

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of revisions to
renewable energy tariff, by Florida Public
Utilities Company.

DOCKET NO. 120069-EQ
ORDER NO. PSC-12-0331-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 TARIFFS

BY THE COMMISSION:

Case Background

Florida Public Utilities Company (FPUC or Company) filed its petition for approval of an amended standard offer contract on March 30, 2012, 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.

Because FPUC does not own or operate any electric generating plants, FPUC does not have any planned generating unit that can be avoided. Therefore, Rule 25-17.250(1), F.A.C., requires FPUC to base the standard offer contract on avoiding or deferring a planned purchase. FPUC currently has purchased power agreements with Gulf Power Company (Gulf) for the Northwest Division and JEA for the Northeast Division. The rate schedules submitted, REN-1 and REN-2, reflect pricing for each division in accordance with the purchased power agreements for that region.

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

Analysis

Since FPUC does not generate any electric energy for sale to retail customers, FPUC does not file a Ten-Year Site Plan and has no planned unit that can serve as an avoided unit. Therefore, Rule 25-17.250(1), F.A.C., requires that the standard offer be based on avoiding or deferring a planned purchase. The standard offer contract provided by FPUC meets this

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requirement as it is based on avoiding or deferring planned purchases under the current electric purchased power agreements FPUC has with its suppliers, Gulf Power Company for the Northwest Division and JEA for the Northeast Division.

Northwest Division

FPUC submitted proposed revisions to the renewable energy tariff for the Northwest Division consisting of Sheet Nos. 18, 20, 21, and 23. These revisions are provided in type-and-strike form in Attachment A to this Order. The proposed rate schedule REN-1 (energy only pricing) for the Northwest Division is unchanged in all respects with one exception. The base fuel cost in the energy rate for FPUC's wholesale supplier was reduced from 5.056 cents per kWh (\$50.56 per MWh) to 4.840 cents per kWh (\$48.40 per MWh). The rate schedule REN-2 (energy and firm capacity pricing) for the Northwest Division remains the same. Payments for firm capacity from FPUC to the renewable provider remain at \$0.00 per kW of billing capacity.

FPUC's original contract with Gulf for delivery of power to the Northwest Division has no capacity payments to a renewable tariff for this region. The original purchased power agreement was executed in December 2006 and became effective January 1, 2008.¹ The terms of the purchased power agreement between FPUC and Gulf included a ratchet provision for computing the minimum capacity purchase, and as a result, the capacity payment to Gulf would not decrease from the amount initially established, even if the overall demand was subsequently reduced by conservation or the addition of renewable resources.

On January 26, 2011, FPUC filed a petition for approval of Amendment No. 1 to this contract which, among other modifications, lowered the minimum purchase threshold to 91 MW and eliminated the ratchet provision, allowing a renewable energy provider to contribute to avoiding additional capacity over and above 91 MW.² On June 14, 2011, we approved FPUC's petition for Amendment No. 1 to its purchased power contract for generation services between FPUC and Gulf.³

On July 12, 2011, the City of Marianna filed a petition for formal proceeding protesting the order approving Amendment No. 1. The City of Marianna's petition was dismissed with prejudice.⁴ Subsequently, the City of Marianna filed an administrative appeal to the Supreme Court on March 19, 2012, which is currently under review.

¹ See Order No. PSC-07-0476-PAA-EI, issued June 6, 2007, in Docket No. 070108-EI, In re: Petition for approval of agreement for generation services and related terms and conditions with Gulf Power Company for Northwest Division (Marianna) beginning 2008, by Florida Public Utilities Company.

² See Docket No. 110041-EI, In re: Request for Approval of Amendment No. 1 to the Agreement for Generation Services Between Gulf Power Company and Florida Public Utilities Company, by Florida Public Utilities Company.

³ See Order No. PSC-11-0269-PAA-EI, issued June 21, 2011, in Docket No. 110041-EI, In re: Request for Approval of Amendment No. 1 to the Agreement for Generation Services Between Gulf Power Company and Florida Public Utilities Company, by Florida Public Utilities Company.

