

**Gulf Power Company Post-Workshop Comments on
December 6, 2007 FPSC Staff Workshop regarding
Renewable Portfolio Standards
December 21, 2007**

Issue 1: What, if any, policies are needed to encourage specific types of renewables?

- 1. Which resources should be eligible?**
 - a) Specific renewables, such as solar and wind**
 - b) Distributed generation**
 - c) Specific vintages, such as new facilities**

Answer:

If differentiation must be made between various renewables within the definition of renewable energy, a multiplier methodology should be used to make those distinctions. Multipliers provide appropriate and effective incentives to choose one vintage over another, to choose in-state versus out-of-state, or to choose a specific type of renewable generation over others.

- 2. What approach - multipliers or tiered goals?**

Answer:

A multiplier methodology should be used rather than a carve-out, set-aside or tier methodology. Carve-outs, set-asides and tiers eliminate competition (see Mr. Jeffery's comments from 12/6/07 workshop, transcript p. 63-66), reduce flexibility, and eliminate pressure on renewable generators to improve technology and reduce costs. Carve-outs, set-asides and tiers are mandates within mandates and ultimately result in higher long-term costs to customers.

- 3. Issues under a multiplier approach:**
 - a) How should a multiplier be set?**
 - b) Will using a multiplier conflict with reaching the goal?**

Answer:

A multiplier should be set in such a way that the cost of the preferred renewable resource (PV, newer vintage, in-state, etc.) is more attractive than competing alternatives such as low-cost renewables and traditional generation. Multipliers will be successful when the preferred resource is chosen by RPS compliers. Since costs change, sometimes quickly, due to market conditions, only modest precision is required in setting them. For example, the effect of a PV multiplier of 5.1 will be so similar to the effect of a PV multiplier of 5.0 that the difference will be insignificant. Just as a mass-marketer does not concern himself over the difference between the effect of a \$102 mail-in rebate versus the effect of a \$100 mail-in rebate, the 2% difference between a 5.0 multiplier and 5.1 multiplier should not be cause for great concern. However, the 67% increase from a 3x PV multiplier to a 5x PV multiplier is significant in that it lowers the 25¢/kWh cost to the complier for PV energy from 8.3¢/kWh to 5¢/kWh and allows PV to compete with other low-cost alternatives.

Using multipliers does not conflict with the overarching goals of reducing emissions, promoting renewables, etc. In fact, it strikes the proper balance between reaching these overarching goals and the additional goals of obtaining certain preferred renewable resources.

4. **Issues under a tiered goal (set asides) approach:**
 - a) **How should the tiers be determined?**
 - b) **Can excess compliance in “policy preferred” tier be used to meet goals in other tiers?**

Answer:

Economic, technical, and natural resource considerations are important factors in setting tiers, carve-outs, or set-asides, but ultimately the decision will be arbitrary and subject to pressure by special interests.

Issue 2: What policies are needed to encourage compliance?

1. **What financial compliance mechanisms are needed?**
 - a) **Ratepayer protection mechanisms – alternative compliance payments (ACPs), rate caps, REC price caps**
 - b) **Penalties - utilities and/or renewable generators**

Answer:

If non-cost-effective renewable resources are required, then yes, a ratepayer protection mechanism should be established and implemented. An Expense Cap of 1% of retail base rate revenue is an appropriate mechanism because it protects ratepayers by clearly limiting the non-cost-effective expenses required to comply. An Alternative Compliance Payment (ACP), although necessary and useful for filling the gap when renewable energy is not available, is not satisfactory protection for ratepayers because it is intentionally expensive.

2. **How should financial compliance mechanisms be set?**
 - a) **Multiple of REC price, \$/MWh, or absolute value?**

Answer:

An Expense Cap should be set at 1% of retail base rate revenue to limit the non-cost-effective expenses required to comply.

3. **Cost recovery for IOUs:**
 - a) **How should compliance costs for RECs or renewables be recovered?**
 - b) **Should ACPs or penalties be recovered?**
 - c) **How should funds be used?**

Answer:

If an RPS is established which requires non-cost-effective generation be built or purchased, full cost recovery for renewable energy purchases, for renewable energy generation construction, for REC purchases for compliance, and for ACP payments for compliance must be allowed. Cost recovery should be accomplished through the appropriate cost recovery clause(s), existing or new. Funds collected from Alternative Compliance Payments should be used to promote renewable energy.

4. Are financial incentives beyond ACP/penalties needed?

Answer: No answer.

Issue 3: How should compliance be tracked and verified?

1. REC tracking and verification issues:

- a) How are eligible facilities certified and audited?**
- b) Who administers the REC system?**
- c) How is double counting prevented?**
- d) How should multi-fuel facilities be treated?**
- e) Should line losses be considered?**

Answer:

The Florida Public Service Commission (FPSC) should determine whether a utility is in compliance. The administration of an evaluation, measurement and verification system, as well as a tracking system for RECs, could be accomplished through an administrator designated by the FPSC.

2. Self-service generation issues:

- a) Is metering required?**
- b) How can small systems be included?**
- c) Should total energy generated be counted, or excess to grid?**

Answer:

Under the currently proposed Net Metering rule, all net-metered renewable self-generation will be ineligible for compliance with an RPS. Because the proposed rule assigns REC's associated with the net-metered renewable self-generation to the generator and not to the subsidizing utility/body of ratepayers, the energy which is consumed or sold by that generator to the utility and which has been stripped of its renewable attributes (REC's belong to generator, not utility) is ineligible for compliance with an RPS. Thus, the currently proposed Net Metering Rule effectively removes all net-metered renewable self-generation from RPS eligibility and the questions above are not applicable.

Issue 4: Compliance Verification and Tracking

1. Energy efficiency issues:

- a) Should energy efficiency count towards goals?**
- b) If so, how should savings be estimated?**
- c) Should existing programs be included?**

Answer:

No. Florida currently has a very effective process for funding, encouraging and tracking conservation. Including energy conservation in RPS goals would be counterproductive for the state's conservation efforts.

2. What is the role of the PSC in ensuring compliance?

Possible roles:

- a) Implementing policy regulations**
- b) Certifying eligible generators**
- c) Managing a REC system**
- d) Verifying utility compliance**
- e) Administering financial incentives/penalties**
- f) Ratemaking – cost recovery**

Answer:

Provided above in Issue 3 Item1 and Issue 2 Item 3.