

STATE OF FLORIDA

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Public Service Commission

January 21, 2016

Administrator Gina McCarthy
Air and Radiation Docket and Information Center
Environmental Protection Agency
Mailcode 28221T
1200 Pennsylvania Ave., NW
Washington, DC 20460

Re: Florida Public Service Commission Comments on the Federal Plan and Model Rules for the Clean Power Plan (Docket ID: EPA-HQ-OAR-2015-0199)

Dear Administrator McCarthy:

The Florida Public Service Commission (FPSC or Commission) respectfully requests the consideration of comments as provided herein on the proposed Federal Plan and Model Rules for the Clean Power Plan. The FPSC recognizes the necessity and role of the Environmental Protection Agency (EPA) in addressing public health and environmental issues. Section 366.015, Florida Statutes, encourages the FPSC to participate in federal proceedings that impact the utilities we regulate. The FPSC submitted comments on December 1, 2014, regarding the proposed Clean Power Plan.¹ A portion of those comments expressed the FPSC's concerns regarding the Clean Power Plan's effects on Florida's generating fuel diversity and the impacts that implementation of the Clean Power Plan may have on reliability and cost to Florida's customers. The comments previously filed are pertinent to the proposed Federal Plan and Model Rules and are incorporated herein below.

Electricity usage in Florida is impacted by the state's unique weather, customer base, and high reliance on electricity for cooling and heating. Florida has the highest number of cooling degree days of any state in the continental U.S., indicating the greatest need for air conditioning in the summer months. Compared to other states, Florida's customers rely more heavily on electricity to meet their energy needs, rather than the direct use of natural gas or other fuels, for cooling and heating. Residential consumers make up almost 89 percent of Florida's electricity customers. Approximately 85 percent of Florida's residential customers' energy requirements are met with electricity, which makes Florida's customers particularly sensitive to electric rate increases. This, combined with Florida's geography and climate, requires the FPSC to carefully examine all

¹ http://www.floridapsc.com/Files/PDF/Dockets/Federal/Comments_EPA_12_1_2014.pdf

factors related to electricity generation to ensure cost-effective, reliable electricity for all Floridians.

In 2013, Florida utilities had a net summer generating capacity of 57,999 MW.² Transmission capability to import energy into peninsular Florida from other states is approximately 3,600 MW, some of which is already committed to the import of out-of-state generation to meet the state's current and future power needs. The Florida Legislature has enacted policies that establish electric generation fuel diversity as a consideration in the review of utility resource plans and in the approval of new generation, and has emphasized fuel diversity in policies that address renewable resources.³ Currently, approximately 60 percent of the electric power in Florida is generated from natural gas. Additional pipeline capacity would have to be built to accommodate a further reliance on natural gas as a generating fuel.

Florida law requires the FPSC to determine the need for new generating facilities and specifically to consider the need for electric system reliability and integrity, adequate electricity at a reasonable cost, and the need for fuel diversity and supply reliability.⁴ It is important for Florida to maintain a diversified generation fuel source mix when seeking to comply with relevant CO₂ standards because a diversified fuel supply can enhance system reliability and significantly mitigate the effects of volatile fuel price fluctuations, extreme weather events and unplanned plant outages. One of Florida's primary pipelines crosses the Gulf of Mexico and is subject to some risk of hurricanes, which adds to the concern of diminished fuel diversity.

The FPSC is concerned about the impact of additional intermittent resources on service reliability requirements. Because of the state's unique characteristics described herein, Florida requires a robust, diverse, and dispatchable baseload generating fleet. However, many low- or zero-carbon technologies are intermittent, non-dispatchable, non-baseload technologies. For example, in 2013, the monthly capacity factor for solar photovoltaics in the U.S. ranged from 13 to 22 percent.⁵ Due to operational constraints from the availability of sunshine, there is no currently demonstrated baseload solar option. The low capacity factors of many low- or zero-carbon technologies (excluding nuclear and possibly co-firing with biomass) combined with Florida's need for dispatchable baseload generation means that Florida would likely need to build additional natural gas-fired facilities and related infrastructure for use as stand-by units for reliability purposes.⁶ A recent report assessing Germany's efforts to increase renewable generation resources noted an expected cost increase associated with re-dispatch, curtailment, and other remediation actions necessary to maintain reliability.⁷

