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September 5, 2008

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Ms. Cole:

Re: Docket No. 080503-EI

Attached is Gulf Power Company's post workshop comments for the August 20 and 26, 2008 Renewable Portfolio Standards workshops.

Sincerely,

A handwritten signature in black ink that reads "Susan D. Ritenour". The signature is written in a cursive style.

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Attachment

cc: Beggs and Lane
Jeffrey A. Stone

Gulf Power Company's Post Workshop Comments
August 26, 2008 Renewable Portfolio Standard Workshop
Docket No. 080503-EI

As stated at the August 26 workshop, Gulf Power is generally supportive of the draft rules and believes that they strike an appropriate balance between and among each of the overall objectives of section 366.92, Florida Statutes. Specifically, Gulf supports the use of in-state renewable energy credits as a compliance mechanism, a 1% revenue cap to limit customer bill impact, reasonable goals based on a valid state-wide assessment, and the use of multipliers to encourage solar and wind. Attached hereto as Exhibit "A" is a redline/strikeout version of the draft rules reflecting each of Gulf's proposed changes along with a section by section explanation of the bases for such changes. Rather than discussing each of the changes reflected in the redline here, Gulf would like to take this opportunity to reiterate and expand upon several of the more fundamental issues raised by the Company at the workshop.

A. Cost Recovery for Self-Built Renewable Generation

Gulf strongly supports broadening the cost-recovery portion of staff's proposed Rule 25-17.400 to allow reasonable recovery of costs associated with the construction of utility-owned renewable generation or the conversion of existing facilities into renewable generation. In its current form, the rule does not provide for the timely recovery of costs associated with building very small generating projects, on the order of 3MW and up. Gulf views this as a significant disincentive to utilities and to the further development of renewable energy generation in Florida. Gulf believes that the Commission possesses statutory authority to allow cost recovery for self-built generation or the conversion of existing facilities into renewable generation. Specifically, section 366.92(3)(b)1 provides, in relevant part, that "[t]he commission shall have rulemaking authority for providing annual cost-recovery and incentive-based adjustments to authorized rates

of return on common equity to providers to incentivize renewable energy.” Section 366.92(3)(b)1 does not limit cost recovery to the cost of RECs. In fact, section 366.92(3)(b)1 specifically references compliance with the renewable portfolio standard through “direct supply or procurement of renewable power or through the purchase of renewable energy credits.” (emphasis supplied). Gulf does not believe that section 366.92(4), which mandates full cost recovery for up to a total of 110 megawatts of zero greenhouse gas emitting generation, limits the Commission’s authority to permit cost recovery for additional self-built renewable generation. This section simply requires cost recovery for a limited number of zero greenhouse gas emitting projects. If the Commission chooses to enact rules providing for cost recovery in other instances, it remains free to do so. This conclusion is certainly consistent with the objectives of section 366.92, including the objective of promoting the development of renewable energy in the state of Florida. This is not to say that the Commission may not or should not impose appropriate limitations on cost recovery for self-built projects, including size limitations and measures to ensure that such projects are cost-effective. Gulf suggests a maximum size of 100MW for cost-recovery under this rule. The Commission’s previously collected renewable energy data for Florida suggests that this is a reasonable upper limit for nearly all forms of renewable energy generation. Gulf also suggests that cost-effectiveness of units falling within the scope of Rule 25-22.082 (the “Bid Rule”) should be determined through the RFP process established by the Bid Rule. Cost-effectiveness of units not falling within the scope of the Bid Rule should be determined by using avoided cost plus the average price of RECs, where the “average price of RECs” is defined as the simple average price of all RECs produced and sold in Florida in the prior 12 months. This is a self governing mechanism – as REC prices decline over time, fewer self-build projects are cost-effective. As REC prices climb, more self-build projects

become cost-effective. The top end would be limited by any cap on REC prices such as the one staff has proposed with the \$16/ton of CO₂ limit in the strawman.