⁴ See Order No. PSC-12-0056-FOF-EI, issued February 9, 2012, in Docket No. 110041-EI, In re: Request for Approval of Amendment No. 1 to the Agreement for Generation Services Between Gulf Power Company and Florida Public Utilities Company, by Florida Public Utilities Company.

On January 5, 2012, FPUC and Gulf filed a letter of agreement that Gulf would continue to invoice FPUC for capacity payments according to the rates and terms in the original purchased power agreement pending the outcome of the City of Marianna’s appeal of the order approving Amendment No. 1. Thereafter, payments will be subject to true-up if the order is affirmed.

Table 1 below shows the estimated payments to a renewable energy provider in the Northwest Division generating 50 MW at a capacity factor of 70 percent. This analysis assumes the original purchased power agreement at which Gulf is currently invoicing FPUC, pending appeals to Amendment No. 1, including the use of the existing ratchet provision discussed previously. Although no capacity payment was made for firm energy in the Northwest Division, the minimum performance requirement for the standard offer contract in the Northeast Division was used for this example. Because the original purchased power agreement between FPUC and Gulf ends in 2017, payments beyond 2017 cannot be calculated.

Table 1 - Estimated Annual Payments to a 50 MW Renewable Facility (70% Capacity Factor) in FPUC’s Northwest Division

Year	Energy	Renewable Provider Payments				
		Capacity Rate	Total Capacity Payments	Energy Rate	Total Energy Payments	Total Payments to Renewable Provider
		MWh	(\$/kW-mo)	(\$000)	(\$/MWh)	(\$000)
2013	306,600	0.00	0.00	51.25	15,713	15,713
2014	306,600	0.00	0.00	51.25	15,713	15,713
2015	306,600	0.00	0.00	51.25	15,713	15,713
2016	306,600	0.00	0.00	51.25	15,713	15,713
2017	306,600	0.00	0.00	51.25	15,713	15,713

Pending the final approval of Amendment No. 1, FPUC will be required to file, in a subsequent docket, a revision to its rate schedule REN-2 to offer capacity payments to renewable providers in its Northwest Division in the event its overall demand exceeds the contract minimum of 91 MW.⁵

Northeast Division

FPUC submitted proposed revisions to the renewable energy tariff for the Northeast Division consisting of Sheet Nos. 24, 26, 27, and 29. These revisions are provided in type-and-strike form in Attachment A of this Order. The proposed rate schedule REN-1 (energy only pricing) for the Northeast Division is unchanged in all respects with one exception. The base fuel cost in the energy rate for FPUC’s wholesale supplier was reduced from 5.064 cents per kWh (\$50.64 per MWh) to 4.774 cents per kWh (\$47.74 per MWh). The rate schedule REN-2 (energy and firm capacity pricing) for the Northeast Division also remains the same. Payments

⁵ See Order No. PSC-11-0296-TRF-EQ, issued July 8, 2011, in Docket No. 110089-EI, In re: Petition for Approval of Revisions to Renewable Energy Tariff, by Florida Public Utilities Company.

for firm capacity from FPUC to the renewable provider remain at the previous year's amount of \$11.38 per kW of billing capacity.

Table 2 below shows estimated payments to a renewable energy provider in the Northeast Division generating 50 MW at a capacity factor of 70 percent, the minimum performance requirement for the standard offer contract in the Northeast Division. As in the Northwest Division with Gulf, the term of the contract with JEA is limited such that only the amounts shown below can be determined at this time.

