

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of new standard offer for purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities and approval of revised tariff schedule REF-1, by Gulf Power Company.

DOCKET NO. 120071-EQ  
ORDER NO. PSC-12-0332-TRF-EQ  
ISSUED: June 26, 2012

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman  
LISA POLAK EDGAR  
ART GRAHAM  
EDUARDO E. BALBIS  
JULIE I. BROWN

ORDER APPROVING STANDARD OFFER CONTRACT AND TARIFF

BY THE COMMISSION:

**Case Background**

On April 2, 2012, Gulf Power Company (Gulf or Company) filed its petition for approval of an amended standard offer contract in accordance with Rules 25-17.200 through 25-17.310, Florida Administrative Code (F.A.C.). Section 366.91(3), Florida Statutes (F.S.) requires that each investor-owned utility (IOU) continuously offer to purchase capacity and energy from renewable energy generators, and Rules 25-17.200 through 25-17.310, F.A.C., require each IOU to file by April 1 of each year, a standard offer contract based on the next avoidable generating unit or planned purchase.

We have jurisdiction over this standard offer contract and tariff pursuant to Sections 366.04 through 366.06, and 366.91, F.S.

**Analysis**

Pursuant to Rule 25-17.250(1), F.A.C., Gulf is required to continuously make available a standard offer contract for the purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities with a design capacity of 100 kilowatts (kW) or less. Gulf complied with the Rule through its standard offer contract and related tariff schedule REF-1.

The standard offer contract's language is updated on an annual basis to reflect the utility's next avoidable generating unit on which the contract's performance characteristics and payments are based. Based on its 2012 Ten-Year Site Plan, Gulf has not identified any fossil-

DOCUMENT NO. 120071-EQ DATE

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fueled generating units for the period 2012-2021. Gulf also has no avoidable purchased power agreements within this period.

As a result, Gulf has the option of offering an energy-only standard offer contract, but to encourage renewable generation, Gulf has identified the next avoidable unit. The unit will be a 349 megawatt (MW) natural gas-fired combustion turbine with a projected in-service date of June 1, 2022. The modifications to Gulf's standard offer contract reflect this projected unit.

Gulf's petition seeks modification to three tariff sheets. These modifications reflect the change in size of the avoided unit on Sheet No. 9.82, an example capacity payment streams for the new avoided unit on Sheet No. 9.85, and changes in technical and economic characteristics on Sheet No. 9.103. These changes are reflective of the most recent avoided unit identified by Gulf and Gulf's economic assumptions. These tariff sheets are included as Attachment A to this Order.

A renewable generator can elect to have no performance requirements and deliver energy on an as-available basis. If the renewable generator commits to certain performance requirements based on the avoided unit, including being online and delivering capacity by the in-service date, it can receive a capacity payment under the proposed standard offer contract or a separately negotiated contract. To promote renewable generation, we require multiple options for capacity payments, including the option to receive normal, levelized, early, or early levelized payments.

If a renewable generator elects to receive payments under the normal or levelized option, it would receive capacity payments starting on June 1, 2022. If the early or early levelized options are selected, capacity payments may begin earlier than June 1, 2022, but the renewable generator is required to provide sufficient security to ensure ratepayers are not impacted in the event of a default. In all cases, capacity payments over the full term of the standard offer contract are equivalent in terms of net present value, regardless of the option selected.

Energy payments are based on a comparison of when the avoided unit would have been dispatched, with payments based on the avoided unit's projected energy rate, and when the unit would not have been dispatched, with payments based on the as-available energy rate. The renewable generator would receive payments based on the as-available energy rate for the period before the in-service date of June 1, 2022.

Table 1, below, provides an estimate of the firm capacity and energy payments to a renewable generator with a 50 MW capacity, operating at a 90 percent capacity factor, which is the lowest allowable capacity factor to receive the full capacity payment. For a renewable generator that does not provide firm capacity, it would receive only the energy portion of the payments listed below, which is based on an annual production of 394,200 megawatt-hours (MWh).

**Table 1 – Estimated Payments to 50 MW Renewable Generator with 90% Capacity Factor**

Year	Energy Payment	Capacity Payment			
		Normal	Levelized	Early	Early Levelized
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
2013	\$14,581	\$0	\$0	\$1,257	\$1,436
2014	\$15,583	\$0	\$0	\$1,282	\$1,438
2015	\$20,025	\$0	\$0	\$1,307	\$1,441
2016	\$22,221	\$0	\$0	\$1,333	\$1,444
2017	\$23,380	\$0	\$0	\$1,360	\$1,447
2018	\$24,913	\$0	\$0	\$1,386	\$1,450
2019	\$26,471	\$0	\$0	\$1,414	\$1,454
2020	\$27,996	\$0	\$0	\$1,442	\$1,457
2021	\$29,577	\$0	\$0	\$1,470	\$1,460
2022	\$30,779	\$2,145	\$2,318	\$1,499	\$1,463
2023	\$32,447	\$3,735	\$3,980	\$1,529	\$1,467
2024	\$33,684	\$3,809	\$3,989	\$1,559	\$1,470
2025	\$35,722	\$3,884	\$3,998	\$1,590	\$1,474
2026	\$35,612	\$3,961	\$4,007	\$1,621	\$1,477
2027	\$36,905	\$4,039	\$4,016	\$1,653	\$1,481
2028	\$38,864	\$4,119	\$4,025	\$1,686	\$1,485
2029	\$39,534	\$4,200	\$4,035	\$1,719	\$1,489
2030	\$40,733	\$4,283	\$4,044	\$1,753	\$1,493
2031	\$41,797	\$4,368	\$4,054	\$1,788	\$1,497
2032	\$42,814	\$4,454	\$4,064	\$1,823	\$1,501
<b>NPV</b>	<b>\$289,163</b>	<b>\$15,370</b>	<b>\$15,370</b>	<b>\$15,370</b>	<b>\$15,370</b>