During the August 26th workshop, questions arose concerning the appropriate mechanism for recovery of costs associated with self-build options. (Transcript p. 366-67). Gulf proposes the creation of a separate clause dedicated to recovery of costs related to renewable energy, including costs of purchasing RECs and administering a REC market, costs of renewable fuel and costs of capital. The establishment of an independent cost recovery clause would obviate the need to provide for recovery of the costs associated with the purchase of RECs through the environmental cost recovery clause as currently proposed in section 17.400(5) of the strawman. Additionally, such an approach would combine all aspects of cost recovery associated with production or purchase of renewable energy in one clause which could centralize and simplify tracking, recording and reporting such costs. In the event that the Commission is unwilling to establish an independent clause, an alternative approach would be to allow recovery of REC costs through the environmental cost recovery clause, renewable fuel costs through the fuel cost recovery clause and to expand the capacity cost recovery clause to allow recovery of capital costs associated with self-build projects.

B. Removal of Reference to “Florida Renewable Energy Resources”

Gulf proposes aligning the types of renewable energy sources which qualify under the rules with the definition of “renewable energy” in sections 366.91(2)(d) and 366.92(2)(c), Florida Statutes.

As discussed during the workshop, section 366.92 provides definitions for “renewable energy” and “Florida renewable energy resources.” See, 366.92(2)(c) and (a), respectively. “Renewable energy,” as defined in 366.92(2)(c) –which incorporates the definition found in

section 366.91(2)(d)-- is limited to “electrical energy” produced from a variety of renewable energy sources. However, “Florida renewable energy resources” as defined in 366.92(2)(a) -- which incorporates the definition of renewable energy found in section 377.803(4) -- includes “electrical, mechanical or thermal energy” produced from a variety of renewable energy sources. (emphasis supplied).

In discussing the parameters of the RPS, section 366.92 relies exclusively on the definition of “renewable energy” found in section 366.91. See, e.g., §§ 366.92(1), 366.92(2)(c), 366.92(2)(d), 366.92(2)(e), 366.92(3), 366.92(3)(b)1, 366.92(3)(b)2, and 366.92(3)(b)3. Other than its inclusion in the definitions section of 366.92, the term “Florida renewable energy resources” does not appear elsewhere in the statute. Gulf believes that the term “Florida renewable energy resources” was “orphaned” when section 366.92 was amended by House Bill 7135 to delete then-section 366.92(3) which did utilize the term “Florida renewable energy resources.” Gulf believes that mechanical and thermal energy systems are best handled under FEECA and proposes striking references to “Florida renewable energy resources” from proposed rules 25-17.400, 25-17.410 and 25-17.420 and limiting qualifying energy sources to those included in the statutory definition of “renewable energy,” in section 366.91(2)(d). This is consistent with the RPS statute and the amendments to FEECA. Specifically, the term “Florida renewable energy resources” appears in section 366.82(1)(b) which defines “Demand-side renewable energy.” If the term “Florida renewable energy resources” continues to be the basis for RPS compliance as proposed in staff’s strawman, the Commission must consider how it will handle “mechanical energy” and other “thermal energy” sources that will claim rights to RECs. A farmer who places a water wheel in his stream and links it directly to a fan in his chicken house would qualify under the “Florida renewable energy resources” definition. How would the

energy from such a project be measured accurately enough to maintain financial integrity in the REC trading market? Every industrial plant in Florida that captures and reuses thermal energy would qualify under the “Florida renewable energy resources” definition. How would this reused thermal energy be measured with enough consistency and accuracy to maintain financial integrity in the REC trading market?

During the August 26th workshop, questions also arose concerning the difference in economic benefits under FEECA versus a REC market to customers who own a solar thermal water heating system. Under some basic assumptions about estimated energy captured by a typical solar thermal water heating system in Northwest Florida (2,600kWh equivalent per year per residence), REC price capped at \$16/ton CO₂ (equivalent to 3.2 cents per kWh for Gulf Power), estimated annual verification costs (\$50 per year), life of a solar thermal water heating system (20 years), and a discount rate (8%), Gulf estimates that the NPV of selling RECs from a residential solar thermal water heating system over 20 years would be about \$325. Benefits to a customer installing a solar thermal water heating system under a FEECA program are unknown at this time. However, Gulf Power’s pilot program now under consideration by the commission includes an up-front rebate substantially higher than this estimated REC payment stream. A customer who installs a solar thermal water heater would reasonably be expected to prefer a certain up-front rebate-type payment rather than a set of uncertain REC payments over 20 years. Additionally, a one-time up-front payment which constitutes one transaction is much more administratively efficient and cost-effective than the 20 verifications, 20 REC issuances, 20 REC sales transactions, and 20 payments required over the 20 year life of one solar thermal water heating system.