**Table 2 - Estimated Annual Payments to a 50 MW Renewable Facility (70% Capacity Factor)
in FPUC's Northeast Division**

Year	Energy	Renewable Provider Payments				
		Capacity Rate	Total Capacity Payments	Energy Rate	Total Energy Payments	Total Payments to Renewable Provider
		MWh	(\$/kW-mo)	(\$000)	(\$/MWh)	(\$000)
2013	306,600	11.38	6,828	47.74	14,637	21,465
2014	306,600	11.38	6,828	47.74	14,637	21,465
2015	306,600	11.38	6,828	47.74	14,637	21,465
2016	306,600	11.38	6,828	47.74	14,637	21,465
2017	306,600	11.38	6,828	47.74	14,637	21,465
2018	306,600	11.38	6,828	47.74	14,637	21,465

The payments for capacity and energy provided in the tariffs revisions are representative of FPUC's avoided cost. The payments for capacity and energy are based on FPUC avoiding or deferring planned purchases it would otherwise make from its wholesale suppliers. The provisions of the standard offer contract, including the tariffs revisions, are in compliance with Rules 25-17.200 through 25-17.310, F.A.C. Therefore, we find it appropriate to approve FPUC's standard offer contract and related tariffs.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Public Utilities Company's standard offer contract and related tariffs 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 tariffs shall remain in effect pending resolution of the protest. Potential signatories to the standard offer contract shall be aware that Florida Public Utilities Company's standard offer contract and tariffs

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.

PER

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.

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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.

ATTACHMENT "A"

Revised Tariff Sheets

Sheet Nos. 9.455, 9.457, 9.458, 9.467, 9.468

Docket No. 120067-EI

Date: June 7, 2012

Attachment A



SECTION No. IX
 FOURTH-FIFTH REVISED SHEET NO. 9.455
 CANCELS THIRD-FOURTH SHEET NO. 9.455

TABLE 3
 EXAMPLE MONTHLY CAPACITY PAYMENT IN \$/kW/MONTH
 PEF'S June 1, 2020-2019 Undesignated ~~CFCC~~
 Renewable or Qualifying Facility Standard Offer Contract Avoided Capacity Payments
 (\$/kW/MONTH)

Contract Year	Option A	Option B	Option C	Option D
	Normal Capacity Payment Starting on the Avoided Unit In-Service Date	Early Capacity Payment Starting on the Exemplary Capacity Payment Date	Levelized Capacity Payment Starting on the Avoided Unit In-Service Date	Early Levelized Capacity Payment Starting on the Exemplary Capacity Payment Date
20122013		2,246.16		2,517.05
20132014		2,256.30		2,527.06
20142015		2,296.44		2,527.07
20152016		2,346.58		2,527.08
20162017		2,396.73		2,527.08
20172018		2,436.88		2,537.09
20182019	12.85	2,487.04	14.00	2,537.10
20192020	13.14	2,537.20	14.02	2,537.11
20202021	5.6913.43	2,587.36	6.1314.03	2,547.12
20212022	5.8013.73	2,647.52	6.1414.05	2,547.13
20222023	5.9214.04	2,697.69	6.1514.07	2,557.14
20232024	6.0414.36	2,747.87	6.1514.08	2,557.14
20242025	6.1614.68	2,808.04	6.1614.10	2,557.15
20252026	6.2815.01	2,858.22	6.1714.12	2,567.16
20262027	6.4015.35	2,918.41	6.1814.14	2,567.17
20272028	6.5315.70	2,978.60	6.1914.15	2,567.18
2028	6.66	3.03	6.20	2.57
2029	6.80	3.09	6.20	2.57

- The Capacity Payment schedules contained in this Contract assume a term of ten years from the Avoided Unit In-Service Date. In the event the RF/QF requests a term greater than ten years but less than the Avoided Unit Life then PEF shall prepare a schedule of Capacity Payments for the requested term. Such Capacity Payment rates shall be calculated utilizing the value-of-deferral methodology described in FPSC Rule 25-17.0832(6).

