

September 12, 2014

HAND DELIVERY

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

REDACTED

RECEIVED - FPSC
14 SEP 12 PM 4:41
COMMISSION
CLERK

Re: New Filing: Petition of Florida Public Utilities Company for Approval of Amendment to Extend Term of Negotiated Renewable Energy Power Purchase Contract with Rayonier Performance Fibers, LLC

Dear Ms. Stauffer:

Enclosed for filing, please find the original and seven (7) copies of the Petition of Florida Public Utilities Company for Approval of Amendment to Negotiated Renewable Energy Power Purchase Contract. A highlighted version of Attachment B to the Petition is submitted under separate cover, along with a Request for Confidential Classification.

As always, please do not hesitate to contact me if you have any questions whatsoever.

Sincerely,


Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

- COM _____
- AFD _____
- APA _____
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- **ENG** 4 _____
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- IDM _____
- TEL _____
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Petition of Florida Public Utilities
Company for Approval of Amendment to
Extend Term of Negotiated Renewable
Energy Power Purchase Contract with
Rayonier Performance Fibers, LLC**

Docket No.: _____

Filed: September 12, 2014

**Petition for Approval of Amendment to Negotiated Renewable Energy
Power Purchase Contract**

Florida Public Utilities Company (“Company” or “FPUC”) by and through its undersigned attorney, and pursuant to Chapter 366, Florida Statutes, and Rules 25-22.036, 28-106.201, 25-17.0832, and 25-17.240, Florida Administrative Code, hereby petitions the Florida Public Service Commission (“Commission”) for approval of Amendment No. 1 to its Negotiated Contract for power purchases (“Contract”) with Rayonier Performance Fibers, LLC (“Rayonier”) which was dated and effective March 14, 2012. The Contract was originally approved by the Commission for purposes of cost recovery by Order No. PSC-12-0380-PAA-EQ, issued July 23, 2012, in Docket No. 120058-EQ. FPUC respectfully requests that Amendment No. 1 to the Contract, which is attached and incorporated herein (Attachment), be approved without modification.

In support of this Petition, the Company hereby states:

1. Notices and communications with respect to this petition and docket should be addressed to:

Beth Keating
Gunster, Yoakley & Stewart, P.A.

Ms. Cheryl M. Martin
Director of Regulatory Affairs

215 S. Monroe Street, Suite 601
Tallahassee, FL 32301-1804

Florida Public Utilities Company
911 South 8th Street
Fernandina Beach, FL 32034

2. FPUC is an investor-owned electric utility providing retail electric service to customers within its Northwest and Northeast Divisions in Florida and, pursuant to the provisions of Chapter 366 of the Florida Statutes, it is subject to economic regulation by the Commission. The Company's principal offices are located at 1641 Worthington Road, Suite 220, West Palm Beach, Florida 33409.
3. Rayonier Performance Fibers, LLC, a subsidiary of Rayonier, Inc., has mills located in Jesup, Georgia and Fernandina Beach, Florida. These mills produce high-purity cellulose products from wood chips. Rayonier Performance Fibers, LLC's principal offices are located at 4474 Savannah Highway, Jesup, Georgia 31545.¹
4. Rayonier has long used biomass as a source of renewable energy at its performance fiber mills, as well as other Rayonier facilities in Georgia. Consistent with the underlying Contract, Rayonier has constructed and installed a "Renewable Generating Facility" as that term is defined in Rule 25-17.210(1), Florida Administrative Code, which is certified as a Qualifying Facility ("QF") under federal law and operates as such pursuant to the rules and regulations applicable to such facilities under Florida law. The facility is located at Rayonier's Mill at 10 Gum Street in Fernandina Beach, Florida, within FPUC's service territory. It is currently interconnected with, and sells power to, FPUC's Northeast Division electric system. The Rayonier facility consists of a 21 MW turbine generator that is fueled by wood waste and is a "renewable energy generating facility" as that term is construed in Sections 366.91 and 366.92, Florida Statutes. The facility

¹ Rayonier, Inc.'s corporate offices are located at 1301 Riverplace Blvd., Suite 2300, Jacksonville, FL 32207.

produces “renewable energy” as that term is defined in Sections 377.803(4) and 366.91(2)(d), Florida Statutes, using “biomass,” as that term is defined in Section 366.91(2)(a), Florida Statutes, as its primary fuel source.

