

Eric Fryson

120196-EQ

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Sent: Monday, July 23, 2012 4:44 PM
To: Filings@psc.state.fl.us
Cc: 'alex.glenn@pgnmail.com'; 'john.burnett@pgnmail.com'; Curt Kiser
Subject: Buckeye Florida Limited Partnership's Petition for Certification as a Qualifying Facility
Attachments: Petition for Certification as a Qualifying Facility.PDF

Attached for electronic filing please find a PDF version of Buckeye Florida Limited Partnership's Petition for Certification as a Qualifying Facility:

- a. The person responsible for the electronic filing is:
 Timothy J. Perry, Esq.
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- b. Docket number and title: New Docket, In re: Petition for Certification a Qualifying Facility Pursuant to Rule 25-17.080, F.A.C., by Buckeye Florida Limited Partnership
- c. Filed on behalf of: Buckeye Florida Limited Partnership
- d. Total number of pages in each attached document: 10 pages
- e. Description of each attached document: PDF version of Buckeye Florida Limited Partnership's Petition for Certification as a Qualifying Facility

Thank you for your assistance with this filing. Should you have any questions, please do not hesitate to contact me.

Best regards,
 Tim Perry

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DOCUMENT NUMBER-DATE

04936 JUL 23 2012

FPSC-COMMISSION CLERK

7/23/2012

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Certification as
a Qualifying Facility Pursuant to
Rule 25-17.080, F.A.C., by Buckeye
Florida Limited Partnership

DOCKET NO. 12096-EQ

BUCKEYE FLORIDA LIMITED PARTNERSHIP'S
PETITION FOR CERTIFICATION AS A QUALIFYING FACILITY

Buckeye Florida Limited Partnership ("Buckeye") files this petition pursuant to Rules 28-106.201, 25-17.080(1) and 25-17.220, Florida Administrative Code ("F.A.C.") and respectfully requests certification by the Florida Public Service Commission ("Commission" or "PSC") as a Qualifying Facility ("QF").

Buckeye Florida Limited Partnership owns and operates a cellulose processing plant in Perry, Florida which has been in operation since 1954. The facility produces a variety of high value cellulose products using woody biomass materials from pine trees. As part of recent efficiency improvements to the mill's onsite thermal processes, Buckeye has increased its ability to produce electricity by approximately 15 megawatts. Buckeye intends to sell any extra electric production to Progress Energy Florida, Inc. ("Progress") pursuant to the terms and conditions of "as-available" energy sales as established by Commission rules.

The Buckeye facility will meet all the requirements for certification as a QF as a Small Power Producer consistent with Federal Energy Regulatory Commission rules and the rules of the Commission including: (1) total electric output will not exceed 80 megawatts, (2) more than 50 percent of the primary energy source will be derived from biomass materials, and (3) the facility is owned by a person not primarily engaged in the generation or sale of electricity. Further, as a renewable generating facility, Buckeye shall be deemed a QF under the Commission's rules.

Progress, as the ultimate purchaser of the energy from this facility, supports the certification of Buckeye as a QF. Accordingly, the Commission should grant the requested certification as provided for by the aforementioned statutes and rules.

Affected Agency

1. The affected agency is:

The Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

The Petitioner

2. The name, address, and telephone number of the Petitioner are as follows :

Buckeye Florida Limited Partnership
3510 Contractors Road
Perry, FL 32347
Attention: Purchasing Manager
Phone: 850 584 1229
Email: pat_barbaree@bkitech.com

3. For purposes of this proceeding, all documents, pleadings, orders and correspondence should be directed to Petitioner's representatives as follows:

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Receipt of Notice of the Agency's Decision

4. Buckeye is filing this petition seeking a decision by the PSC granting Buckeye status as a QF. The PSC has not yet reached a decision on Buckeye's petition, and Buckeye is not challenging a decision by the agency at this time.

Petitioner's Substantial Interest

5. Buckeye operates facilities in Florida which use large volumes of biomass materials in making cellulose products, and in generating renewable energy as a by-product of its manufacturing process. A failure to grant the relief requested in this proceeding would affect Buckeye's substantial interests by denying Buckeye the benefits of qualifying facility status, including, but not limited to, the ability to produce and sell its renewable energy to Progress Energy.

Factual Basis for Relief

6. In 1952, Procter and Gamble Corporation began construction of the original pulp manufacturing facility in Perry. Buckeye bought the facility in 1993 and since that time has made major capital investments to upgrade the production capabilities and product line diversity.

