

I. Meeting Packet



State of Florida
Public Service Commission
INTERNAL AFFAIRS AGENDA
Tuesday, August 23, 2011
Immediately Following the Agenda Conference
Room 140 - Betty Easley Conference Center

1. Approve August 9, 2011, Internal Affairs Meeting Minutes. (Attachment 1).
2. Executive Director Search Update. (No Attachment).
3. Presentation by Carolyn Ridley for CompSouth. (Attachment 2).
4. Draft Energy Bedrock Principles. (Attachment 3).
5. Executive Director's Report. (No Attachment)
6. Other matters.

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OUTSIDE PERSONS WISHING TO ADDRESS THE COMMISSION ON
ANY OF THE AGENDAED ITEMS SHOULD CONTACT THE
OFFICE OF THE EXECUTIVE DIRECTOR AT (850) 413-6068.



State of Florida
Public Service Commission
INTERNAL AFFAIRS MINUTES

Tuesday – August 09, 2011

11:55 am - 1:12 pm

3:30 pm - 4:16 pm

Room 140 - Betty Easley Conference Center

COMMISSIONERS PRESENT: Chairman Graham
Commissioner Edgar
Commissioner Brisé
Commissioner Balbis
Commissioner Brown

STAFF PARTICIPATING: Hill, Kiser, Miller, Helton, Cibula, B. Crawford, Maddox, Trapp

OTHERS PARTICIPATING: Andy Tunnell - Gulf Power
Joe Kelliher - Florida Power & Light Company

1. Approve July 27, 2011, Internal Affairs Meeting Minutes. (Attachment 1).

The Minutes were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

2. Briefing on FERC Order 1000 Regarding Transmission Planning and Cost Allocation, and Request for Guidance regarding a Request for Rehearing. (Attachment 2).

After some discussion, the Commissioners provided modifications to the Request for Rehearing. After staff has made the modifications, they are to work with Commissioner Edgar to finalize the Commission's intent.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

3. Update of Executive Director.

Commissioner Brown and Mr. Maddox updated the Commissioners on the status of the Executive Director search. The list of applicants has been reduced to 15. Commissioner interviews of selected applicants should be completed on August 22. Commissioners will vote at the August 23 Internal Affairs meeting for their choice(s). The Clerk will then tabulate the votes and advise at the meeting the individual(s) chosen. If more than one applicant is chosen, the Commissioners will decide how to proceed.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

4. Other matters.

- a. Commissioner Edgar requested that IOUs reporting low customer satisfaction come before the Commissioners at a future Internal Affairs meeting to explain.
- b. Mr. Hill advised the Commissioners that the Causality Report for the Commission is again good. The Commission is well below the state average and the Commission was given an award.
- c. Mr. Hill informed the Commissioners that a security report has been provided by FDLE and Homeland Security concerning security at the Commission. After he has reviewed the report, he will brief each individual office.

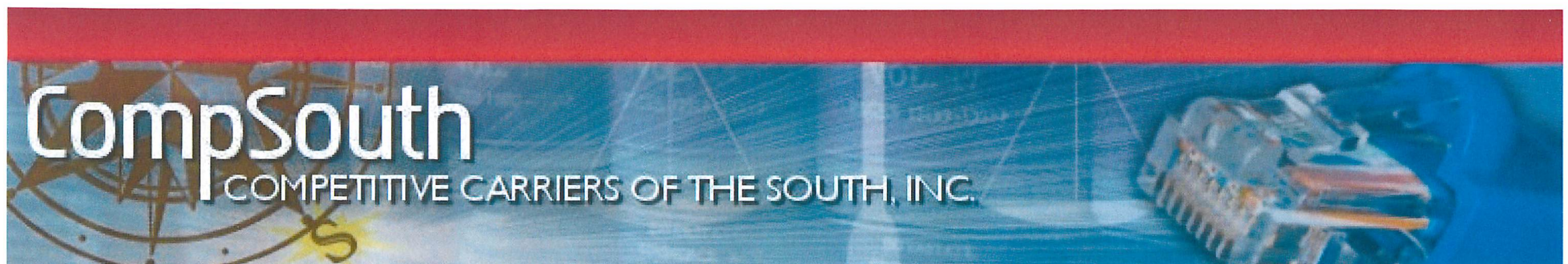
Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

Wholesale Regulation: The Critical Role of the FPSC



Competitive Carriers of the South

- CompSouth was formed in November 2002 as a group of CLECs supporting competitive alternatives offered under the 1996 Act.
- The companies came together to work in unison in regulatory, legislative and other public policy forums to forward the interests of telecommunications competition.
- A balanced policy debate continues to be critical to fostering competition and the ability of competitors to deliver benefits to customers.



