



November 2, 2009

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COMMISSION
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090499-EQ

VIA HAND DELIVERY

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Petition of Progress Energy Florida, Inc. for approval of a letter agreement to the negotiated purchase power contract with Pinellas County Resource Recovery;
Docket No. _____

Dear Ms. Cole:

Please find enclosed for filing on behalf of Progress Energy Florida, Inc. ("PEF") the original and seven (7) copies of the petition for approval of a letter agreement to the negotiated purchase power contract with Pinellas County Resource Recovery ("PCR").

Thank you for your assistance in this matter. Please feel free to call me at (727) 820-5184 should you have any questions.

Sincerely,

John T. Burnett CMS
John T. Burnett

COM
ECR
GCL
OPC
RCP
SSC
SGA
ADM
CLK

JTB/lms
Attachments

DOCUMENT NUMBER-DATT
11048 NOV-28
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Progress Energy
Florida, Inc. for approval of a letter
agreement to the negotiated purchase
power contract with Pinellas County
Resource Recovery.

Docket No. 090499

Filed: November 2, 2009

P E T I T I O N

Progress Energy Florida, Inc. ("PEF", or "the Company"), pursuant to Rule 25-17.0836, F.A.C., hereby petitions the Florida Public Service Commission ("the Commission") for approval of a letter agreement between Pinellas County Resource Recovery ("PCRR") and PEF dated August 18, 2009. A copy of the Letter Agreement is attached hereto as Exhibit A. In support of this petition, PEF states as follows:

1. Petitioner, PEF, is an investor-owned utility subject to the jurisdiction of the Commission under Chapter 366, Florida Statutes. PEF's general offices are located at 299 First Avenue North, St. Petersburg, Florida, 33701.

2. All notices, pleadings and other communications required to be served on petitioner should be directed to:

John T. Burnett, Esquire
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (727) 820-5184
Facsimile: (727) 820-5249

For express deliveries by private courier, the address is as stated in paragraph 1.

DOCUMENT NUMBER-DATE

11048 NOV-28

FPSC-COMMISSION CLERK

Background

3. PEF currently purchases capacity and energy from PCRR's facility under a Purchase Power Contract ("the Contract") dated February 21, 1989, a negotiated cogeneration contract with a Committed Capacity of 54.75 megawatts and a term that expires at the end of 2024. The Contract was originally approved for cost recovery by the Commission in Docket No. 890637-EQ, Order No. 21952, and later amended in 1993. In 1994 and again in 1997, two curtailment agreements were entered into between PEF (Florida Power at the time) and PCRR where PCRR underwent a capital replacement project to install new air pollution equipment to meet environmental requirements and to replace major components of its Facility's boilers to improve reliability and efficiency. The Commission approved the two curtailment agreements by Order No. PSC-95-0540-FOF-EQ in Docket No. 940797-EQ. In 2000, PCRR, once again, entered into a curtailment agreement with Florida Power dated November 20, 2000 in order for PCRR to make additional capital improvements to its facility. Florida Power filed its petition in February 2001 and the Commission reviewed and approved the curtailment letter of agreement by Order No. PSC-01-1088-PAA-EQ in Docket No. 010275-EQ. On December 16, 2004, PEF petitioned the Commission for approval of another amendment to its existing contract with Pinellas County. This amendment was to accommodate another curtailment allowing PCRR to make necessary upgrades and investments to its Facility. The Commission approved the amendment by Order No. PSC-05-0423-PAA-EQ dated April 20, 2005 in Docket No. 041405-EQ.

The Letter of Agreement

4. PEF hereby petitions the Commission for approval of another letter of

agreement entered into with PCRR on August 18, 2009. PCRR has requested a temporary reduction in Committed Capacity to PEF beginning September 15, 2009 and going through April 30, 2010. The reason for this curtailment allows PCRR to make significant capital improvements to their facility. PRCC currently has a committed capacity of 54.75MW. PCRR's request reduces their committed capacity to 36.5MW during the period September 15, 2009 through April 30, 2010.