7. Buckeye operates the mill with approximately 600 direct employees. Vendors supplying wood and biomass fuel furnish, equipment, parts, supplies and other materials and services to Buckeye employ an additional 1,500 people. Buckeye's direct payroll is over \$65 million, including benefits. Buckeye's economic impact to the surrounding area is significant, totaling at least \$1.9 billion.¹ Buckeye produces various pulp grades that are used in products that enhance the standard of living for people around the world: products such as textile filament rayon, sausage casing, air and oil filters for automotive and industrial applications, and absorbent materials for hygiene applications.

8. Because Buckeye's entire product line is dependent on the availability of adequate pulp wood materials, Buckeye must ensure a renewable and affordable supply of pulp wood. To this end, Buckeye is certified under the Sustainable Forestry Initiative and the Forest Stewardship Council criteria for sustainability in procurement and land management practices

¹ Based on a 2003 University of Florida study.

for the land Buckeye owns. Pulp product manufacturing is a classic example of a sustainable and green business enterprise.

9. Buckeye has seven boilers, of which five utilize renewable energy fuel sources. Steam from these boilers powers five turbine generators producing approximately 50 megawatts of power, and the steam requirements of the southern kraft pulping process. Approximately 85-90 percent of the primary energy source is derived from renewable resources, namely biomass materials. Two boilers use biomass from pine trees processed for pulp furnish, wood residue from area sawmills, and hardwood from area lands as the primary fuel source. Three recovery boilers use black liquor, a combustible residue by-product of the pulping process, as the primary fuel. The other two power boilers are used as backup and are fired with either natural gas or No. 6 fuel oil.

10. Progress provides electric service to the Perry plant under a variety of tariff offerings. An interconnection arrangement has existed between Progress and Buckeye for over 30 years, however, Buckeye has not engaged in selling renewable energy to Progress during this time. Instead, Buckeye has used all on-site electric production to offset retail purchases from Progress.

11. After an efficiency inventory of Buckeye's current operating practices and steam requirements, Buckeye determined that there will be times when Buckeye will have "as-available" energy for sale. Two of Buckeye's three recovery boilers have undergone multimillion dollar up-grades that have increased their steaming capacity. This increased capacity, coupled with the installation of a fifth turbine generator, allows the site to supply practically all its electrical requirements (approximately 50 megawatts) and generate additional energy. Buckeye's total electric output is now approximately 50 megawatts. Under normal

operating conditions, Buckeye will occasionally have an additional 1-2 megawatts of power that will not be needed to meet the load generated by Buckeye's manufacturing process. This excess power will be available for sale to Progress Energy. In addition, during outages the facility will have approximately 15 megawatts of power available to sell to Progress.

12. Progress desires to buy as-available energy from Buckeye and has indicated that final agreement with Buckeye must include the granting of Buckeye's requested relief to be a certified QF. The two parties are currently discussing entering a formal interconnection arrangement to allow Buckeye to begin selling renewable energy and anticipate that all metering and interconnection issues will be resolved in approximately 3 to 4 months.

13. It should be noted that the granting of Buckeye's certification as a QF will have absolutely no adverse impact on Florida ratepayers. Buckeye is seeking to enter into an as-available purchase arrangement and as such, Buckeye will not receive any capacity payments. Since as-available energy payments are based on the avoided fuel cost of Progress' economic dispatch, the ratepayer is indifferent if Progress produces the incremental energy or if Buckeye produces it. In fact, as-available energy payments from public utilities to QFs do not require prior commission approval as do firm capacity and energy contracts.

Legal Basis for Requested Relief

14. As discussed further below, Buckeye is entitled to be certified as a qualifying facility pursuant to Chapters 120 and 366, Florida Statutes, and Chapters 28-106 and 25-17, Florida Administrative Code.

15. Since the early 1980's, Federal law and Florida Statutes have required jurisdictional electric utilities to purchase electric energy from QFs. *See, e.g.*, § 366.051, Florida

Statutes. The Commission has adopted rules defining these arrangements at Rules 25-17.080 through 25-17.091, Florida Administrative Code.

16. The Buckeye facility conforms with the requirements of 25-17.080(1) which states that, “[f]or the purpose of these rules the Commission adopts the Federal Energy Regulatory Commission Rules 292.101 through 292.207, effective March 20, 1980, regarding definitions and criteria that a small power producer or co generator must meet to achieve the status of a qualifying facility.”

17. Under FERC regulations, a small power producer is a qualifying facility if: (1) the facility power production does not exceed 80 megawatts, (2) the primary energy source (at least 50%) is biomass, waste, or another renewable energy resource, and (3) the small power producer is not owned by a person primarily engaged in the generation or sale of electricity. Buckeye’s facility conforms to all of these standards.