CompSouth Members:

- Birch Communications
- Access Point Inc.
- PAETEC
- Cbeyond Communications
- Covad Communications Company
- EarthLink Business
- Level 3
- Windstream NuVox
- tw telecom inc.
- XO Communications



Member Merger & Acquisitions

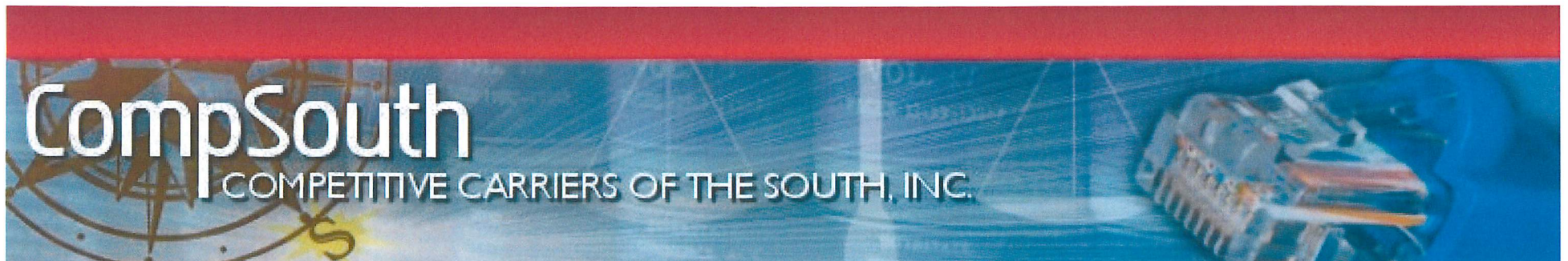
Like the rest of the industry, CLECs have been impacted by recent mergers. Of particular note in Florida:

- Access Integrated acquired Birch Telecom, assumed Birch's name, and is acquiring certain assets of Orlando-based companies Cordia, My Tel and Northstar
- PAETEC (acquired the former Pensacola-based Network Telephone, Talk America, and Cavalier; pending acquisition by Windstream)
- EarthLink Business (acquired DeltaCom, STS Telecom, One Communications)
- Windstream NuVox (acquired NuVox, who previously merged with Maitland-based Florida Digital Network)



Business Plans & Importance of Competition

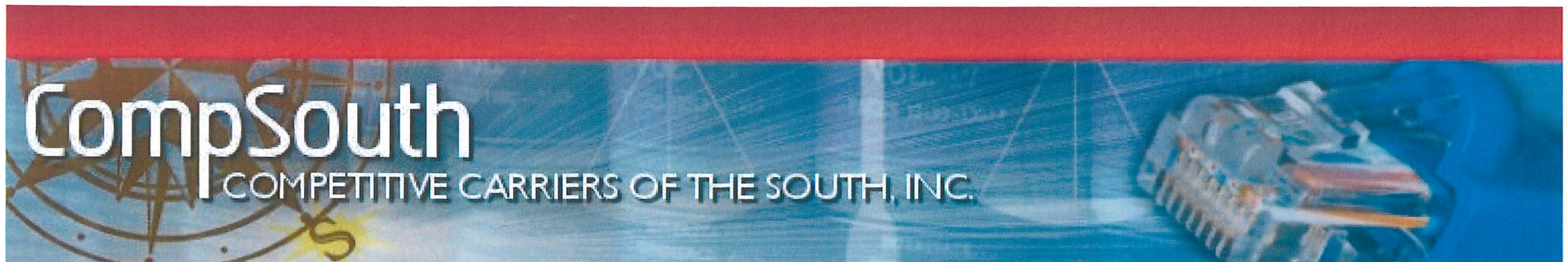
- Support all forms of competitive entry allowed under the Act with varied business plans - UNE, resale, and facilities-based.
- Some retail residential competition, but primary focus is on business customers.
- Competition is necessary to drive innovation and offer advanced services & features.