C. Compliance Issues

In its current form, section 17.400(4)(a) provides that the Commission “shall consider excusing” compliance with the standards when an investor owned utility can demonstrate that either (1) the supply of renewable energy or RECs is not adequate to satisfy the demand for such energy or (2) the utility’s cost of securing renewable energy or RECs has exceeded one percent of the utility’s total annual retail revenues. Gulf proposes two revisions to this section. First, Gulf submits that the words “total annual retail revenues” should be stricken and replaced with “total annual revenue from retail sales of electricity.” This revision is consistent with the reference to “total annual retail electricity sales” in the definition of the RPS in section 366.92(2)(e) and ensures that only revenue from retail sales of electricity is used in calculating the cap.

Additionally, Gulf proposes changing the words “shall consider excusing” to “shall excuse.” This provides the utilities with a needed degree of regulatory certainty and is consistent with the directive of section 366.92(3)(b)2 that the Commission “shall provide for appropriate compliance measures and the conditions under which noncompliance shall be excused...” (emphasis supplied).

Finally, there was discussion at the workshop concerning methods to ensure compliance with the standards, including the use of penalties. Gulf disagrees with the position taken by some commentators that the rule must expressly provide for penalties in the event of non-compliance. The Commission already possesses authority to enforce its rules and to penalize or reward utilities accordingly. As Staff recognizes in its Summary of Draft Rules, section 366.92 does not expressly address penalties for non-compliance, nor does it address how funds derived from such penalties would be used. Gulf interprets the language in section 366.92(3)(b)2

directing the Commission to “provide for appropriate compliance measures” to require promulgation of clear standards and methods to verify that those standards have been met –e.g., REC tracking/verification and utility reporting requirements. Gulf does not interpret this section to require imposition of penalties.

DRAFT 8/11/08

I. Renewable Portfolio Standard

17.400 Florida Renewable Portfolio Standard

(1) Application and Scope.

(a) The Commission shall establish numerical portfolio standards for each investor-owned electric utility that will promote the development of renewable energy, protect the economic viability of existing renewable energy facilities, diversify the types of fuel used to generate electricity in Florida, lessen Florida's dependence on fossil fuels for the production of electricity, minimize the volatility of fuel costs, encourage investment in the state, improve environmental conditions, and minimize the costs of power supply to electric utilities and their customers.

(b) After approval of the initial renewable portfolio standards, the Commission shall review and set renewable portfolio standards for each investor-owned electric utility at least once every five years. The Commission on its own motion, or upon petition by a substantially affected person or a utility, shall initiate a proceeding to review and, if appropriate, modify the renewable portfolio standards and multipliers. All modifications of the approved renewable portfolio standards and the associated compliance plans shall only be on a prospective basis.

(c) In a proceeding to establish or modify the renewable portfolio standards, each investor owned electric utility shall propose numerical renewable portfolio standards based on an analysis of the technical and economic potential for ~~Florida~~ renewable energy ~~resources- production in Florida.~~ ~~to provide reasonably achievable and affordable annual energy (KWH) savings.~~

(2) Definitions.

~~(a) "Florida renewable energy resources," means electrical, mechanical, or thermal energy produced from a method that uses one or more of the following fuels or energy sources:~~

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~~hydrogen, biomass, solar energy, geothermal energy, wind energy, ocean energy, waste heat, or hydroelectric power that is produced in Florida.~~

(ab) “Renewable energy,” means electrical energy produced from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, and hydroelectric power. The term includes the alternative energy source, waste heat, from sulfuric acid manufacturing operations.

(be) “Biomass,” means a power source that is comprised of, but not limited to, combustible residues or gases from forest products manufacturing, waste, ~~byproducts~~, or ~~co~~-products from agricultural and orchard crops, waste or co-products from livestock and poultry operations, waste or byproducts from food processing, urban wood waste, municipal solid waste, municipal liquid waste treatment operations, and landfill gas.

(cd) “Class I renewable energy source,” means ~~Florida~~ renewable energy ~~resources produced in Florida derived~~ from wind or solar energy ~~systems~~.

(de) “Class II renewable energy source,” means renewable energy ~~derived from produced in Florida from~~ renewable energy ~~resources other than wind or solar energy systems~~.

