

STATE OF FLORIDA

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CHAIRMAN



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Public Service Commission

November 1, 2016

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

Re: Florida Public Service Commission Comments on the Clean Energy Incentive Program Rule for the Clean Power Plan (Docket ID: EPA-HQ-OAR-2016-0033)

Dear Administrator McCarthy:

The Florida Public Service Commission (FPSC or Commission) respectfully requests the consideration of comments as provided herein on the proposed rule addressing the Clean Energy Incentive Program design details. The FPSC recognizes the necessity and role of the Environmental Protection Agency (EPA) in addressing public health and environmental issues. Section 366.105, 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 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 electric customers. The Commission renewed its concerns in its January 21, 2016 comments regarding the proposed Federal Plan and Model Rules.²

Electric usage in Florida is impacted by the state's unique weather, customer base, and high reliance on electricity for cooling and heating. Florida stands out as having the highest number of cooling degree days of any state in the continental U.S. This indicates the greatest use for air conditioning in the summer months compared with other states. Florida's electricity customers are almost 89 percent residential. Over 80 percent of these residential customers have energy requirements that are met with electricity, rather than the direct use of natural gas or other fuels for cooling and heating. This makes Florida's customers particularly sensitive to electric rate increases and reliability of service fluctuations. This sensitivity, combined with Florida's geography and climate, requires the FPSC to carefully examine all factors related to electric

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

² <http://www.floridapsc.com//Files/PDF/Dockets/Federal/FPSC%20comments%201.21.16%20Dkt%20EPA-HQ-OAR-2015-0199.pdf>

generation and energy efficiency programs to ensure cost-effective, reliable electricity for all Floridians.

In 2015, Florida utilities had a net summer generating capacity of 58,421 MW.³ Electric transmission capacity 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.⁴ Currently, approximately 60 percent of the electric power in Florida is generated from natural gas.

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. This process involves ensuring adequate electricity at a reasonable cost and assessing the need for fuel diversity and supply reliability.⁵ It is important for Florida to maintain a diversified generation fuel source mix when seeking to comply with relevant CO₂ standards. This 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 supply pipelines crosses the Gulf of Mexico and is subject to the risk of hurricanes, which adds to the concerns from diminished fuel diversity.

Florida law also gives the FPSC exclusive jurisdiction to implement the Florida Energy Efficiency and Conservation Act (FEECA).⁶ FEECA emphasizes reducing the growth rates of weather-sensitive peak demand, electricity consumption, and consumption of expensive resources, such as petroleum fuels. Pursuant to FEECA, the FPSC has authority to adopt goals for increasing the efficiency of energy consumption and increasing the development of demand-side renewable energy systems.⁷ Importantly, in adopting these goals, the FPSC evaluates the full Florida-specific technical potential of all available demand-side conservation and efficiency measures, and takes into consideration the costs and benefits to participating customers and ratepayers as a whole, and the costs imposed by state and federal regulations on greenhouse gas emissions.⁸ Once goals are established by the FPSC, the utilities must submit cost-effective demand-side management (DSM) plans, which contain the DSM programs designed to meet the approved goals. Among its powers, the FPSC may modify or deny demand-side management plans or programs that would have an undue rate impact from the costs passed on to customers.⁹

The Clean Energy Incentive Program is intended to promote energy efficiency in low income communities through the early issuance of allowances or emission rate credits. In the most recent

³ Florida Reliability Coordinating Council (Regional Load and Resource Plan) (May 2016) p. S-7.
<http://www.floridapsc.com/Files/PDF/Utilities/Electricgas/TenYearSitePlans/2016/FRCC.pdf>

⁴ Sections 186.801, 366.91, and 403.519, Florida Statutes.

⁵ Section 403.519(3), Florida Statutes.

⁶ Sections 366.80-366.82, Florida Statutes

⁷ Section 366.81, Florida Statutes

⁸ Section 366.82(3), Florida Statutes

⁹ Section 366.91(5) and (6), Florida Statutes

FEECA DSM goal-setting proceeding, the Commission ordered the utilities to educate low-income communities on energy efficiency opportunities.¹⁰ Each utility presented programs within its DSM plan that addressed low-income conservation efforts. For each company, these programs mainly focused on efforts to provide weatherization opportunities to residential homes for purpose of conserving energy. In many cases, the utilities have established partnerships with government and non-profit agencies to develop programs that educate low-income customers on conservation and the financial benefits of using less energy.

The CEIP is also intended to promote renewable resources through early issuance of tradeable instruments. Though not opposed to the promotion of renewable energy, the FPSC is concerned about the impact of additional intermittent resources on service reliability requirements. Due to the state's unique characteristics described herein, Florida requires a robust, diverse, and dispatchable baseload generating fleet. However, many zero-carbon technologies that can be deployed in Florida 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.¹¹ Due to operational constraints from the availability of sunshine, there is no currently demonstrated baseload solar option. These low capacity factors mean that the requirement for reliable backup energy generation is not removed and each utility must continue to ensure it can economically fulfill its obligation to provide service (inclusive of the intermittent resources). Consequently, the need for existing power plants and transmission systems remains and reliability requirements may necessitate new natural gas fired facilities to address increased reliance on intermittent resources.¹²

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."¹³ The resolution was approved by the Board of Directors of NARUC at its 2013 Annual Meeting in November 2013. NARUC resolved that "the guidelines should provide sufficiently flexible compliance pathways or mechanisms that recognize State and regional variations."

The FPSC takes no position on certain aspects of the form and specificity of EPA's Clean Energy Incentive Program. However, EPA's rule should recognize that businesses involved in renewable energy projects will economically optimize the timing of projects and programs when clear performance requirements are expressed. Presently, there is uncertainty regarding the compliance timelines of the Clean Power Plan due to ongoing litigation. Since the Clean Energy Incentive Program is voluntary, EPA should allow all projects that commence construction after October 23, 2015, (publication date of the Clean Power Plan Rule) to qualify for inclusion in the Clean Energy Incentive Program. This flexibility promotes smooth phasing into commercial

¹⁰ Order No. PSC-14-0696-FOF-EU, Docket Nos. 130199-EI through 130205-EI, In re: Commission review of numeric conservation goals, issued December 16, 2014.

¹¹ U.S. Energy Information Agency, Electric Power Monthly (February 2014), Table 6.7.B.

¹² http://www.brattle.com/system/publications/pdfs/000/005/060/original/Solar_Energy_Support_in_Germany_-_A_Closer_Look.pdf?1406753962

¹³ <http://pubs.naruc.org/pub/53A0C721-2354-D714-5119-A6E9EFD6F5BE>

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service while avoiding accumulation of projects and programs targeting a startup date of January 1, 2020. The FPSC respectfully submits that the Clean Energy Incentive Program Rule 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.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Julie I. Brown", with a long horizontal flourish extending to the right.

Julie I. Brown, Chairman
Florida Public Service Commission

JB:jb

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