Striving & Thriving

CompSouth members together account for the following Florida-only statics:

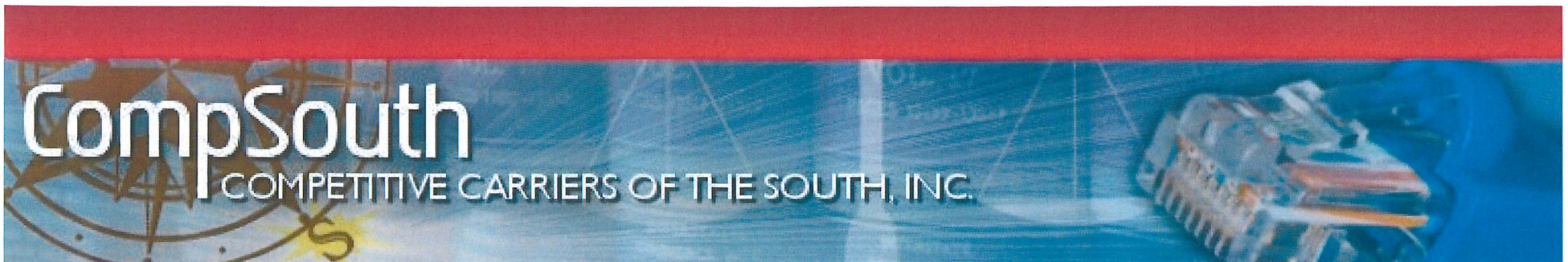
- More than 1,000 employees,
- 72,838 customers,
- Approximately \$465 million in monthly recurring revenue, and
- Over \$732 million in assets in FL.



Status of CLEC Competition in Florida

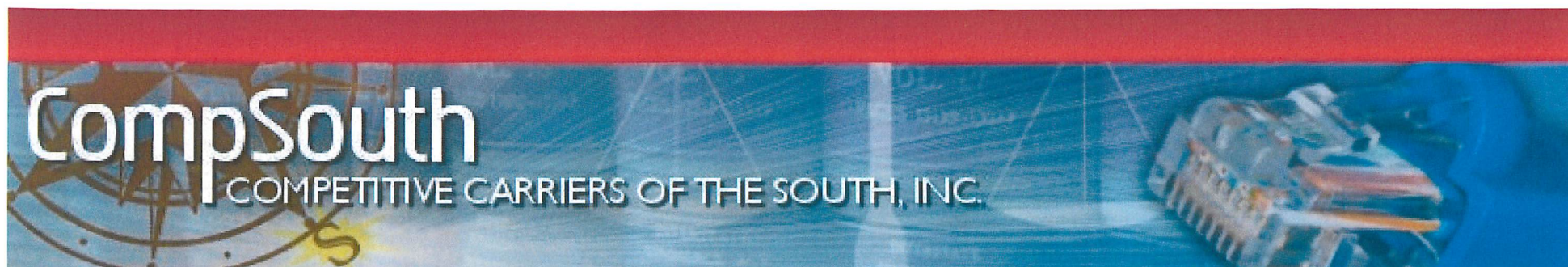
The 2010 Competition Report shows continued strong competition from CLECs in the retail market, particularly in the business sector:

- CLEC business market share in FL increased to 39% in 2010, from 25% in 2009, with an increase of 328,000 voice lines.
- CLECs have gained a 46% business market share in AT&T's service areas in FL.



The PSC's Vital Role - Wholesale Regulation

- 2011 revisions in FL Statutes recognize effective retail deregulation is dependent on effective wholesale regulation.
- As in prior law, provisions within Sec. 364.16, F.S., address PSC role in wholesale regulation.
- Imperative to the continued health of telecom competition that the Commission understand and exercise its wholesale authority. Excerpts follow.



Section 364.16 (1)

“The Legislature finds that the competitive provision of local exchange service requires appropriate continued regulatory oversight of carrier-to-carrier relationships in order to provide for the development of fair and effective competition.”