(ef) “Renewable Energy Credit,” or “REC” means a ~~financial instrument product~~ that represents the unbundled, separable, renewable attribute of renewable energy ~~or equivalent solar thermal energy~~ produced in Florida and is equivalent to one megawatt-hour of electricity generated by a source of renewable energy located in Florida.

(fg) “Renewable Portfolio Standard,” or “RPS” means the minimum percentage of total annual retail electricity sales by an investor-owned electric utility to consumers in Florida that shall be supplied by renewable energy produced in Florida.

(h) “Solar Energy System,” means equipment that provides for the collection and use of

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~~incident solar energy for water heating, space heating or cooling, or other applications that would normally require a conventional source of energy such as petroleum products, natural gas, or electricity that performs primarily with solar energy. In other systems in which solar energy is used in a supplemental way, only those components that collect and transfer solar energy shall be included in this definition.~~

~~(i) "Solar Photovoltaic System," means a device that converts incident sunlight into electrical current.~~

~~(j) "Solar thermal system," means a device that traps heat from incident sunlight in order to heat water.~~

~~(k) "Equivalent Solar Thermal Energy," means the conversion of the thermal output, measured in British Thermal Units, of a solar thermal system to equivalent units of one megawatt hour of electricity otherwise consumed from or output to the electric utility grid.~~

(3) Renewable Portfolio Standard. Within 90 days of the effective date of this rule, and not less than every five years thereafter, each investor-owned electric utility shall file for approval by the Commission proposed renewable portfolio standards based on an analysis of the technical and economic potential of Florida renewable energy resources in for each utility's service area.

(a) Initially, each investor-owned utility shall submit proposed annual renewable portfolio standards which meet or exceed the following long term standards through the production or purchase of renewable energy credits pursuant to Rule 17.410, F.A.C.:

1. by January 1, 2010: 2 percent of the prior year's retail electricity sales;
2. by January 1, 2017: 3.75 percent of the prior year's retail electricity sales;
3. by January 1, 2025: 6 percent of the prior year's retail electricity sales;
4. by January 1, 2050: 20 percent of the prior year's retail electricity sales.

Options for Wind & Solar Preference:

OPTION I:

~~(b) By January 1, 2017, a minimum of 25% of the renewable portfolio standard shall be provided from Class I renewable energy sources;~~

OPTION II:

~~(b) By January 1, 2017, a minimum of 20% of the renewable portfolio standard shall be provided from Class I solar photovoltaic or solar thermal systems and 5% of the renewable energy portfolio standard shall be provided by Class I wind energy systems;~~

OPTION III:

~~(b) For purposes of compliance with the renewable portfolio standards, a multiplier, initially set at of 5, shall be applied to all renewable energy credits produced from each Class I renewable energy sources for the life of the generating source or 20 years whichever is less and up to a maximum of -until the first year in which they represent, in aggregate,- 25% of the annual Renewable Portfolio Standard.~~

~~(c) Each investor-owned electric utility proposed renewable portfolio standard filing shall, at a minimum, contain the following:~~

- ~~1. Current and ten-year forecast of installed capacity in kilowatts for each Florida renewable energy resource;~~
- ~~2. Levelized life-cycle cost in cents per kilowatt-hour for each Florida renewable energy resource;~~
- ~~3. Current and ten-year forecast of the effects of the renewable portfolio standard on the reduction of greenhouse gas emissions in Florida;~~
- ~~4. Current and ten-year forecast of the effects of the renewable portfolio standard on~~

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economic development in Florida; and

5. Current and ten-year forecast of the estimated retail rate impact for each class of customers of the proposed renewable portfolio standard.

(4) Compliance.

(a) In approving the proposed renewable portfolio standards and enforcing compliance with the approved renewable portfolio standards, the Commission shall ~~consider~~ excuse ~~ing~~ an investor-owned electric utility from compliance with any renewable portfolio standard based upon a showing that:

1. the supply of renewable energy or renewable energy credits is not adequate to satisfy the demand for such energy; or

2. the cost of securing renewable energy or renewable energy credits was prohibitive such that the total costs for compliance with the renewable portfolio standard exceeded one percent of the investor-owned electric utility's ~~total annual revenue from retail sales of electricity~~ ~~total annual retail revenues~~.