ISSUED BY: Lori J. Cross, Manager, Regulatory Planning Florida
 EFFECTIVE:

Docket No. 120067-EI

Date: June 7, 2012

Attachment A



SECTION No. IX
~~FOURTH-FIFTH~~ REVISED SHEET NO. 9.457
 CANCELS ~~THIRD-FOURTH~~ SHEET NO. 9.457

For any period during which energy is delivered by the RF/QF to PEF, the Firm Energy Rate in cents per kilowatt hour (¢/kWh) shall be the following on an hour-by-hour basis: the lesser of (a) the As-Available Energy Rate and (b) the Avoided Unit Energy Cost. The Avoided Unit Energy Cost, in cents per kilowatt - hour (¢/kWh) shall be defined as the product of (a) the Avoided Unit Fuel Cost and (b) the Avoided Unit Heat Rate; plus (c) the Avoided Unit Variable O&M.

For the purposes of this agreement, the Avoided Unit Fuel Cost shall be determined from gas prices published in Platts Inside FERC, Gas Market Report, first of the month posting for Florida Gas Transmission ("FGT") Zone 3, plus other charges, ~~surcharges and percentages that are in effect from time to time, FGT may apply. An estimated and indicative rate range of such other charges (as provided by FGT and expressed as a 100% LF Rate (includes a Reservation Charge and a basic Usage Charge)) is \$1.35/MMBtu up to \$1.50/MMBtu. This estimated and indicative recourse rate range is subject to change. The stated estimated and indicative recourse rate range does not include FGT's Fuel Reimbursement Charge ("Fuel") which is estimated to be approximately 3.25% based upon the historical calendar 2009 average. The estimated and indicative recourse rate does not include any surcharges (i.e. ACA - \$0.019/MMBtu or UFS or any other unspecified future surcharges). FGT's Surcharges and Fuel percentages are collected in accordance with the terms and conditions of FGT's FERC approved tariff, in effect from time to time for service under FGT's proposed Rate Schedule FTS 3 which, at this time, has not been filed with or approved by the FERC.~~

The Parties may mutually agree to fix a minority portion of the base energy payments associated with the Avoided Unit and amortize that fixed portion, on a present value basis, over the term of the Contract. Such fixed energy payments may, at the option of the RF/QF, start as early as the Avoided Unit In-Service Date. For purposes of this paragraph, "base energy payments associated with the Avoided Unit" means the energy costs of the Avoided Unit to the extent that the Avoided Unit would have been operated. If this option is mutually agreed upon, it will be attached to this Contract in Appendix E.

ESTIMATED AS-AVAILABLE ENERGY COST

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. The following estimates include variable operation and maintenance expenses.

<u>Applicable Period</u>	<u>Average ¢/KWH</u>
April 1, 2011 2012 - September 30, 2011 2012	5.14.6
October 1, 2011 2012 - March 31, 2012 2013	4.53.8
April 1, 2012 2013 - September 30, 2012 2013	5.74.3

ISSUED BY: Lori J. Cross, Manager, Regulatory Planning Florida
 EFFECTIVE:

Docket No. 120067-EI
Date: June 7, 2012

Attachment A



SECTION No. IX
FOURTH FIFTH REVISED SHEET NO. 9.457
CANCELS ~~THIRD FOURTH~~ SHEET NO. 9.457

October 1, ~~2012-2013~~ – March 31,
~~2013~~2014

4.84.0

ISSUED BY: Lori J. Cross, Manager, Regulatory Planning Florida
EFFECTIVE:

Docket No. 120067-EI
 Date: June 7, 2012

Attachment A



SECTION No. IX
~~FOURTH-FIFTH~~ REVISED SHEET NO. 9.458
 CANCELS ~~THIRD-FOURTH~~ SHEET NO. 9.458

ESTIMATED UNIT FUEL COST

The estimated unit fuel costs listed below are associated with the Avoided Unit and are based on current estimates of the price of natural gas.