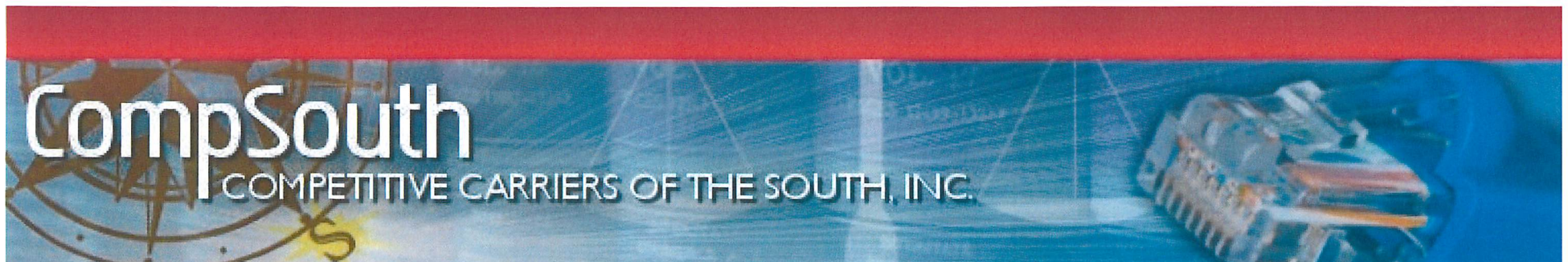
- Retail deregulation may result from robust retail competition but is dependent on effective wholesale regulation.



Section 364.16 (2)

“It is the intent of the Legislature that in resolving disputes, the commission treat all providers of telecommunications services fairly by preventing anticompetitive behavior including, but not limited to, predatory pricing.”

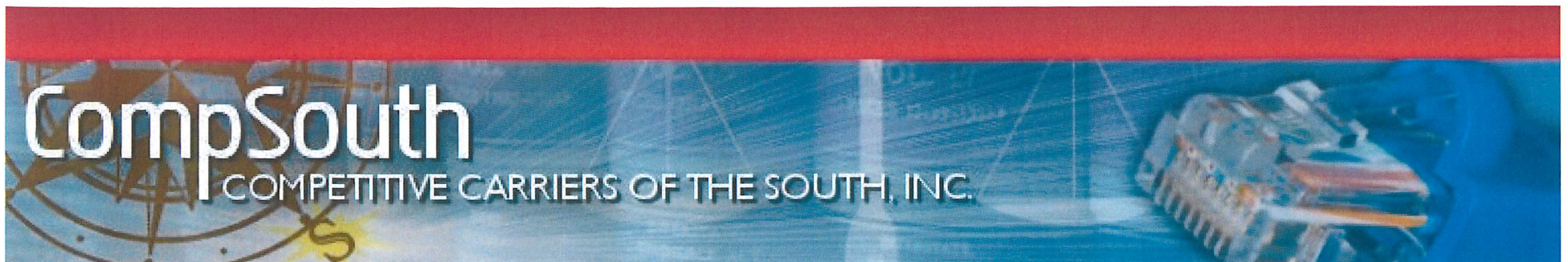
- Retail pricing deregulation vs. predatory pricing (i.e. pricing designed to eliminate competition).



Section 364.16 (3)

“The commission shall, upon request, arbitrate and enforce interconnection agreements....”

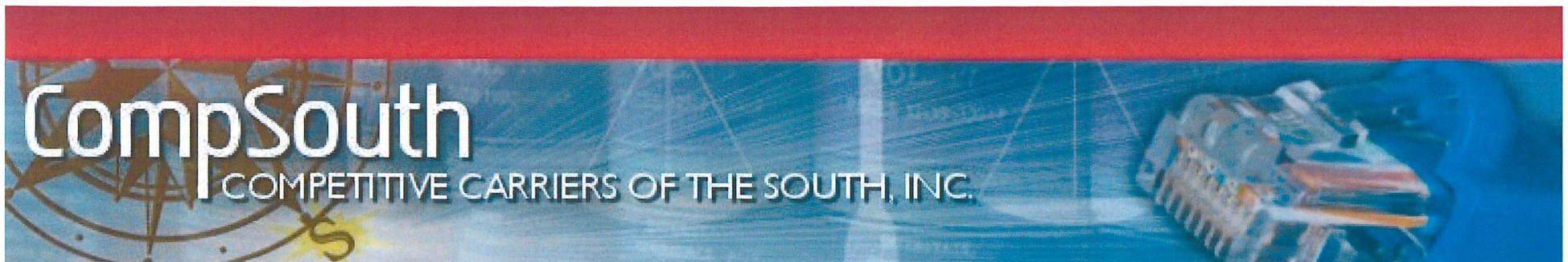
- Next generation of interconnection agreements may involve new technologies and services, as well as new business terms.
- Virtually every existing or emerging competitive service provider depends on nondiscriminatory interconnection rates, terms and conditions with ILECs.
- State Commission support in arbitrating and enforcing terms of interconnection agreements is critical.