(b) Any utility requesting to be excused from meeting its renewable portfolio standard must submit its request along with the annual report required by Rule 25-17.400(6), F.A.C.

(5) Cost Recovery. Reasonable and prudent costs associated with the ~~production~~ ~~vision~~ or purchase of renewable energy credits to meet the utility's renewable portfolio standards, including administrative costs of the Florida Renewable Energy Credit Market, shall be recovered through the ~~Environmental Cost Recovery~~ ~~Renewable Energy Cost Recovery~~ clause.

(6) Reporting Requirements. Each investor-owned electric utility shall file with the Commission an annual report no later than April 1 of each year for the previous calendar year.

Each investor-owned electric utility's report shall include the following:

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- (a) the retail sales of the prior year in megawatt-hours;
- (b) the quantity of self-generated renewable energy in megawatt-hours separated by fuel type;
- (c) the quantity of renewable energy purchased in megawatt-hours, separated by type of ownership and fuel type;
- (d) the quantity and vintage of self-generated renewable energy credits;
- (e) the quantity and vintage of renewable energy credits purchased;
- (f) the fuel type and ownership of the ~~Florida~~-renewable energy resource associated with each renewable energy credit;
- (g) a statement as to whether it was in compliance with the renewable portfolio standard in the previous calendar year; and
- (h) the utility's plan for additional ~~generation-production~~ or ~~procurement-purchase of renewable energy credits~~ to meet the renewable portfolio standard for the current calendar year and the following two years.

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.

DRAFT 8/11/08

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, and retirement~~ 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, or retirement~~ of renewable energy credits shall be available to the Commission for audit purposes.

(a) Investor-owned electric utilities are encouraged to collectively establish ~~an organization or 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:

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1. Investor-owned electric utility ~~owned Florida-owned~~ renewable energy resources producing renewable energy in Florida;

2. Municipal electric utility and rural electric cooperative utility owned ~~Florida~~ renewable energy resources producing renewable energy in Florida;

3. Non-utility ~~Florida-owned~~ renewable energy resources providing net capacity and energy under a purchase power agreement to a Florida electric utility and producing renewable energy in Florida;

4. Non-utility ~~Florida-owned~~ renewable energy resources greater than 2 megawatts providing on site renewable energy generation in Florida to offset all or a part of the customer's electrical 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;~~

56. Customer-owned ~~Florida~~ renewable energy resources, 2 megawatts or less, that have not received incentives benefited 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. and are producing renewable energy in Florida.

~~(b) Each renewable energy credit producer shall bear the cost of metering and verifying all renewable energy produced.~~

~~(cb) 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.~~

~~(de) A renewable energy credit shall be valid for ~~two-three~~ 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

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be retired after it is used to comply with the Florida or any other state, regional or federal renewable portfolio standard.

(ed) 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.

(fe) Renewable energy credits shall not be used for compliance with the Florida renewable portfolio standard if the renewable energy ~~credit generator benefited 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.

(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 ~~90-180~~ 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~~, and ~~retire~~ renewable energy credits generated by ~~utilities and Florida renewable energy resources~~; ~~eligible renewable energy sources as defined in 17.410(2)(a)F.A.C.~~

(b) the aggregation of renewable energy credits ~~from for~~ customer-owned ~~Florida~~-renewable energy ~~resources~~ ~~producing renewable energy in Florida~~;

(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~~

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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 promptly~~, 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.

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III. Municipal and Rural Electric Coop Reporting

25-17.420 Municipal Electric Utility and Rural Electric Cooperative Renewable Energy Reporting

(1) Each municipal electric utility and rural electric cooperative utility shall file with the Commission an annual report no later than April 1 of each year for the previous calendar year.

Each utility's report shall include the following:

(a) the retail sales of the prior year in megawatt-hours;

(b) the quantity of self-generated renewable energy in megawatt-hours separated by fuel type;

(c) the quantity of renewable energy purchased in megawatt-hours, separated by type of ownership and fuel type;

(d) the quantity and vintage of self-generated renewable energy credits;

(e) the quantity and vintage of renewable energy credits purchased;

(f) the fuel type and ownership of the ~~Florida~~ renewable energy resource associated with each renewable energy credit;

(g) a statement as to whether the utility has adopted a renewable portfolio standard, or has any plans to conduct a proceeding to establish a renewable portfolio standard in the upcoming year.