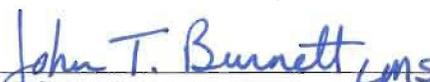
5. The temporary curtailment will lower PEF's monthly Capacity Payment to PCRR; allow necessary changes and capital improvements; and will allow PCRR to continue to generate for PEF and to base their 12-month rolling Capacity Factor calculation on the 36.5MW of Committed Capacity rather than 54.75MW as originally stated in the Contract. This temporary curtailment will save PEF ratepayers approximately \$865,000 per month during the remainder of 2009 and approximately \$919,000 per month in 2010 for a total savings of \$6,736,440 over the course of the curtailment during this period. The calculation of cost savings to PEF's customers is attached hereto as Exhibit B.

WHEREFORE, PEF respectfully requests that the Commission grant this petition and approve the Letter of Agreement as set forth in Exhibit A.

Respectfully submitted,

PROGRESS ENERGY FLORIDA, INC.

By

Handwritten signature of John T. Burnett in blue ink, with the initials 'JTB' and 'LMS' visible.

John T. Burnett

Fla. Bar No. 173304

Post Office Box 14042

St. Petersburg, FL 33733-4042

Telephone: (727) 820-5184

Facsimile: (727) 820-5249

EXHIBIT A

**THE LETTER OF AGREEMENT BETWEEN PEF AND PCRR
DATED AUGUST 18, 2009**



August 18, 2009

Mr. Robert Hauser
Director
Pinellas County
Utilities Solid Waste Operations
3095 114th Avenue North
St. Petersburg, Florida 33716

Re: Electrical Capacity Commitment during Facility Capital Improvement

Dear Mr. Hauser:

As a result of recent discussions between Pinellas County (the "County") and Progress Energy Florida ("PEF") (together, the "Parties"), it is our understanding that the County intends to replace portions of three boiler unit trains and certain other Resource Recovery Facility (the "Facility") components (the Capital Improvements Projects ("CIP")) at the Facility during September 2009 thru April 2010 to improve the reliability and efficiency of the Facility. The work will be performed by or through the Facility operator, Veolias ES Pinellas Inc.

The purpose of this letter is to confirm and formalize our agreement as to how reductions in electrical generation at the Facility as a consequence of the Capital Improvement Project will be addressed for purposes of calculating electrical capacity payments under the Amended and Restated Electrical Power Purchase Agreement dated February 21, 1989 between the Parties ("AREPPA"). The Parties hereby agree as follows:

1. Beginning on September 1, 2009 and continuing thru April 30, 2010 the Facility will take off line Boilers 1, 2, and 3 or a combination thereof, at the Facility to undergo certain modifications and component replacements contemplated as part of their Capital Improvement Project.
2. The County is permitted, for purposes of this letter agreement, to treat this downtime period described in Paragraph 1 above as a partial and temporary curtailment period. The Committed Capacity for the time period as described in Paragraph 1 will be 36.50MW.
3. If the County exercises its right pursuant to Paragraph 2 above, the County shall give at least one week prior written notice (the "Curtailment Notice") to PEF specifying the start of the partial and temporary curtailment. For purposes of restoring the Committed Capacity to the original 54.75MW prior to April 30, 2010, the County shall have ten (10) business days to inform PEF via written notice, of the termination of the partial and temporary curtailment. The maximum duration of this partial and temporary curtailment is April 30, 2010 12:00 midnight.

4. The Committed Capacity for the period specified in the Curtailment Notice shall be no lower than 36.5MW. This Committed Capacity shall be in substitution for the otherwise applicable Committed Capacity (as of the date of this agreement, 54.75MW) under the Agreement for such period; provided, however, to the extent Paragraph 8 shall be applicable during the 8 month period, the applicable Committed Capacity value and the level of capacity payments provided during the partial and temporary curtailment period (as of the date of this letter agreement, 8 months), described in Paragraph 8 shall govern.
5. Capacity factor requirements under the Agreement shall be determined on an ongoing, twelve month rolling average basis as shown below.