Section 364.16 (3)

“The commission has the authority to resolve disputes among carriers concerning violations of this chapter...including resale of services, local interconnection, unbundling, number portability, dialing parity, access to rights-of-way, access to poles and conduits, and reciprocal compensation.”

- Commission staff input is invaluable and should continue to be encouraged in helping to informally resolve and mediate carrier disputes.



Section 364.16 (3)

“Additionally, a competitive local exchange telecommunications company is entitled to interconnection with a local exchange telecommunications company to transmit and route voice traffic between both the competitive local exchange company and the local exchange telecommunications company regardless of the technology by which the voice traffic is originated by and terminated to an end user.”

- This addresses forward-thinking changes in technology.



Section 364.16 (4)

“A telecommunications company may not knowingly deliver traffic, for which terminating access service charges would otherwise apply, through a local interconnection arrangement without paying the appropriate charges for such terminating access service....”

- The Commission has authority to arbitrate bona-fide arbitrage complaints under this subsection.

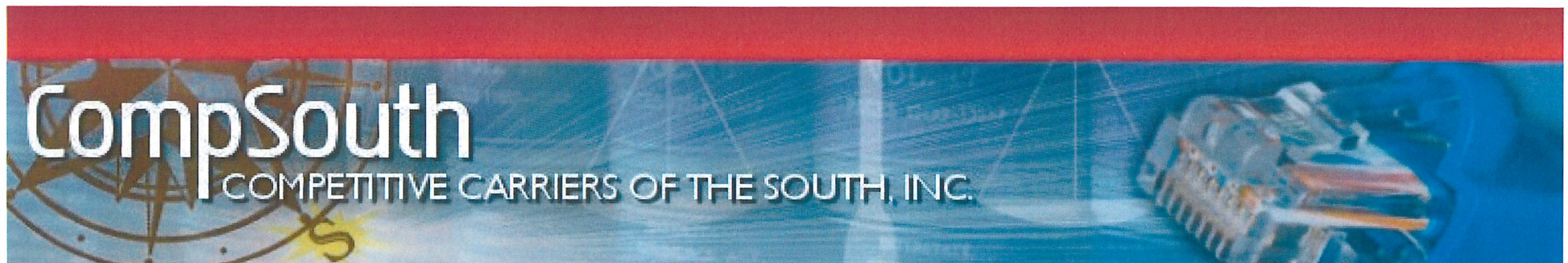


Section 364.16 (5) and (6)

(5) “The commission shall resolve on an expedited basis any complaints of anticompetitive behavior concerning a local preferred carrier freeze.”

(6) “Upon petition, the commission may conduct a limited or expedited proceeding to consider and act upon any matter under this section.”

- Current rules provide for expedited complaint process



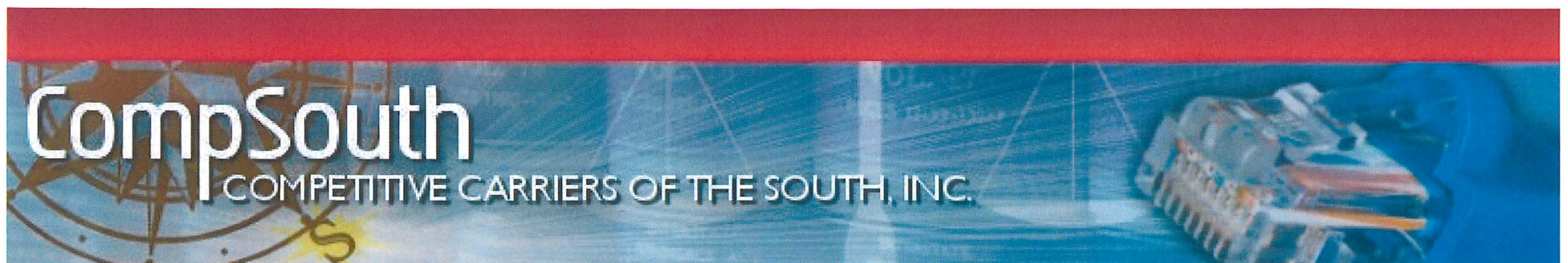
Section 364.16 (7) and (8)

- (7) “[T]he commission must make sure that all providers of local exchange service have access to local telephone numbering resources on equitable terms....”
- (8) “When requested, each certificated telecommunications company shall provide access to any poles, conduits, right-of-way, and like facilities that it owns or controls to any local exchange telecommunications company or competitive local exchange company....”



