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November 5, 2014

HAND DELIVERY

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

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COMMISSION
CLERK

REDACTED

Re: Docket No. 140180-EQ - Petition for approval of amendment to extend term of negotiated renewable energy power purchase contract with Rayonier Performance Fibers, LLC, by Florida Public Utilities Company.

Dear Ms. Stauffer:

Enclosed for filing, please find the original and seven (7) copies of the Request for Confidential Classification of portions of FPUC's Responses to Commission Staff's First Data Requests, including Exhibits A and B thereto. Also included with this Request are one highlighted and two redacted copies of the subject information as required by Rule 25-22.006, Florida Administrative Code.

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

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Company response
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of amendment to extend term of negotiated renewable energy power purchase contract with Rayonier Performance Fibers, LLC, by Florida Public Utilities Company.

Docket No.: 140180-EQ

Filed: November 5, 2014

FLORIDA PUBLIC UTILITIES COMPANY'S REQUEST
FOR CONFIDENTIAL CLASSIFICATION OF INFORMATION

Florida Public Utilities Company ("FPUC"), by and through its undersigned counsel, pursuant to Section 366.093, Florida Statutes, and consistent with Rule 25-22.006(4), Florida Administrative Code, hereby submits its Request for Confidential Classification of information contained in its Responses to Commission Staff's First Set of Data Requests, a redacted copy of which are being submitted under separate cover today. In support of this Request, FPUC states that:

1. FPUC requests confidential classification of information contained in its Responses which pertain to the rates, terms and conditions in the Contract and represent data provided in the context of confidential contractual negotiations. Both FPUC and Rayonier treat the subject information as proprietary confidential business information consistent with the definition of that term in Section 366.093, Florida Statutes, and to the extent of FPUC's knowledge, this information has not otherwise been publicly disclosed. The Commission has granted confidential treatment of similar information in Docket No. 120058-EQ, by Orders Nos. PSC-12-0180-CFO-EQ and PSC-12-0312-CFO-EQ.

2. The information for which FPUC seeks confidential classification meets the definition of "proprietary confidential business information" as set forth in Section 366.093(3), Florida Statutes, which provides:

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(3) Proprietary confidential business information means information, regardless of form or characteristics, which is owned or controlled by the person or company, is intended to be and is treated by the person or company as private in that the disclosure of the information would cause harm to the ratepayers or the person's or company's business operations, and has not been disclosed unless disclosed pursuant to a statutory provision, an order of a court or administrative body, or private agreement that provides that the information will not be released to the public. Proprietary confidential business information includes, but is not limited to:

- (a) Trade secrets.
- (b) Internal auditing controls and reports of internal auditors.
- (c) Security measures, systems, or procedures.
- (d) Information concerning bids or other contractual data, the disclosure of which would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms.
- (e) Information relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information.
- (f) Employee personnel information unrelated to compensation, duties, qualifications, or responsibilities.

More specifically, the information for which FPUC seeks confidential classification falls into one of two categories: (1) Information concerning contractual data, consistent with subsection (d) above; and (2) Information relating to competitive interests, the disclosure of which would impair the competitive business interests of the provider of the information, consistent with subsection (e) above. In other words, the information either identifies a specific rate, term, or pricing methodology in the Contract, is information that could be used to extrapolate contractual information, or it identifies an obligation that could impact the competitive interests of one of the parties. In either case, the disclosure of the pertinent information would be detrimental to business operations of the party that provided the information, and in the case of FPUC, would ultimately harm FPUC's ratepayers.

3. The location of the information for which FPUC seeks confidential classification is set forth in the chart below, along with the rationale associated with each item in question:

Response to Data Request No. 3	Page 2, 3 rd paragraph, highlighted amounts	Reflects the on and off peak capacity amounts in the underlying contract between
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		Rayonier and FPUC, which both parties consider to be confidential, proprietary business information. (Section 366.093(3)(d) and (e))
Response to Data Request No. 4	Pages 3 and top of 4, Example chart at the bottom of the page, highlighted amounts	Reflects the on and off peak capacity amounts in the underlying contract between Rayonier and FPUC, or information that could be used to extrapolate those factors, which both parties consider to be confidential, proprietary business information. (Section 366.093(3)(d) and (e))
Response to Data Request No. 5	Page 4, 4 th paragraph containing Company's response, highlighted amounts	Reflects the on and off peak capacity amounts in the underlying contract between Rayonier and FPUC, which both parties consider to be confidential, proprietary business information. (Section 366.093(3)(d) and (e))
Exhibit A	Highlighted numbers in Columns Year 2016 through Year 2036, all rows for Wholesale Costs of Power, including each identified price row, Capacity Factors, and Net Benefits, Discounted Net Benefits, and Social Discount Rate rows	Includes information concerning pricing and pricing methodology, the disclosure of which would impair FPUC's future efforts to negotiate and contract for goods and services on reasonable terms and conditions. (Section 366.093(3)(d) and (e))
Exhibit B	Highlighted numbers in Columns Year 2016 through Year 2036, all rows for Wholesale Costs of Power, including each identified price row, Capacity Factors, and Net Benefits row	Includes information concerning pricing and pricing methodology, the disclosure of which would impair FPUC's future efforts to negotiate and contract for goods and services on reasonable terms and conditions. (Section 366.093(3)(d) and (e))

