy payment (confidential) over the proceeding year amount.~~ This type of payment will encourage the development of a renewable generation resource and benefit Horizon because it provides a predictable revenue stream that removes the risk of fuel cost fluctuations. However, if fuel costs decline in the future, PEF remains obligated to pay the contracted amount and may seek to recover the costs from ratepayers through the fuel costs recovery clause, subject to Commission review. PEF will pay a set amount (confidential) for each MWh of net energy delivered to the delivery point. Since Horizon will receive a monthly payment based only on the MWh generated, the contract requires that the qualifying facility must generate in order for Horizon to be paid.

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