5. Commission Rule 25-17.230, F.A.C. states:

Each investor-owned utility shall purchase electricity produced and sold by renewable generating facilities at rates that have been agreed upon by the utility and renewable generating facility or at the utility’s published tariff. Each investor-owned utility shall file a tariff or tariffs and a standard offer contract or contracts for the purchase of energy or capacity, or both, from renewable generating facilities that reflects the provisions set forth in these rules. [*Emphasis added*]

In this instance, the Company and Rayonier have already negotiated and agreed upon the rates that the Company is willing to pay to Rayonier and which the Commission has deemed appropriate for purposes of cost recovery. The alternative tariff rates offered by the Company (REN-1) had, prior to the Contract, provided little incentive for Rayonier to generate and sell electric energy at any time to the Company. Absent the negotiated Contract, the alternative tariff rates would have continued to be insufficient for Rayonier to consistently generate and sell electric energy to the Company.

6. The parties have been operating under the Contract for almost two years now. The first payment by FPUC to Rayonier for renewable energy was made in November 2012. The benefits anticipated by the parties when they entered into the Contract have been realized and to date, the parties have encountered no notable operational issues. In view of the success thus far, the parties believe that, if extended, they could expect to continue to reap benefits from this arrangement further into the future.

7. Because the parties have seen the anticipated benefits materialize and project that these benefits will continue to accrue over a period beyond the current term of the Contract, the parties have negotiated an Amendment No. 1 to the Contract to extend the Contract. This

Amendment No. 1 has also been entered into in recognition that the parties have embarked on an additional project, whereby Rayonier will be purchasing low pressure steam from an affiliate of Chesapeake Utilities, Eight Flags Energy, which Rayonier will then be able to use in its production processes at its wood pulp mill. Because the low pressure steam from Eight Flags will displace high pressure steam generated by Rayonier, Rayonier will be able to channel the displaced high pressure steam into its electric generating unit. This will not only ensure that Rayonier is able to continue to provide reliable, renewable electric energy to FPUC, but it will also potentially enable Rayonier to increase the Committed Capacity available to FPUC, as contemplated by the existing terms of the Contract thereby providing further savings for FPUC and its customers.²

8. The Contract is currently for a 10-year term ending on the date that is ten (10) years after the end of the calendar month in which the Commercial Operation Date (“COD”)³, or October 1, 2022. The Amendment No. 1 provides only a change to extend the term of the Contract. Under Amendment No. 1, the Contract will be extended an additional fourteen (14) years until September 2036.
9. Attachment B (redacted) to this petition is a summary of the projected annual savings under the Contract as extended by Amendment No. 1 and as compared to the relevant purchased power agreement between FPUC and JEA, as well as the agreement between FPUC and Gulf Power, in the event the Commission allows FPUC to consolidate its fuel rates, which request is now pending in Docket No. 140001-EI.

² At present, FPUC receives an average of 1.5 MW annually from Rayonier. Under the Contract, Committed Capacity is currently set at 3.0 MW, but allows Rayonier the option of increasing Committed Capacity up to 5.0 MW.

³ Per the Contract, the COD was to be no later than September 30, 2012, unless otherwise agreed by the parties.