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.

17.400 Florida Renewable Portfolio Standard

- (1)(a) Agrees with 366.92(1) so no changes are recommended.
- (1)(b) Add "...and multipliers..." to ensure they are updated periodically when RPS percentages are updated.
- (1)(c) Changes made to comport with RPS statute 366.92 which uses the term "renewable energy" throughout, not the term "Florida renewable energy resources". Also removes reference to "energy savings" which are not included in RPS statute and should be handled in the FEECA goals Docket rather than in the RPS.
- (2)(a) Delete entire paragraph.

The RPS law (366.92) does not use the term "Florida renewable energy resources" anywhere. In fact, it only uses the word "resources" in one place – 366.92(5) where municipals are discussed. The term "renewable energy" (as defined in 366.91(2)(d)) is used throughout the RPS statute. Only technologies falling under this definition of "renewable energy" should count toward compliance with the RPS. Specifically, solar thermal water heating (displacing electrical consumption) should not count toward the RPS because it isn't included in the definition of "renewable energy" – it isn't "electrical energy produced from..." However, solar thermal water heating (displacing electrical consumption) should be considered in the FEECA goal setting Docket under "demand-side renewable energy". Note that using solar thermal energy to make electricity does fall within the definition of "renewable energy" in 366.91(2)(d).

1. The term "Florida renewable energy resources" was used in the old version of 366.92 in old paragraph (3) before HB7135 deleted that paragraph. The definition is now "orphaned" in this section of the law - it is not used in its own section (but is used elsewhere).
2. 366.92(2) and 366.92(2)(a) specifically says: 'As used in this section the term "Florida renewable energy resources" means...' This is an illogical construct because the term is not used at all in 366.92, the same section in which it is defined and said to apply.
3. The term "Florida renewable energy resources" was added to FEECA language 366.82(1)(b) by HB7135 to help define the term "demand-side renewable energy".
4. The term "Florida renewable energy resources" is used only twice in HB7135 – the 366.82(1)(b) FEECA definition of "demand-side renewable energy" and the 366.92(2)(a) definition of itself.
5. The term "Florida renewable energy resources" is defined by 377.803 (grants and rebates) – see 366.92(2)(a). The purpose of 377.801 through 377.806, including 377.803, is given in 377.802: "This act is intended to provide incentives for Florida's citizens, businesses, school districts, and local governments to take action to diversify the state's energy supplies,..." That is, 377.803 is a definition for providing grants and rebates to individuals and companies in the state – not for utility RPS compliance.

6. Customer-sited, electricity displacing renewable energy technologies such as solar thermal water heating are best handled in the FEECA Docket. Customer acceptance rates, measurement, and verification are some of the unique considerations of customer-sited, electricity displacing or avoiding programs that are already handled in the FEECA Docket. The FEECA statute was modified by HB7135 to emphasize the role of “Florida renewable energy resources” in that Docket further indicating that solar thermal water heating should be included there, rather than in the RPS.
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- (2)(c-*old*) Changes made to comport with definition of “biomass” in 366.91(2)(a)
 - (2)(d) Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”.
 - (2)(e) Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”.
 - (2)(f) Changes made to comport with definition of “renewable energy credit” in 366.92(2)(d).
 - (2)(g) Changes made to comport with definition of “renewable portfolio standard” in 366.92(2)(e).
 - (2)(h) Delete entire paragraph. Unnecessary – see comments on 17.400(2)(a). Was used in Class I and II definitions.
 - (2)(i) Delete entire paragraph. Unnecessary – see comments on 17.400(2)(a). Was used in Option II.
 - (2)(j) Delete entire paragraph. Unnecessary – see comments on 17.400(2)(a). Was used in Option II and the definition of “equivalent solar thermal energy.”
 - (2)(k) Delete entire paragraph. Unnecessary – see comments on 17.400(2)(a). Was used in 17.400(2)(f) definition of RECs and in 17.410(2)(a)5 eligibility and 17.410(2)(c) shelf life of RECs.
 - (3) Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”.

(3)(b)

Option I – Delete because it is an unnecessary mandate within a mandate. Additionally, the PV requirement is too high – constitutes about 75% of entire cost of RPS compliance. Even at 10%, PV requirement costs would constitute about 50% of entire cost of RPS compliance.