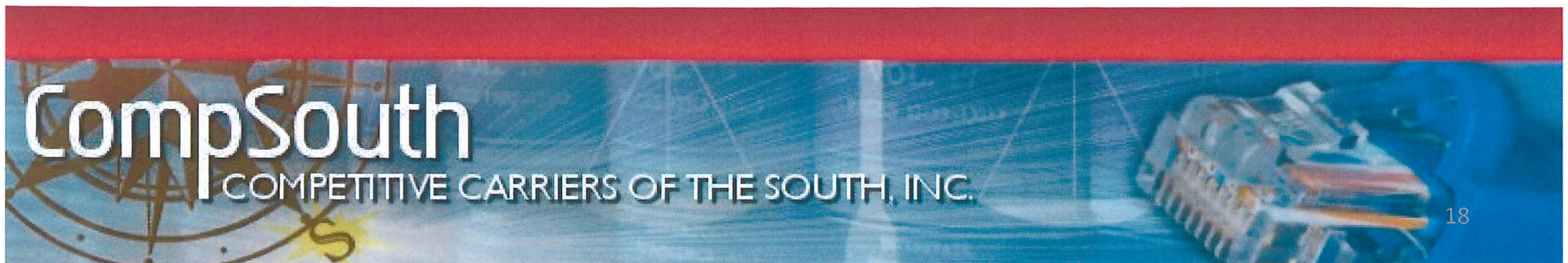
Wholesale Obligations

- PSC retained broad authority under Florida Statutes.
- Regulatory oversight of the wholesale market and control of any anti-competitive behavior is essential for competitive growth as retail deregulation moves forward.
- Staff input in informally mediating complaints before they get to the PSC is essential and should be encouraged.
- Competition = innovation.



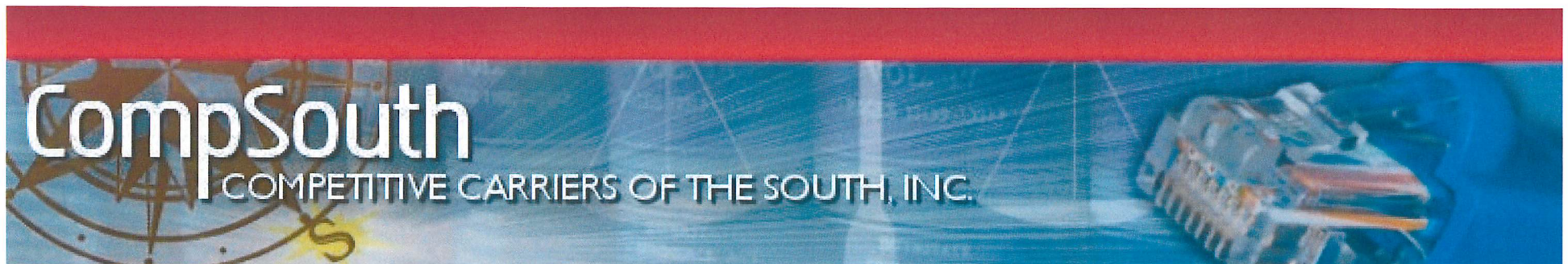
Update on FCC Issues

- Intercarrier Compensation
 - What and when
 - How will it impact state efforts at access reform
- Universal Service Reform
 - What and when
 - How will it impact carriers, broadband providers
- IP Interconnection – Motion for Declaratory Ruling
 - Why a declaratory ruling is significant
- Special Access – Writ of Mandamus filed in US District Court
 - Why an FCC decision is significant