10. As originally demonstrated in Docket No. 120058-EQ, the rates, terms and conditions of the Contract will contribute to deferral of purchases under FPUC's existing purchased power contracts at a significant savings to FPUC's ratepayers. Moreover, purchases under this contract will provide additional key benefits, which include: 1) furthering the State's goal of promoting renewable energy resources; 2) increasing investment in the State and facilitating job creation in Northeast Florida; 3) diversifying FPUC's purchased power options to include sources that are not natural gas dependent or coal-fired; 4) providing a means to lessen the impact of fuel price volatility on the FPUC's customers in the Northeast Division, as well as the Northwest Division, if the Company's fuel rates are ultimately consolidated; and 5) promoting Florida's energy independence through the use of Florida renewable energy resources.
11. Currently, FPUC's Northeast Florida Division fulfills a significant portion of its energy needs through a wholesale power purchase contract with JEA. The Contract with Rayonier has, however, enabled FPUC to diversify its power supply portfolio with renewable energy from a reliable supply source, and on a cost-effective basis. The purchases under this Contract, as extended by Amendment No. 1, will continue to allow FPUC to purchase renewable electric energy at rates that do not exceed "avoided cost" as measured by the Company's current purchased power agreements. Moreover, as structured, the Company anticipates that the contract rates will continue to provide beneficial savings to FPUC and its customers, based upon the information available, as compared to other energy resources available to FPUC. The pricing mechanism promotes price stability. In addition, because the term of the contract extends beyond the current power purchase agreement with JEA, the Contract provides for adjustments,

renegotiation, or termination depending upon FPUC's future arrangements for power supply to meet its native load obligations.

12. Overall, the Contract between FPUC and Rayonier provides a significant benefit to FPUC's ratepayers, while also promoting the State's goal of encouraging energy independence and the growth of renewable energy projects. Rayonier is already providing electric energy to FPUC from its renewable generating facility on a cost-effective basis, thereby effectuating the Legislature's desire to promote the development of renewable energy and lessen Florida's reliance on fuel oil and natural gas for the production of electricity.⁴ The Amendment No. 1 simply ensures that those benefits will continue further into the future. As such, the Contract is in the public interest and should be approved as such for purposes of cost recovery through the Commission's fuel and purchased power cost recovery clause.
13. The Commission is vested with jurisdiction to grant the relief requested herein by Sections 366.04, 366.06, 366.91, and 366.92, as well as Rules 25-17.240, F.A.C., and 25-17.0832, F.A.C. FPUC is unaware of any disputed facts associated with its request as set forth herein.

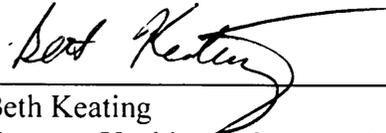
WHEREFORE, for the reasons set forth herein, FPUC respectfully requests that the Commission:

1. Review and approve the Amendment No. 1 to the Negotiated Contract with Rayonier Performance Fibers, LLC as continuing to being a reasonable and prudent extension of the agreement for purposes of cost recovery through the Commission's Fuel and Purchase Power Cost Recovery Clause; and

⁴ Section 366.92(1), Florida Statutes (2011).

2. Issue a final, non-appealable order to this effect by no later than 180 days of filing.

RESPECTFULLY SUBMITTED this 12th day of September, 2014.



Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

ATTACHMENT A

*AMENDMENT NO. 1
TO NEGOTIATED CONTRACT
FOR THE PURCHASE
OF ELECTRIC ENERGY FROM
A RENEWABLE GENERATING FACILITY*

**AMENDMENT NO. 1 TO
NEGOTIATED CONTRACT
BETWEEN
FLORIDA PUBLIC UTILITIES COMPANY
AND
RAYONIER PERFORMANCE FIBERS, LLC
FOR THE PURCHASE OF
ELECTRIC ENERGY FROM A RENEWABLE GENERATING FACILITY**

The agreements and covenants set forth herein and entered into this 5th day of September, 2014, ("Effective Date") represent an Amendment to the original Negotiated Contract for the Purchase of Electric Energy from a Renewable Generating Facility (the "March 2012 Agreement"), by and between Florida Public Utilities Company, an investor-owned utility company and subsidiary of Chesapeake Utilities Corporation (hereinafter "Buyer") and Rayonier Performance Fibers, LLC, the owner/operator of the Facility, as further defined below (hereinafter "Seller"), which is referred to herein as "Amendment No. 1." Buyer and Seller may herein be referred to jointly as "Parties" or individually as "Party".