Beyond the revisions discussed above, all other terms, such as provisions for performance, payments, and security, are the same as the 2011 standard offer contract and related tariffs.

The provisions of the proposed standard offer contract and related Tariff REF-1 submitted by Gulf conform to all the requirements of Rules 25-17.200 through 25-17.310, F.A.C. The standard offer contract offers flexibility in the arrangements for payments so that a developer of renewable generator may select the payment stream best suited to its financial needs. Therefore, we find it appropriate to approve Gulf’s standard offer contract and its related tariff.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company’s standard offer contract and related tariff are hereby approved, effective June 19, 2012. It is further

ORDERED that the provisions of this Order, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if a protest is filed within 21 days of the issuance of the Order, the tariff shall remain in effect pending resolution of the protest. Potential signatories to the standard offer contract shall be aware that Gulf Power Company's standard offer contract and tariff may be subject to a request for hearing, and if a hearing is held, may subsequently be revised. It is further

ORDERED that if no timely protest is filed and this Order becomes final, then this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 26th day of June, 2012.



ANN COLE  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 17, 2012.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Docket No. 120071-EQ  
Date: June 7, 2012

Attachment A



Section No. IX  
~~Third-Fourth~~ Revised Sheet No. 9.82  
Canceling ~~Second-Third~~ Revised Sheet No. 9.82

PAGE	EFFECTIVE DATE
2 of 16	June 14, 2011

(Continued from Schedule REF-1, Sheet No. 9.81)

#### LIMITATIONS:

Purchases under this schedule are subject to the Company's "General Standards for Safety and Interconnection of Cogeneration and Small Power Production Facilities to the Electric Utility System" and to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those Facilities that:

- A. Beginning upon the date, as prescribed by the FPSC, that a Renewable Standard Offer is deemed available, execute the Company's Renewable Standard Offer Contract for the purchase of firm capacity and energy; and
- B. Commit to commence deliveries of firm capacity and energy no later than the date specified by the Facility's owner or representative, or the anticipated in-service date of the Company's generating facility or purchased power resource ("Avoided Unit or Resource") that is designated herein. Such deliveries will continue for a minimum of ten (10) years from the anticipated in-service date of the Company's Avoided Unit or Resource up to a maximum of the life of the Company's Avoided Unit or Resource.

#### DETERMINATION OF FACILITY'S COMMITTED CAPACITY VALUE

Prior to execution of a Renewable Standard Offer Contract, or negotiated contract, between the Company and a Facility, the Company will determine the Facility's capacity value in relation to the Company's Avoided Unit or Resource during the term of the contract as provided in FPSC Rules 25-17.240 (2), 25-17.250 (1), and 25-17.0832 (3) and (4) F.A.C. If it is determined by the Company that the Facility will provide capacity value, then this capacity amount will be designated as the "Committed Capacity" and will be used as the basis for capacity payments to be received by the Facility from the Company during the term of the Renewable Standard Offer Contract.

#### RATES FOR PURCHASES BY THE COMPANY

Firm capacity is purchased in accordance with the provisions of paragraph A below at a unit cost, in dollars per kilowatt per month, based on the value of the Avoided Unit or Resource that Gulf has designated below for purposes of the Renewable Standard Offer. The Avoided Unit is currently designated as ~~366-349~~ MWs of Combustion Turbine generation with a June 1, 2022 anticipated in-service date. Energy is purchased at a unit cost, in cents per kilowatt-hour, at the Company's energy rates in accordance with the provisions of paragraph B below.

ISSUED BY: Mark Crosswhite

Docket No. 120071-EQ  
 Date: June 7, 2012

Attachment A



Section No. IX  
~~Fourth-Fifth~~ Revised Sheet No. 9.85  
 Canceling ~~Third-Fourth~~ Revised Sheet No. 9.85

<b>PAGE</b> 5 of 16	<b>EFFECTIVE DATE</b> June 14, 2011
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(Continued from Schedule REF-1, Sheet No. 9.84)

capacity payments made to the Facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1.