18. Buckeye’s petition for QF certification is also supported by Sections 366.91 and 366.92, Florida Statutes, and the Commission’s rules implementing these statutes, which specifically promote and encourage increased production of electricity from renewable energy sources. Section 366.91(1) reads:

The Legislature finds that it is in the public interest to promote the development of renewable energy resources in the state. Renewable energy resources have the potential to help diversify fuel types to meet Florida’s growing dependency on natural gas for electric production, minimize the volatility of fuel costs, encourage investment within the state, improve environmental conditions, and make Florida a leader in new and innovative technologies.

Further, Section 366.92(1) states:

It is the intent of the Legislature to promote the development of renewable energy; protect the economic viability of Florida's existing renewable energy facilities; diversify the types of fuel used to generate electricity in Florida; lessen Florida's dependence on natural gas and fuel oil for the production of electricity; minimize the volatility of fuel costs; encourage investment within the state; improve environmental conditions; and, at the same time, minimize the costs of power supply to electric utilities and their customers.

The granting of QF status will permit Buckeye to finalize its contract with Progress and to produce the very benefits identified in these statutes.

19. The Commission has implemented Section 366.91 by extended qualifying facility certification to all "Renewable Generating Facilities" that use a variety of renewable fuels, including biomass. *See* Rule 25-17.210(1), F.A.C. Specifically, Rule 25-17.220, Qualifying Criteria, states, "[f]or purposes of these rules, a renewable generating facility shall be deemed a qualifying facility pursuant to subsection 25-17.080(1), F.A.C., and shall have all the rights, privileges, and responsibilities specified in Rules 25-17.082 through 25-17.091, F.A.C." The terms and conditions for selling as-available energy are contained within Rules 25-17.082 through 25-17.091, Florida Administrative Code. Because the language of Rule 25-17.220 is mandatory, as a renewable generating facility Buckeye is entitled to designation as a QF pursuant to the rule.

20. The Commission has previously certified a facility as a QF using this new authority in Rule 25-17.220. In Docket 070723-EQ, Innovative Energy Group (IEG), as a condition of assuming another renewable generator's capacity and energy contract with Progress, requested the Commission designate their proposed renewable generation project a QF. In Order No. PSC-08-0093-PAA-EQ issued February 14, 2008, the Commission granted IEG certification

as a QF relying on Rule 25-17.220 and IEG's status as a renewable generator — a status the Commission is to encourage pursuant to Rule 366.91, Florida Statutes.

Disputed Issues of Material Fact

21. Buckeye is not aware of any disputed issues of material fact at this time. However, the following are issues of material fact that the Commission should determine in granting Buckeye's request:

- a. Whether Buckeye is a small power production facility that is a qualifying facility.
- b. Whether Buckeye is a renewable generating facility.

Ultimate Facts Alleged

22. Buckeye is a small power producer that is a qualifying facility pursuant to Commission rules: (1) Buckeye's power production does not exceed 80 megawatts, (2) its primary energy source (at least 50%) is biomass, waste, or another renewable energy resource, and (3) it is not owned by a person primarily engaged in the generation or sale of electricity.

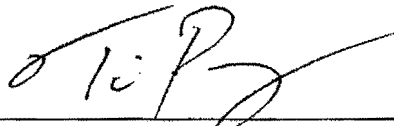
23. Further Buckeye is a renewable generating facility that generates electricity from biomass. As a renewable generating facility, it is also entitled to mandatory certification as a qualifying facility pursuant to Commission rules.

Relief Requested

24. Given the authority granted to the Commission under Sections 366.051, 366.91 and 366.92, Florida Statutes, and the specific criteria described in Rules 25-17.080 through 25-17.091 and 25-17.200 through 25-17.220, Florida Administrative Code, Buckeye respectfully requests that the Commission issue an order designating its facility in Perry, Florida as a qualifying facility and entitling Buckeye to all the rights and privileges accompanying that

designation. Such a designation is consistent with the material facts and legal requirements contained in Florida Statutes and the Commission's rules. These statutes and rules have as their goal the promotion and encouragement of additional renewable generation in Florida. Buckeye's sale of as-available, renewable energy to Progress is exactly the type of project that the statutes and rules are designed to promote in Florida.

Respectfully submitted this 23rd day of July, 2012.



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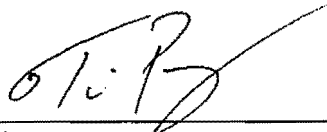
Attorneys for Buckeye Florida Limited Partnership

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that foregoing Petition for Certification as a Qualifying Facility has been filed with the Commission Clerk, and served by electronic mail and by U.S. Mail on the following this the 23rd day of July of 2012.

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