4. The information specified above is highly proprietary, competitive and contractual information that falls squarely within Sections 366.093(3)(d) and (e), Florida Statutes. Release

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of the referenced information as a public record would harm FPUC's business operations and ratepayers by impairing the Company's ability to effectively negotiate for goods and services. Likewise, as specified above, the release of certain identified information would also have adverse impacts on Rayonier's competitive interests and enable competitors to gain undue advantage in the market. As such, FPUC requests that the Commission afford this information confidential classification and thus, exempt from Section 119.07, Florida Statutes. Included with this Request are highlighted copies of the referenced data responses, along with Exhibits A and B. Also enclosed are two redacted copies of the same information.

5. FPUC asks that confidential classification be granted for a period of at least 18 months. Should the Commission no longer find that it needs to retain the information, FPUC respectfully requests that the confidential information be returned to the Company.

WHEREFORE, FPUC respectfully requests that the highlighted information contained in its Responses to Commission Staff's First Data Requests be classified as "proprietary confidential business information," and thus, exempt from Section 119.07, Florida Statutes.

RESPECTFULLY SUBMITTED this 5th day of November, 2014.


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(850) 521-1706

Attorneys for FPUC

3. Please refer to footnote 2 on page 4 of FPUC's petition, which represents that FPUC receives an average of 1.5 MW annually from Rayonier, while the committed capacity is set at 3.0 MW and the contract allows Rayonier the option of increasing the committed capacity to 5.0 MW. However, Section 7(a) on page 16 of the original contract provides that the committed capacity "in no event shall be less than 1.700 MW..." Please explain why the average received capacity appears to be below the minimum capacity required by the contract.

Company Response: The reference to "an average of 1.5 MW annually" in the footnote was in error. The original Agreement contemplates that "committed capacity" will be within a range of 1.7 MW to 3.0 MW, with an option for Rayonier to increase the upper range to 5.0 upon notice to FPU. While the 1.7 MW committed capacity is the target for the purposes of operating the unit, it is perhaps of greatest importance – in terms of operation of the Agreement – for evaluating and determining the payments associated with the cogeneration facility. It is important to recognize that the primary goal for this unit is to provide energy to the mill in order to maximize the overall production. The production of additional, low cost, renewable energy to FPU customers is a secondary, albeit efficient and cost-effective, purpose of the unit. As such, consistent with the unit's designed purpose, the Agreement is not for firm capacity. The Agreement even recognizes, at Section 7(b), that the Seller retains the discretion to determine the amount of energy and capacity it will supply to FPU and provides that Seller will not be deemed in default for failure to provide the Agreement amounts.

Based on this operating philosophy, the parties determined that a reasonable, target operating expectation would be 1.7 MW and to date, the facility has tended to provide capacity at or near that level. As described in #5 below, there is an "on peak" [REDACTED] and "off peak" [REDACTED] capacity factor that is also incorporated into the determination of payments. This capacity factor allows for reasonable maintenance periods and some unexpected down time. Based on the payment results for 2013 and 2014 where payments included both energy and capacity payments for the majority of the months, it appears the 1.7 MW committed capacity is reasonable. In fact, during 2013, Rayonier provided approximately 18,600 MWh's of energy, which exceeded the estimated amount and is on track to exceed estimates again in 2014. In those months in which the committed capacity level was not reached, FPUC and its customers were protected by the Agreement terms through penalties in the form of reduced payments made to Rayonier during those months.

4. Please explain the Utility's security against nonperformance by Rayonier, or alternately, provide the section of the Agreement in which this topic is addressed.

