

Post Workshop Comments of the Florida Pulp and Paper Association

Docket 080503-EI

Establishment of Rule on Renewable Portfolio Standard

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Submitted by:

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About the Florida Pulp and Paper Association:

The Florida Pulp and Paper Association (FPPA) is a non-profit association of seven manufacturing companies in the business of producing pulp, paper, and solid wood products in the State of Florida. Our membership is comprised of the following companies:

Smurfit-Stone, Jacksonville

Smurfit-Stone, Fernandina

Smurfit-Stone, Panama City

Georgia-Pacific, Palatka

International Paper, Pensacola

Rayonier, Fernandina

Buckeye Technologies, Perry

FPPA member companies are part of the larger Florida forest products industry which employs a total of 41,000 workers, about 6 percent of all manufacturing jobs in the state. Our industry produces a wide variety of high value, consumer products based on the use of wood resources. The shipped value of these products is over \$6 billion, much of which is exported to overseas markets.

The FPPA recognizes the Florida Public Service Commission has been charged by the Legislature with crafting a set of rules to create Renewable Portfolio Standards (RPS) subject to review by the 2009 Legislature. The Association applauds the thoughtful approach taken in the staff's proposed rule to balance so many conflicting concerns. The Associations comments are directed toward ensuring a balance between encouraging greater utilization of renewable energy, specifically woody biomass materials, while at the same time recognizing the physical limits of the current harvest areas in Florida to produce additional woody biomass for electric generation.

Background:

The FPPA has extensive experience in the utilization of woody biomass as a renewable energy source in both electric generation and as an fuel input into industrial production of high value, consumer pulp and paper products. The livelihood of this industry is entirely dependent on managing, cultivating and ensuring a sustainable source of woody biomass product which can be used in our production facilities. Woody biomass is defined as trees including limbs, branches and leaves.

Several members of the FPPA have provided technical data from the United States Forestry Serviced on the amounts of woody biomass materials that can currently be harvested from Florida's pine and hardwood forest without seriously imperiling the long term health and sustainable yield of both regional and statewide forests. For this reason, any renewable portfolio standard that creates an incentive to utilize substantially greater volumes of woody biomass in new electric production facilities can have severe, adverse consequences. We believe the State of Florida's Department of Agriculture and Consumer Services, Florida's Division of Forestry should monitor the sustainability of Florida's forests on a regional and state scale and advise the PSC and DEP when such forests are at risk of being over harvested. In addition, such a resource study could identify any underutilized wood fiber. Until a long term forest monitoring plan is in place, the FPPA recommends that the amount of electricity generated from woody biomass that may be sold as renewable energy credits be limited. This limitation is based on existing planted acreage and forest inventories that can be harvested without jeopardizing the long term sustainability of the forests.

It is generally recognized that biomass derived electric generation is considered "low hanging fruit" with respect to being economically competitive with traditional electric generation. The numerous contracts between investor owned utilities and biomass generators that have already been signed and approved by the FPSC and those purchase power agreements signed by municipal and cooperative utilities bear testament to this statement. Even without additional incentives such as creating a Renewable Energy Credit (REC) market, these types of projects are being developed in Florida with existing avoided cost contracts. Thus, there is already growing demand on existing forest resources.

The Florida Legislature recognized the resource depletion and degradation issue and in Section 113 of HB 7135 directed that the Department of Agriculture and Consumer Services and the Department of Environmental Protection to conduct an economic study "*on the effects of granting financial incentives to energy producers who use woody biomass as a fuel, including an analysis of effects on wood supply and prices and impact on current markets and forest sustainability.*" The study is due to the Speaker of the House, President of the Senate, and Governor by March 1, 2010.

Unfortunately, HB 7135 also directed the FPSC to establish financial incentives to encourage greater utilization of renewable resources by requiring the agency to propose an RPS prior to the completion of the study. FPPA acknowledges that issues raised in the study are not within the regulatory domain of the FPSC. Nonetheless, we do believe that the new legislation requiring the Commission to adopt renewable standards provides considerable discretion in how the Commission goes about setting those standards.

The FPPA suggests one approach to resolving the difficulty of encouraging additional biomass generation and yet balancing the existing forest resource base is provide a specific cap in the rule as to the amount of new electric production from woody biomass that could be eligible to sell

RECs. The FPPA provided information during the technical workshop from the United States Forestry Service that indicated that current Florida forestry could yield about 1.3 million wet tons of biomass per year without jeopardizing the sustainable yield. Since it takes 20 years for a productive woody biomass growth to reach harvest maturity, the early years RPS targets should limit the REC certification status of new woody biomass electric generation to that amount that can be supported with existing planted acreage. As planted acreage increases, the certification of new woody biomass generation can be increased. This suggested cap is based on the harvest potential of existing slash pine and hardwood forests in the North Florida region only for the early years of the RPS targets. This number is based on the estimate existing, sustainable woody biomass availability for year 2008.

It is important to note this suggestion does not restrict in any manner the development of dedicated biomass crops such as E-grasses, the utilization of waste biomass or underutilized wood resources, or the use of other agricultural by-products for electric generation.

Finally, FPPA suggests that Section 17.410 (2)(a)4. of the proposed rule be clarified such that onsite use of renewable energy that is being used internally that could be directed toward electric production be eligible for REC status. Certification and verification of the eligibility of such onsite uses would be done by the REC market administrator.