All capacity payments made by the Company prior to the anticipated in-service date of the Company's Avoided Unit or Resource are considered "Early Payments". The owner, owner's representative, or operator of the Facility, as designated by the Company, shall secure its obligation to repay, with interest, the accumulated amount of Early Payments to the extent that the cumulative present value of the capacity payments made to the Facility over the term of the contract exceeds the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1, or to the extent that annual firm capacity payments made to the Facility in any year exceed that year's annual value of deferring the Company's Avoided Unit or Resource in the event the Facility defaults under the terms of its Renewable Standard Offer Contract with the Company. The Company will provide to the Facility monthly summaries of the total outstanding balance of such security obligations. A summary of the types of security instruments which are generally acceptable to the Company is set forth in Paragraph C of the SPECIAL PROVISIONS Section below.

**MONTHLY CAPACITY PAYMENT RATE (MCR)  
 BASED ON GULF'S CURRENTLY SPECIFIED  
 AVOIDED UNIT OR RESOURCE**

<u>June - May Contract Period</u>	<u>Option 1 Normal \$/KW-MO</u>	<u>Option 2 Early \$/KW-MO</u>	<u>Option 3 Levelized \$/KW-MO</u>	<u>Option 4 Early Levelized \$/KW-MO</u>
2018 to 2019	0.00	<u>3,943.63</u>	0.00	<u>4,334.00</u>
2019 to 2020	0.00	<u>4,043.71</u>	0.00	<u>4,344.01</u>
2020 to 2021	0.00	<u>4,093.78</u>	0.00	<u>4,354.02</u>
2021 to 2022	0.00	<u>4,183.85</u>	0.00	<u>4,364.03</u>
2022 to 2023	<u>6,846.15</u>	<u>4,263.93</u>	<u>7,308.60</u>	<u>4,364.03</u>
2023 to 2024	<u>6,946.28</u>	<u>4,344.01</u>	<u>7,316.61</u>	<u>4,374.04</u>
2024 to 2025	<u>7,086.40</u>	<u>4,434.09</u>	<u>7,336.63</u>	<u>4,384.05</u>
2025 to 2026	<u>7,226.53</u>	<u>4,514.17</u>	<u>7,346.64</u>	<u>4,394.06</u>
2026 to 2027	<u>7,366.66</u>	<u>4,604.25</u>	<u>7,366.66</u>	<u>4,404.07</u>
2027 to 2028	<u>7,516.79</u>	<u>4,704.33</u>	<u>7,376.67</u>	<u>4,414.08</u>
2028 to 2029	<u>7,666.92</u>	<u>4,794.42</u>	<u>7,386.69</u>	<u>4,424.09</u>
2029 to 2030	<u>7,817.06</u>	<u>4,884.51</u>	<u>7,406.70</u>	<u>4,434.10</u>
2030 to 2031	<u>7,967.20</u>	<u>4,984.60</u>	<u>7,426.72</u>	<u>4,434.11</u>
2031 to 2032	<u>8,127.34</u>	<u>5,084.69</u>	<u>7,436.74</u>	<u>4,444.12</u>

ISSUED BY: Mark Crosswhite

Docket No. 120071-EQ

Date: June 7, 2012

Attachment A



Section No. IX  
~~Fourth-Fifth Revised Sheet No. 9.103~~  
 Canceling ~~Third-Fourth Revised Sheet No. 9.103~~

PAGE 7 of 18	EFFECTIVE DATE June 14, 2011
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(Continued from Standard Offer Contract, Sheet No. 9.102)

4.2.2 Actual Committed Capacity. The capacity committed by the Facility (Committed Capacity or CC) for the purposes of this Agreement is \_\_\_\_\_ kilowatts beginning \_\_\_\_\_, \_\_\_\_\_. The Facility is committing this amount of capacity based on its agreement and commitment that this capacity will maintain an Equivalent Availability Factor (EAF) of 95%. The EAF will be based on the economic operation of a combustion turbine generating facility (Avoided Unit) that Gulf has designated as the Avoided Unit for purposes of the Standard Offer. The Facility elects to receive, and the Company agrees to commence calculating, capacity payments in accordance with this Agreement starting with the first billing month following the date specified in this paragraph as the date on which capacity sales under this Agreement will begin.

4.2.3 Capacity Payments. The Facility chooses to receive capacity payments from the Company under Option \_\_\_\_\_ or \_\_\_\_\_ a customized payment stream as described in the Company's Schedule REF-1 of the Company Tariff for Retail Electric Service as it exists at the time this Agreement is properly submitted by the Facility to the Company as tendered acceptance of the Company Standard Offer. If the customized payment option is chosen by the Facility as the preferred capacity payment option, the details underlying the derivation of such payment stream will be described in an exhibit to this Standard Offer Contract.

The Capacity Payments to be made by the Company to the Facility are based upon the Avoided Unit that the Company has designated for purposes of the Standard Offer. The Capacity Payments to the Facility are based on a two unit Combustion Turbine generating facility with the following economic assumptions:

Size: <del>366-349</del> MW total	Installed Costs (2022): <del>\$875871</del> /kw
Discount Rate: <del>7.947.07</del> %	AFUDC Rate: <del>9.318.38</del> %
Annual Inflation: 1.96%	K-factor: <del>1.35021.3355</del>
Annual Capacity Factor: 10%	Fixed O & M: <del>\$8.008.52</del> /kw-yr
Equivalent Availability: 95%	Unit Life: 40 years

ISSUED BY: Mark Crosswhite