WITNESSETH:

WHEREAS, the Parties' desire to enter into this Amendment No. 1 to reflect the modification of the Termination Date set forth in the March 2012 Agreement to; and

WHEREAS, the Parties intend to modify only the Termination Date of the March 2012 Agreement as specifically set forth herein and to otherwise adhere to all other existing Terms and Conditions of the March 2012 Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be bound hereby, the Parties do therefore agree and amend the March 2012 Agreement as follows:

1. TERM OF THE AGREEMENT AND TERMINATION

This Amendment No. 1 shall be in full force and effect as of the Effective Date. Upon the Effective Date, the Termination Date set forth herein shall apply to and supersede the termination date set forth in Section 2(a) of the March 2012 Agreement. The Termination Date hereunder shall be that date which is twenty-two (22) years from the Effective Date of this Amendment No. 1, unless otherwise extended or terminated earlier in accordance with the provisions of this Amendment No. 1 and the March 2012 Agreement.

**AMENDMENT NO. 1 TO
NEGOTIATED CONTRACT
BETWEEN
FLORIDA PUBLIC UTILITIES COMPANY
AND
RAYONIER PERFORMANCE FIBERS, LLC
FOR THE PURCHASE OF
ELECTRIC ENERGY FROM A RENEWABLE GENERATING FACILITY**

In paragraph 1 of page 1 hereof, the originally referenced month, August, 2014, has been changed to reflect the accurate Effective Date of September 5, 2014, coinciding with the final execution of this Amendment No. 1.

2. REGULATORY APPROVALS

(a) The obligations of the Parties hereunder, including but not limited to Buyer's and Seller's respective obligations to perform under this Amendment No. 1, shall be conditioned upon Buyer obtaining any regulatory approvals from Governmental Bodies it, acting in its sole discretion, deems necessary or desirable, and a final non-appealable order or other regulatory determination from the FPSC that Buyer shall have cost recovery associated with its performance under the extended term contemplated by this Amendment No. 1. If such FPSC regulatory approval is not obtained to Buyer's satisfaction, in its sole discretion, within ninety (90) days of such request being made to the FPSC, then this Amendment shall terminate upon fifteen (15) days' notice given by either Party, with neither Party having any liability beyond the original Termination Date contemplated in Section 2(a) of the March 2012 Agreement.

(b) Consistent with Section 2(a) hereof and Rule 25-17.0836, Florida Administrative Code, Buyer intends to promptly submit this Amendment No. 1 to the FPSC for review and approval, as appropriate, within twenty (20) days after the Execution Date for purposes of ensuring FPSC approval of full recovery by Buyer from Buyer's customers of all payments required to be made by this Amendment No. 1, consistent with FPSC Order No. 25668 ("Fuel Clause"), issued February 3, 1992. Should the FPSC issue an adverse decision or order determining that the transactions arising hereunder are not appropriate or eligible for cost recovery by Buyer through the Fuel Clause, this Amendment No. 1 shall immediately terminate upon fifteen (15) days' notice to Seller with no surviving rights or obligations of any Party arising under this Amendment No. 1, and no corresponding assessments of Liability or Default.

(c) Except as expressly contemplated herein, neither the execution of this Amendment No. 1 nor the consummation of any transactions hereunder, requires the consent or approval of, notice to or recording with, or any other action by a Governmental Body.

3. SEVERABILITY

This Amendment No. 1 together with the March 2012 Agreement, and including any Appendices, Exhibits or Attachments hereto and thereto, represents the entire agreement of the Parties with respect to the subject matter contained herein. If this Amendment No. 1, for any reason, is declared invalid, or unenforceable by a court or public authority of appropriate jurisdiction, then such decision shall not affect the validity of the March 2012 Agreement, which shall remain in force and effect.

4. COUNTERPARTS

This Amendment No. 1 may be executed in two (2) or more counterparts, all of which will be considered one and the same Amendment No. 1 and each of which will be deemed an original.

IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment No. 1 to the Parties' March 2012 Agreement effective as of the day and year first above written.

WITNESSES:

Sheelie Simmons
Bruce K Davis

~~RAYONIER PERFORMANCE FIBERS, LLC~~

BY: [Signature]

Title: President

WITNESSES

Chay Martin
[Signature]

FLORIDA PUBLIC UTILITIES COMPANY

BY: [Signature]

Title: PRESIDENT

ATTACHMENT B

(REDACTED)

SUMMARY OF PROJECTED ANNUAL SAVINGS