² Florida Public Service Commission, Facts and Figures of the Florida Utility Industry (Mar. 2015) p. 1. <http://www.floridapsc.com/Files/PDF/Publications/Reports/General/Factsandfigures/March%202015.pdf>

³ Sections 186.801, 366.91, and 403.519, Florida Statutes.

⁴ Section 403.519(3), Florida Statutes.

⁵ U.S. Energy Information Agency, Electric Power Monthly (February 2014), Table 6.7.B.

⁶ http://www.brattle.com/system/publications/pdfs/000/005/060/original/Solar_Energy_Support_in_Germany_-_A_Closer_Look.pdf?1406753962.

⁷ *Id.*, pp. 28-37.

The FPSC submitted comments regarding considerations that should be made in the design of a program to reduce carbon pollution from existing power plants dated December 13, 2013.⁸ Although the proposed Federal Plan and Model Rules for the Clean Power Plan were not contemplated, there are certain portions of those comments that remain relevant, which are provided herein.

The FPSC continues to support the general principles for federal environmental regulations as established in the National Association of Regulatory Utility Commissioners' (NARUC) resolution, entitled "Resolution on Increased Flexibility with Regard to the EPA's Regulation of Greenhouse Gas Emissions from Existing Power Plants." The resolution was approved by the Board of Directors of NARUC at its 2013 Annual Meeting in November 2013.⁹ NARUC resolved that "the guidelines should provide sufficiently flexible compliance pathways or mechanisms that recognize State and regional variations..." NARUC also resolved that "the guidelines should be flexible enough to allow states individually or regionally to take into account, when establishing standards of performance, the different makeup of existing power generation in each State and region."

The FPSC continues to take no position on certain aspects of the form and specificity of the EPA's Federal Plan, such as using a "rate based" or "mass-based" compliance pathway. The FPSC, however, asserts that EPA's Federal Plan should recognize the varying characteristics of specific states and regions of the U.S. Recognizing that the Florida Department of Environmental Protection is the agency responsible for implementing Clean Air Act regulations, the FPSC respectfully submits that a Federal Plan and Model Rules, must allow states the opportunity to provide electric utilities the flexibility to choose the most efficient, least-cost compliance option to meet public health and environmental requirements.

There remains considerable uncertainty about the ability of states to comply with Clean Power Plan performance requirements while maintaining the fuel diversity essential to reliability. Such uncertainty calls for some type of off-ramp or safety valve for those states that – despite their best efforts – cannot fully comply with the performance requirements. Safety valve modifications could take the form of a relaxation of the performance requirements, exemptions for must run or critically needed units, or extension of time to meet the 2030 requirement. The Federal Plan should include such provisions to guard against unforeseen impacts on reliability and cost. In conclusion, it is imperative that any plan the EPA adopts contain such flexibility.

⁸ <http://www.floridapsc.com/Files/PDF/Dockets/Federal/EPA-carbon-12-2013.pdf>

⁹ <http://www.naruc.org/Resolutions/Resolution%20on%20Increased%20Flexibility%20with%20Regard%20to%20the%20EPAs%20Regulation%20of%20Greenhouse%20Gas%20Emissions%20from%20Existing%20Power%20Plants.pdf>

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Thank you for your consideration of the foregoing comments. Please let me know if you have any questions or concerns.

Sincerely,



Julie I. Brown, Chairman
Florida Public Service Commission

JB:kf

cc: Commissioner Lisa Polak Edgar
Commissioner Art Graham
Commissioner Ronald A. Brisé
Commissioner Jimmy Patronis
Jonathan P. Steverson, Secretary, Florida Department of Environmental Protection