Company Response: The Agreement contains performance requirements for the Seller, as also noted in the Company’s response to data request No. 21 in Docket No. 120058-EQ. Section 10.4 of the original, underlying Agreement contains these requirements. Although the Agreement is not for firm service, the Company has negotiated terms and conditions that are intended to provide proper incentives for Rayonier to sell as much energy as possible to the Company, because the more energy FPUC receives from Rayonier under this Agreement, the greater the savings that will be enjoyed by FPUC’s customers. These same Agreement terms, however, provide security against “non-performance” through the structure used to calculate payments made to Rayonier for the energy and capacity provided. The performance requirements ensure that, when Rayonier is unable to sell a minimum level of energy under the terms of the Agreement, the price that the Company pays for the energy actually provided is reduced to the Energy Price in lieu of the All-In Price. To be clear, the Company only pays for the energy delivered under the Agreement – there are no “pre-payments” under the Agreement. Thus, the performance requirements only impact the price that the Company will pay, not any minimum quantity required to be provided.

Specifically, the energy payment is calculated based on the total kilowatt-hours provided multiplied by the energy cost factor which is included in the Agreement. The capacity payment is determined based upon total kilowatt-hours provided, times the capacity cost payment which is included in the Agreement, assuming the capacity factor requirements have been satisfied.

Should the capacity factors be satisfied, the All-In Price will be attributed to all kilowatt-hours provided. If the capacity factor requirements have not been satisfied, only the energy price will be used. See below for an example of how non-performance results in a reduction in payments.

Example:

Total Kilowatt-hours Provided – 1,000,000 kWh’s

Total On Peak Kilowatt-hours Provided – 390,000 kWh’s

Total Off Peak Kilowatt-hours Provided – 610,000 kWh’s

Committed Capacity – 1.7 MW

On Peak Hours Available – 233

Off Peak Hour Available – 465

On Peak Capacity Factor [REDACTED]

Off Peak Capacity Factor – [REDACTED]

On Peak Requirement:

- **233 hours * (1.7 MW * 1000) [REDACTED] = [REDACTED] kWh minimum requirement**

Off Peak Requirement:

- 465 hours * (1.7 MW * 1000) [REDACTED] = [REDACTED] minimum requirement

Results:

- Actual On Peak Provided Kilowatt-hours exceeded the minimum requirement which allows payment of the energy and capacity amounts.
- Actual Off Peak Provided Kilowatt-hours did not exceed the minimum requirement which allows only the payment of the energy amount.

As noted in Order No. PSC-12-0380-PAA-EQ at page 4, failure to maintain the agreed capacity factor will simply result in reducing the overall monthly payments to Rayonier. Moreover, because no early payments are being made throughout the life of the Agreement, and monthly pricing is measured in rate of energy delivered, additional performance security is not necessary.

5. Please provide the capacity factor on which payments under the contract are based, and describe or explain how that figure is calculated.

Company Response: The Agreement requires certain capacity factor performance based upon “on peak” and “off peak” times. The capacity factor required during on peak times is [REDACTED] while off peak times require an [REDACTED] capacity factor. The on peak and off peak times have also been differentiated based on certain seasons of the year. These seasons include Summer, Winter and November and each have differing on peak and off peak hours. The capacity factors, on/off peak times and the seasons were derived through a study of the FPU Northeast Division load profile, a comparison with other similar contracts and discussion with the mill/equipment providers regarding typical expectations of the up time of the equipment. Based on the information available and actual results since the system was placed in service, the capacity factors are within an acceptable, appropriate range.

6. Please refer to Section 9 on page 4 of the petition. Here, FPUC states that Attachment B contains projected annual savings “as compared to the relevant purchased power agreement between FPUC and JEA, as well as the agreement between FPUC and Gulf Power...” However, the attachment does not appear to provide any information regarding Gulf Power. Please clarify this apparent inconsistency, or alternately, provide a corrected copy of Attachment B.

Company Response: The sentence referenced is a misstatement. The reference to the FPUC and Gulf Power agreement was intended to indicate only that the Company

PROJECTED NET BENEFITS FROM AMENDED CONTRACT BETWEEN FPUC AND RAYONIER

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
Wholesale Costs of Power Including G&T (\$/MWh)																						
Projected JEA Contract Price*	[REDACTED]																					
Price of Rayonier Contract	[REDACTED]																					
Margin, Rayonier Unit	[REDACTED]																					
* i.e., Avoided Cost w/capacity																						
Capacity Gain, Rayonier (MW)	[REDACTED]																					
Capacity Factor	[REDACTED]																					
Net Benefits arising from Amended Contract between FPUC and Rayonier																						
Total:	[REDACTED]																					
Discounted Net Benefits arising from Amended Contract between FPUC and Rayonier																						
Total (NPV):	[REDACTED]																					
Social Discount Rate	[REDACTED]																					