Where:

- MWH_D = megawatt hours delivered to PEF
- MW = megawatts
- CC_{NOR} = normally applicable Committed Capacity (currently 54.75MW) in MW
- CC_{PT} = County elected partial and temporary curtailment period Committed Capacity for period n in MW
- CF₁₂ = 12 month rolling capacity factor
- H_{NOR} = hours at the normally applicable Committed Capacity in past 12 months
- H_{PT} = hours at the County elected partial and temporary curtailment period Committed Capacity for period n in the past 12 months

$$CF_{12} = \frac{MWH_D}{(CC_{NOR} * H_{NOR}) + (CC_{PT} * H_{PT})}$$

6. For the partial and temporary curtailment period, the capacity payment value shall be the applicable value (\$/kW) specified in Appendix A of the Agreement. If the On-Peak Capacity Factor falls below 60% the PEF will not make a capacity payment. Therefore, the capacity payment will equal the product of the capacity payment value (as determined in this Paragraph) and the Committed Capacity elected in Paragraph 4 above.
7. For purposes of capacity payments, the partial and temporary curtailment period shall be measured on an hourly basis, i.e., the specified Committed Capacity (36.5 MW) for the period shall commence and conclude on an hourly basis.
8. Curtailment periods recognized pursuant to the Parties letter agreement dated October 11, 1994, as amended by letter agreement between the Parties dated September 5, 1997, (together, the "Curtailment Letter Agreements") shall, to the extent referenced in this letter, take precedence over the otherwise applicable provisions of this letter.

Thus, by way of example, if Boiler Unit Train No. 1 of the Facility is taken offline for modifications and component replacement for four (4) months of the remainder of 2009 and four (4) months beginning 2010, (and assuming no curtailments periods are applicable) the County (if it elects to declare such period) shall, in addition to the notice requirements of Paragraph 3, specify the discussed Committed Capacity of 36.5MW for such period. Then, providing the capacity factor requirements for full capacity payments are met, the County will be paid on the basis of Appendix A, Column 1 for 36.5MWs for such period with such period beginning and ending on an hourly basis.

Except as otherwise provided in this letter, all terms, conditions and obligations of the Curtailment Letter Agreements and the AREPPA shall remain binding on the Parties.

The term of this letter shall commence September 1, 2009 and terminate at midnight on April 30, 2010, unless specified in accordance with Paragraph 3. This letter agreement shall be contingent upon the parties receiving a final order from the Florida Public Service Commission approving this agreement and which is acceptable to the PEF in its sole discretion.

This letter may be executed in more than one counterpart, each of which shall be deemed an original.

Please indicate your acknowledgment and consent to this letter agreement by signing in the space below and returning the same to me.



ATTEST:

By: _____

APPROVED AS TO FORM:

**APPROVED AS TO FORM
OFFICE OF COUNTY ATTORNEY**

By: _____

Attorney

ATTEST:

By: _____

PINELLAS COUNTY, FLORIDA, by and through
its Board of County Commissioners

By: _____

PROGRESS ENERGY FLORIDA

By: _____

DIRECTOR Renewable and Wholesale Power PEF

**CALCULATION OF COST SAVINGS TO PEF CUSTOMERS
FROM THE LETTER OF AGREEMENT**

Letter of Agreement between PEF and PCRR

September 15, 2009 - April 30, 2010

36.5MW Committed Capacity Reduction Savings to PEF customers

Sep-09	\$	461,360.00
Oct-09	\$	865,050.00
Nov-09	\$	865,050.00
Dec-09	\$	865,050.00
2009 Total	\$	<u>3,056,510.00</u>
Jan-10	\$	919,982.50
Feb-10	\$	919,982.50
Mar-10	\$	919,982.50
Apr-10	\$	919,982.50
2010 Total	\$	<u>3,679,930.00</u>
TOTAL CC reduction savings:	\$	<u><u>6,736,440.00</u></u>