Florida Public Service Commission
Rule Development Workshop

Renewable Portfolio Standard Issues

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Renewable Portfolio Standard Issues

- Oversight of RPS Implementation & Expenditures
- Recovery of Utility Investments in Renewables
- Alternative Compliance Payments
- Feed-In Tariffs
I. Oversight of RPS Implementation & Expenditures
Oversight of RPS Implementation & Expenditures

- Establishment and review of the RPS standards
- Oversight of utility RPS implementation plans
- Oversight of utility-owned renewable projects
- Approval of contracts with renewable generators
Establishment and Review of the RPS Standards
Establishment and Review of the RPS Standards

- Initial RPS standards established in the rulemaking proceeding

- The RPS standards would be reviewed at least once every five years
  - Data on utility compliance and costs
  - Analysis of the technical and economic potential of renewables
  - Determine whether utility compliance actions were appropriate
  - Review the RPS standards
Oversight of Utility RPS Implementation Plans
Oversight of Utility RPS Implementation Plans

- Each IOU will explain how they intend to meet the RPS
  - Utility-owned renewable projects
  - Contracts with renewable generators for capacity/energy/RECs
  - Contracts to purchase RECs only
- Plans subject to Commission approval
- Implementation efforts to be reported with Ten-Year Site Plans
Oversight of Utility-Owned Renewable Projects
Oversight of Utility-Owned Renewable Projects

- IOUs must select the renewable resource that is most likely to result in the least-cost option for ratepayers.

- IOUs must issue a request for proposals (RFP) for renewables at least every two years.

- RFP results included in Ten-Year Site Plans.

- This information will assist the Commission in reviewing requests for cost recovery of renewable projects.

Approval of Contracts with Renewable Generators
Approval of Contracts with Renewable Generators

- Renewable energy contracts may contain payment for:
  - Capacity
  - Energy
  - Renewable Energy Credits (RECs)

- Existing rules provide for Commission approval of contracts for the purchase of capacity and energy at rates that do not exceed the utility’s cost of generation.

- RECs, representing an additional payment to renewable generators, may be purchased through contracts:
  - Bundled with capacity and energy
  - Unbundled and purchased separately

II. Recovery of Utility Investments in Renewables
Recovery of Utility Investments in Renewables

- All IOU costs associated with renewable energy would be reviewed in the Renewable Energy Cost Recovery Clause
  - Utility-owned renewable energy resources
  - Renewable capacity and energy purchases
  - Renewable as-available energy purchases
  - Purchases and sales of RECs
  - REC market administrative costs

- Facilitates the Commission’s ability to
  - Track RPS compliance costs
  - Evaluate cost recovery issues for renewables
Recovery of Utility Investments in Renewables

- Under the RECR, IOUs would have an opportunity to earn a return on investments in renewable projects.

- IOUs may earn additional returns on rate base that would potentially be larger than it otherwise would be due to the inclusion of higher cost utility-owned renewables.

- Traditionally, costs of utility-owned renewable projects would be recovered through base rates.

- However, rate base treatment could create a disincentive for utilities to pursue renewable projects due to regulatory lag rate case complexity and expense.
III. Alternative Compliance Payments (ACPs)
Alternative Compliance Payments (ACPs)

- An ACP is an RPS compliance mechanism
- A utility may choose to pay the ACP in lieu of purchasing or producing sufficient RECs to meet the RPS
- This decision is dependent upon:
  - The ACP payment level versus the price of RECs
  - Cost recovery provisions of the RPS
- If the ACP is recoverable from ratepayers, the ACP acts as a cost containment and compliance measure
- If the ACP is not recoverable from ratepayers, the ACP acts as a penalty to shareholders for non-compliance with the RPS
Alternative Compliance Payments (ACPs)

- ACP funds are sent to a designated agency which allocates the funds to one or more of the following uses:
  - Renewable energy programs, including grants
  - Renewable research and development
  - Energy efficiency programs
  - Low-income assistance
  - Energy education programs
IV. Feed-in Tariffs
Feed-in Tariffs

- Typically a contract to purchase renewable energy at a fixed rate over a long term to improve the financial viability of renewable projects.

- Generally the rates paid through feed-in tariffs exceed the utility’s cost of generation, and thus act to subsidize renewable resources regardless of the need for power.

- Feed-in rates typically ramp down over time as technologies mature and costs begin approach the utility’s cost of generation.

- Feed-in tariffs have been used in Germany as a means of encouraging economic development of renewables.
Feed-in Tariffs

- German program requires electric customers to pay a surcharge to fund payments to renewable generators.

- The feed-in rate paid to owners of solar photovoltaic is approximately 2.5 times greater than retail electric rates.
  - German retail rates approximately 20 eurocents/kWh ($0.25/kWh)
  - Solar PV feed-in rate approximately 57 eurocents/kWh ($0.72/kWh) for a 30 kW system

- Between 2000 and 2006 renewable’s contribution to electric generation has increased from 6.3% to 11.6%.
Thank you – Questions?