Option II – Delete because it is two unnecessary mandates within a mandate. Remove “...or solar thermal...” to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”.

Option III – Change sets multiplier at 5 as a start, allowing for changes in the future at the commission’s discretion. Change clarifies that multiplier will apply for the shorter of the life of the generating asset or 20 years – an important fiscal consideration for renewable generators. As originally written, multiplier could end in first year, rendering it useless. Change keeps limit, but doesn’t end it. PSC can end it on re-evaluation per suggested change in 17.400(1)(b).

(3)(c)1 Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”.

(3)(c)2 Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”.

(4)(a) Changes made to comport with RPS statute 366.92(3)(b)2.

(4)(a)2 Change ensures that only revenues from retail sale of electricity are used in calculating cap. Thus it excludes revenues from miscellaneous sources. Change agrees with language used in 366.92(2)(e).

(5) Change “provision” to “production” to agree with the phraseology used throughout the rule, i.e. “...the production or purchase of renewable energy credits...” found in sections 17.400(3)(a) and 17.410(2) and suggested in 17.400(6)(h). This change also allows utilities to recover, through the appropriate cost recovery clause, capital investment associated with utility-owned renewable energy production/generation. This is necessary because renewable energy generation projects are always small projects, e.g. 3MW landfill gas, 5MW wind, 10MW solar PV, or 40MW biomass plants. A new clause is suggested: Renewable Energy Cost Recovery clause.

(6)(f) Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”.

(6)(h) Change to agree with the phraseology used throughout the rule, i.e. “...the production or purchase of renewable energy credits...” found in sections 17.400(3)(a) and 17.410(2) and suggested in 17.400(5).

17.410 Florida Renewable Energy Credit Market

- (1) Add “retirement” to the list of actions taken on renewable energy credits.
- (1)(a) Add more flexibility for setting up REC trading market.
- (2)(a)1 Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”. Also ensures renewable energy is produced in the state of Florida.
- (2)(a)2 Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”. Also ensures renewable energy is produced in the state of Florida.
- (2)(a)3 Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”. Also ensures renewable energy is produced in the state of Florida.
- (2)(a)4 Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”. Also ensures renewable energy is produced in the state of Florida.
- (2)(a)5 Delete entire paragraph. Unnecessary – see comments on 17.400(2)(a).
- (2)(a)6 Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”. Also ensures renewable energy is produced in the state of Florida. Changes clarify that benefits from FEECA programs may be in forms other than incentives, e.g. rate structures (GoodCents Select). Since demand-side renewable energy programs have not yet been developed under FEECA it is uncertain what forms the benefits will take. Likewise, the term “conservation” is stricken because demand-side renewable energy programs have not yet been developed under FEECA, and it is likely these programs, not conservation programs, that will potentially overlap with the RPS.
- (2)(b-*new*) Ensures REC producer is not subsidized by others for M&V. Especially important for small, distributed producers where M&V costs will be proportionally higher.
- (2)(b-*old*) Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”.
- (2)(c-*old*) Solar thermal language unnecessary per changes made and explained in 17.400(2)(a). Don’t want two classes of RECs – should treat all the same for shelf life. Extends life of RECs to three years, adding more flexibility to the REC market.
- (2)(e-*old*) Changes clarify that benefits from FEECA programs may be in forms other than incentives, e.g. rate structures (GoodCents Select). Since demand-side renewable energy programs have not yet been developed under FEECA it is uncertain what forms the benefits will take. Likewise, the term “conservation” is stricken because demand-side renewable energy programs have not yet been developed under FEECA, and it is likely these programs, not conservation programs, that will potentially overlap with the RPS.

Explanation of Recommended Changes to Draft RPS Rules

Gulf Power Company
September 4, 2008

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- (4) Allow more time to develop REC trading market.
- (4)(a) Add “retirement” to the list of actions taken on renewable energy credits. Comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”. Reference eligible renewable energy sources previously defined.
- (4)(b) Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”.
- (4)(c) Solar thermal language unnecessary per changes made and explained in 17.400(2)(a).
- (4)(e) Change “instantaneously” to “promptly” so that the requirement can be met.

17.420 Municipal Electric Utility and Rural Electric Cooperative Renewable Energy Reporting

(1)(f) Changes made to comport with RPS statute 366.92 which uses the term “renewable energy” throughout, not the term “Florida renewable energy resources”.