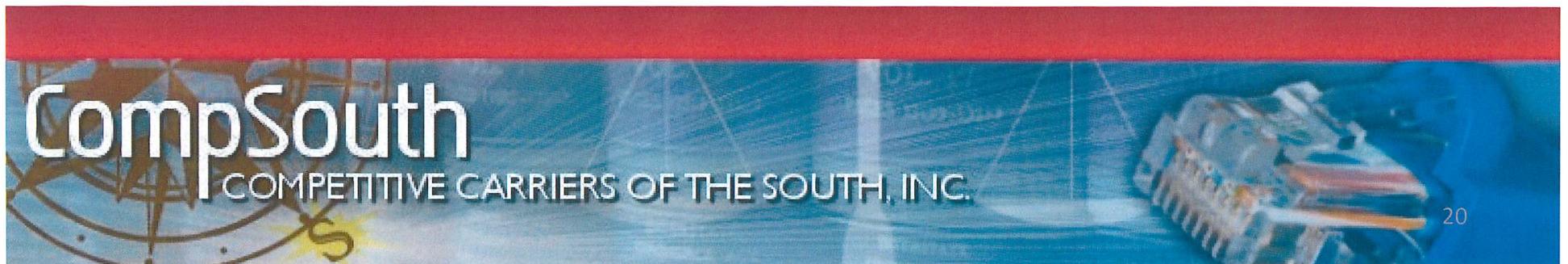
State Switched Access Reform

- Will we see a bill in the upcoming 2012 FL Legislative session?
- Access charge structure – what will be the role of the states in an FCC ordered process? Will states act whether the FCC does or not?
- Carrier and customer impacts relating to access reform



Summary

- Absent retail regulation, the only way state regulators can protect consumers is to ensure open and fair wholesale markets.
- Revised 2011 statutes reaffirm FPSC authority to ensure wholesale regulation is in place for the benefit of retail customers in the state.
- As technology and market forces impact the telecommunications industry, the commission needs to be prepared to exercise its authority in the wholesale marketplace as necessary.



State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: August 15, 2011

TO: Charles H. Hill, Deputy Executive Director

FROM: Mark Futrell, Division of Regulatory Analysis
Judy G. Harlow, Division of Regulatory Analysis
Katherine Pennington, Office of the General Counsel
Larry Harris, Office of the General Counsel

MF *JGH* *RLT*
KA *SK*
CH *BMS*

RE: Draft Energy Bedrock Principles

Critical Information: Please place on the August 23, 2011 Internal Affairs.
Approval or further guidance is sought.

During the July 27, 2011 Internal Affairs meeting, staff presented to the Commission its revised energy bedrock principles. Staff has made further revisions to reflect comments by the Commission. During the meeting, it was suggested the title of this document be revised. Below are potential alternative titles for consideration:

Statement of Energy Regulatory Fundamentals
Energy Regulatory Principles
Energy Regulation Guiding Principles
Statutory Energy Precedents

On July 8, 2011, written comments were provided by stakeholders and staff has taken these comments into consideration in its proposed revisions to the initial draft. This package includes a revised energy bedrock principles document in type and strike format with revisions subsequent to the July 27, 2011 Internal Affairs meeting highlighted (Attachment A), a clean version that includes the proposed revisions (Attachment B), and the written comments received from Florida Power and Light Company, Gulf Power Company, and the Florida Industrial Power Users Group (Attachment C). If approved by the Commission, these principles will provide guidance to staff and others in evaluating proposed state and federal energy legislation and preparing bill analyses. Also, the principles will guide staff's responses to legislative information requests. Staff seeks the Commission's approval of the revised energy bedrock principles or further guidance.

**Energy Bedrock Principles
Florida Public Service Commission
August 23, 2011**

Background

Florida Statutes establish the Florida Public Service Commission (FPSC or Commission) as the entity responsible for ensuring that Florida's citizens receive adequate, reliable ~~and affordable~~ electric service at a reasonable cost from Florida's public utilities.¹ Pursuant to Section 366.03, Florida Statutes (F.S.), each public utility has a statutory obligation to serve every customer within its service territory. Electric services provided must be reasonably sufficient, adequate, and efficient and provided in a non-discriminatory manner. As such, Florida's utilities must explore all available measures to ensure the most cost-effective and efficient means of producing and delivering reliable ~~and affordable~~ electricity service at a reasonable cost to their customers.

The Commission has jurisdiction over public utilities to regulate each company's rates and service.² The Commission is charged to investigate and determine the actual legitimate costs of the public utility.³ In fixing fair, just, and reasonable rates for each customer class, the Commission shall, to the extent practicable, consider the cost of providing service to the class, as well as the rate history, value of service, and experience of the public utility; the consumption and load characteristics of the various classes of customers; and public acceptance of rate structures.⁴ Finally, no public utility shall be denied a reasonable rate of return upon its rate base in any order entered pursuant to an appropriate rate proceeding.⁵