\$/MMBTU

<u>2012201</u>	<u>2013201</u>	<u>2014201</u>	<u>2015201</u>	<u>2016201</u>	<u>2017201</u>	<u>2018201</u>	<u>2019202</u>	<u>2020202</u>
<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>0</u>	<u>1</u>
<u>5.284.77</u>	<u>5.565.07</u>	<u>6.055.39</u>	<u>6.485.61</u>	<u>6.705.83</u>	<u>6.895.93</u>	<u>7.126.14</u>	<u>7.466.32</u>	<u>7.746.63</u>

DELIVERY VOLTAGE ADJUSTMENT

PEF's average system line losses are analyzed annually for the prior calendar year, and delivery efficiencies are developed for the transmission, distribution primary, and distribution secondary voltage levels. This analysis is provided in the PEF's semi-annual fuel cost recovery filing with the FPSC in Exhibit Schedule E1. An adjustment factor, calculated as the reciprocal of the appropriate delivery efficiency factor, is applicable to the above determined energy costs if the RF/QF is within PEF's service territory to reflect the delivery voltage level at which RF/QF energy is received by the PEF.

The current delivery voltage adjustment factors are:

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	<u>1.0191.0174</u>
Primary Voltage Delivery	<u>1.0291.0274</u>
Secondary Voltage Delivery	<u>1.06181.0593</u>

PERFORMANCE CRITERIA

Payments for firm Capacity are conditioned on the RF/QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the Avoided Unit In-Service Date.

B. Availability and Capacity Factor

The Facility's availability and capacity factor are used in the determination of firm Capacity Payments through a performance based calculation as detailed in Appendix A to the Contract.

ISSUED BY: Lori J. Cross, Manager, Regulatory Planning Florida
 EFFECTIVE:

Docket No. 120067-EI
 Date: June 7, 2012

Attachment A



SECTION No. IX
~~FOURTH FIFTH~~ REVISED SHEET NO. 9.467
 CANCELS ~~THIRD FOURTH~~ SHEET NO. 9.467

SCHEDULE 2
TO RATE SCHEDULE COG-2CAPACITY OPTION PARAMETERS
FIXED VALUE OF DEFERRAL PAYMENTS -
NORMAL CAPACITY OPTION PARAMETERS

Where, for one year deferral:

		<u>Value</u>
VAC_m	= PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	5.69 <u>12.85</u>
K	= present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.38 <u>1.422</u>
I_n	= total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of the Avoided Unit with an in-service date of year n;	703.60 <u>1648.02</u>
O_n	= total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of the Avoided Unit;	4.65 <u>8.24</u>
i_p	= annual escalation rate associated with the plant cost of the Avoided Unit;	2.00 <u>2.5%</u>
i_o	= annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;	2.00 <u>2.5%</u>
r	= annual discount rate, defined as PEF's incremental after-tax cost of capital;	6.75 <u>4.7%</u>
L	= expected life of the Avoided Unit;	25
n	= year for which the Avoided Unit is deferred starting with the Avoided Unit In-Service Date and ending with the Termination Date.	2020 <u>2019</u>

ISSUED BY: Lori J. Cross, Manager, Regulatory Planning Florida
 EFFECTIVE:

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SECTION No. IX
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**FIXED VALUE OF DEFERRAL PAYMENTS -
 EARLY CAPACITY OPTION PARAMETERS**

A_m	=	monthly avoided capital cost component of Capacity Payments to be made to the RF/QF starting as early as eight years prior to the Avoided Unit In-Service Date, in dollars per kilowatt per month;	<u>2,065.83</u>
i_p	=	annual escalation rate associated with the plant cost of the Avoided Unit;	<u>2.0025%</u>
n	=	year for which early Capacity Payments to a RF/QF are to begin;	<u>20+22013</u>
F	=	the cumulative present value of the avoided capital cost component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued for a period of 10 years;	<u>290.42789.9</u> <u>4</u>
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	<u>6.7547%</u>
t	=	the Term, in years, of the Contract for the purchase of firm capacity commencing prior to the in-service date of the Avoided Unit;	<u>1816</u>
G	=	the cumulative present value of the avoided fixed operation and maintenance expense component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued until the Termination Date.	<u>21.2344.61</u>

ISSUED BY: Lori J. Cross, Manager, Regulatory Planning Florida
 EFFECTIVE: