State of Florida

Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: May 6, 2010

TO: Office of Commission Clerk (Cole)

FROM: Division of Regulatory Analysis (Clemence) MA PLT
Office of the General Counsel (Brown) MCB JSB

RE: Docket No. 100024-EI – Petition for approval of standard interconnection agreement for non-export, parallel operators, by Gulf Power Company.

AGENDA: 05/18/10 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 9/12/10 (8 month effective date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\RAD\WP\100024.RCM.05-18-10.DOC

Case Background

On January 13, 2010, Gulf Power Company (Gulf) filed a petition for approval of its standard interconnection agreement for non-export, parallel operators and associated tariff sheets 9.115-9.122. The non-export agreement, if approved, would be applied to customers that install and operate electric generators of 10 megavolt-amperes (MVA) or less that may operate in parallel with Gulf's distribution system (13.2 kV and less). These generators are used to offset all, or a portion, of the customer's electricity requirements or as back-up generation in the event of an electrical service outage. Finally, customers must ensure that the generators are in compliance with national safety standards, the National Electrical Code, state and local building codes, mechanical codes, and electric codes.

By Order No. PSC-10-0128-PCO-EI, issued March 4, 2010, the Commission suspended Gulf's proposed tariff.

The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, 366.81, 366.82, 366.91, and 366.92, Florida Statutes.

Issue 1: Should the Commission approve the standard interconnection agreement for non-export, parallel operators and the associated revised tariff sheets filed by Gulf Power Company?

Recommendation: Yes. The proposed parallel, non-export interconnection agreement protects Gulf, its ratepayers, and interested customers by setting standards, procedures and limits for customers wishing to interconnect backup generation. The agreement will allow customers who choose to install backup generation to run their generators while still receiving power from the company. The customer will not be able to send power back to the grid. (Clemence)

Staff Analysis: The proposed parallel, non-export interconnection agreement protects Gulf, its ratepayers, and interested customers by setting standards, procedures, and limits for customers wishing to interconnect backup generation. Typically, backup generation is not interconnected with the utility system; the generator is connected with a load transfer switch. This switch separates the customer from the utility and the customer can use the power from the generator as the sole supply for dedicated load within the customer's premises. Allowing the customer's generator to be interconnected with the company and operate in parallel allows the customer to operate the generation and simultaneously receive power from the company, thus providing additional reliability and flexibility in the operation of the customer's equipment.

As of February 22, 2010, Gulf had interconnected 18 non-export parallel operators. Gulf stated that these customers have agreed to sign the new agreement upon approval by the Commission. Gulf has not charged these customers any fees. These customers have interconnected their generators in parallel with the company's system. This allows a customer to test the backup generation without losing the ability to take power from the company. Currently, Gulf does not have an agreement for this type of interconnection.

Gulf does not propose an interconnection fee associated with its non-export parallel operator tariff. Gulf states that the costs associated with the processing and implementation of this tariff are minimal and can be recovered through base rates. The tariff does allow for a CIAC contribution if needed to interconnect the customer. Gulf asserts that it is not likely that the charge will be needed, and has not been needed for any interconnection to-date. The CIAC would be used if it was necessary to move Gulf's equipment. Customers would be informed of this need before signing an agreement.

The Gulf tariff does not have an application fee. Gulf states that the costs are minimal and that the cost to process the agreement can be included in the cost of providing service to the customer. The Gulf tariff includes a provision to allow for self-insurance. Gulf will determine eligibility based on a case-by-case basis.

Some of the criteria that will be considered in evaluating the request include:

- Past business dealings with the customer
- Customer's credit rating
- Reputation of the customer in the business community
- Willingness to provide a letter of credit with an acceptable banking institution

Staff recommends approval of Gulf's proposed parallel, non-export tariff. An interconnection agreement is needed for customers wishing to operate backup generation in parallel with Gulf's system with non-export capability. Such an agreement protects Gulf, its ratepayers, and interested customers by setting the standards, procedures and limits for customers wishing to interconnect backup generation. The agreement provides interested customers with a benefit by allowing parallel operation with the grid.

Issue 2: Should this docket be closed?

Recommendation: If the Commission approves staff's recommendation to approve the proposed standard interconnection agreement for non-export, parallel operators filed by Gulf, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 100024-EI should be closed upon issuance of a Consummating Order, and the tariff filed by Gulf should be effective as of the date of the Commission's vote. If Issue 1 is approved, this tariff should become effective on May 18, 2010. If a protest is filed within 21 days of the issuance of the Commission's order, the tariff should remain in effect pending resolution of the protest. Potential signatories to the tariff should be aware that Gulf's tariff may be subject to a request for hearing, and if a hearing is held, may subsequently be revised. (Brown)

Staff Analysis: If the Commission approves staff's recommendation to approve the proposed standard interconnection agreement for non-export, parallel operators filed by Gulf, and no person whose substantial interests are affected requests a hearing to address this matter, then Docket No. 100024-EI should be closed upon issuance of a Consummating Order, and the tariff filed by Gulf should be effective as of the date of the Commission's vote. If Issue 1 is approved, this tariff should become effective on May 18, 2010. If a protest is filed within 21 days of the issuance of the Commission's order, the tariff should remain in effect pending resolution of the protest. Potential signatories to the tariff should be aware that Gulf's tariff may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.