Below is Section 17.410 of the proposed rule FPPA's suggestions highlighted in type-strike. The FPPA appreciates this opportunity to file post workshop comments.

II. Florida Renewable Energy Credit Market

17.410 Florida Renewable Energy Credit Market.

(1) Investor-owned electric utilities shall establish and administer, subject to Commission approval pursuant to subsection (4), an electronic renewable energy credit market. The renewable energy credit market shall allow for the transparent production, buying, selling, and trading of renewable energy credits used to comply with the renewable portfolio standards of Rule 25-17.400, F.A.C. All records associated with the production of and the buying, selling, or trading of renewable energy credits shall be available to the Commission for audit purposes.

(a) Investor-owned electric utilities are encouraged to collectively establish and contract with an independent not-for-profit corporation for the development, administration, and maintenance of a Florida Renewable Energy Credit Market.

(b) Municipal electric utilities and rural electric cooperative utilities are encouraged to participate in the Florida Renewable Energy Credit Market.

(c) The administrative costs associated with the Florida Renewable Energy Credit Market shall be collected either through membership dues, certification fees, or administrative fees assessed to a renewable energy credit. Fees shall be fair, equitable, and cost-based.

(2) Each investor-owned electric utility shall comply with the renewable portfolio standards approved by the Commission pursuant to Rule 25-17.400, F.A.C., through the production or purchase of renewable energy credits.

(a) The following entities are eligible to produce renewable energy credits that may be counted toward the renewable portfolio standard:

1. Investor-owned electric utility Florida owned renewable energy resources;
2. Municipal electric utility and rural electric cooperative utility owned Florida renewable energy resources;
3. Non-utility Florida renewable energy resources providing net capacity and energy under a purchase power agreement to a Florida electric utility;
4. Non-utility Florida renewable energy resources greater than 2 megawatts providing on site generation to offset all or a part of the customer's electrical and **thermal needs**.
- _____ 5. Non-utility Florida renewable energy resources greater than 2 megawatts providing equivalent solar thermal energy to offset all or a part of the customer's electrical needs;
6. Customer-owned Florida renewable energy resources, 2 megawatts or less, that have not received incentives from a Commission-approved demand-side conservation program pursuant to the Florida Energy and Efficiency Conservation Act, Sections 366.80-.85 and 403.519, F.S.

(b) A renewable energy credit is retained by the owner of the eligible Florida renewable energy resource from which it was derived unless specifically sold or transferred.

(c) A renewable energy credit shall be valid for two years after the date the corresponding megawatt-hour or equivalent solar thermal energy was generated. A renewable energy credit from a customer-owned renewable system less than 2 megawatts shall be valid for two years after the date the renewable energy credit is certified. However, a renewable energy credit shall be retired after it is used to comply with the Florida or any other state, regional or federal renewable portfolio standard.

(d) Renewable energy credits shall not be used for compliance with the Florida renewable portfolio standard if the renewable energy credit or its associated energy has already been

counted toward compliance with any other state or federal renewable portfolio standard.

(e) Renewable energy credits shall not be used for compliance with the Florida renewable portfolio standard if the renewable energy credit results from a Commission-approved demand-side conservation program pursuant to the Florida Energy Efficiency and Conservation Act, Sections 366.80-.85 and 403.519, F.S.

(f) For the first five years after adoption of this rule, the number of renewable energy credits that can be sold from all renewable generators that commence construction of new facilities after July 1, 2009 and whose total fuel input for the facility use exceeds 50 percent woody biomass from trees, limbs, and branches shall be limited to a cumulative of 1,170,000 megawatt-hours per year for the first five years. This restriction does not apply to any repowering or upgrades of existing biomass generators.

(3) Initially, the price of each renewable energy credit shall be capped at the equivalent of \$16 per ton of net greenhouse gas emissions (GHG) reduced by Florida renewable energy resources relative to the GHG emissions otherwise emitted by the utility. The price cap shall be reevaluated or phased out upon adoption of a state or federal cap and trade system.

(4) Within 90 days from the effective date of this rule, the investor-owned electric utilities shall file for Commission approval the structure, governance, and procedures for administering the renewable energy credit market. The compliance filing shall, at a minimum, provide provisions for the following:

(a) a mechanism to buy, sell, and trade renewable energy credits generated by utilities and Florida renewable energy resources;

(b) the aggregation of renewable energy credits for customer-owned Florida renewable energy

resources;

- (c) the certification and verification of renewable energy credits as defined in Rule 25-17.400(2)(f), F.A.C., including renewable energy credits resulting from Equivalent Solar Thermal Energy as defined in Rule 25-17.400(2)(k), F.A.C.;
- (d) an accounting system to verify compliance with the renewable portfolio standard; and
- (e) a method to record each transaction instantaneously, and to indicate whether the renewable energy credit is associated with a Class I or Class II renewable energy source as defined in Rule 25-17.400(2)(d) and (e), F.A.C.

Specific Authority 350.127(2), 366.05(1), FS. Law Implemented 366.02(2), 366.04(2)(c), (5), (6), 366.041, 366.05(1), 366.81, 366.82(1),(2), 366.91(2), 366.92 FS. History–New XX-XX-08.