The Commission has jurisdiction over the planning, development, and maintenance of a coordinated electric power grid throughout Florida to assure an adequate and reliable source of energy for operational and emergency purposes in Florida.⁶ The Commission also has authority to hold proceedings if there is probable cause to believe that inadequacies exist with the grid and to require installation or repair of necessary generation or transmission facilities. Further, costs associated with infrastructure repair or additions must be distributed in proportion to the benefits received.⁷

In order to monitor and assess the planning functions and results of the Florida utilities, the Commission annually reviews the Ten-Year Site Plans of each utility subject to Section 186.801, F.S., and Commission Rules 25-22.070 through 25-22.072, Florida Administrative Code (F.A.C.). These documents, and the *Regional Load and Resource Plan* prepared annually by the Florida Reliability Coordinating Council, provide the Commission data and information

¹ Chapter 366, F.S.

² Section 366.04, F.S.

³ Section 366.06(1), F.S.

⁴ Ibid.

⁵ Section 366.041(1), F.S.

⁶ Section 366.04(5), F.S.

⁷ Section 366.05(8), F.S.

on the need for electrical power in the area to be served, the effect on fuel diversity of power plant additions, and possible alternatives to the proposed plan.

The Commission is the sole forum for the determination of need for power plant and transmission line additions that meet the criteria established in the Florida Electrical Power Plant Siting Act and the Florida Electric Transmission Line Siting Act, respectively.⁸ In making its determination on power plant additions that exceed 75 megawatts of steam capacity, the Commission must take into account: (1) the need for electric reliability, (2) the need for adequate electricity at a reasonable cost, (3) the need for fuel diversity and supply reliability, (4) whether the proposed plant is the most cost-effective alternative, (5) whether renewable energy sources as well as conservation measures are utilized to the extent reasonably available, and (6) whether conservation measures might mitigate the need for the proposed plant.

Since the early 1980s, the Commission has implemented federal and state laws and policies that encourage renewable energy and other alternative sources of electricity. The federal Public Utility Regulatory Policies Act (PURPA), signed into law November 9, 1978, ~~in part~~ requires ~~in part~~ electric utilities to interconnect and sell electric energy to qualifying cogeneration and small power production facilities, referred to as Qualifying Facilities (QF), and to purchase electric energy from these facilities at the utility's full avoided cost.⁹ In response to PURPA, in 1981, the Florida Legislature authorized the Commission to establish guidelines for the purchase and sale of capacity and energy from cogenerators and small power producers, which includes renewable generators, at full avoided cost. Section 366.051, F.S., defines avoided cost as the incremental costs to the utility of the electric energy or capacity, or both, which, but for the purchase from cogenerators or small power producers, such utility would generate itself or purchase from another source. The Commission implements its statutory authority by identifying an avoided generating unit or power purchase and calculating avoided costs based on the quantifiable costs for this unit or purchase. Avoided cost includes a capacity and energy component based on: (1) the actual capital cost which would have been incurred for the avoided plant, (2) the fuel cost and quantity that would have been used in the plant, and (3) the plant's operating and maintenance expenses. Avoided cost is based on quantifiable costs ~~associated with from~~ the avoided unit or purchase ~~and does not include an estimate for externalities, such as any environmental benefits associated with renewable energy.~~ This policy ensures that customers will pay the same value for electrical energy regardless of whether the energy is produced by the host utility or a QF, including a renewable energy producer.¹⁰

In 2007, the Commission conducted workshops to assess mechanisms to further encourage renewable energy. These discussions ultimately led to the Commission adopting amendments to Rule 25-6.065, F.A.C., requiring the investor-owned electric utilities to expedite the interconnection of customer-owned renewable generation and allowing the additional benefit of carrying forward excess generation month-to-month through net metering.¹¹

⁸ Sections 403.519 and 403.537, F.S.; PPSA: Sections 403.501-.518, F.S.; TLSA: Sections 403.52-.5365, F.S.

⁹ 16 U.S. Code, Section 824a-3

¹⁰ 16 U.S. Code, Section 824a-3(b); FERC Rule 18 C.F.R. 292.301-292.304; Section 366.051, F.S., 366.91(1)-(3), F.S.; Rules 25-17.080-.091 and 25-17.200-.310, F.A.C.

¹¹ Section 366.91(4),(5), F.S.; Rule 25-6.065, F.A.C.

In 2008, the Legislature amended Section 366.92, F.S., requiring the Commission to develop a draft rule, subject to ratification by the Legislature, establishing a Renewable Portfolio Standard for Florida’s investor-owned electric utilities. The Commission submitted its draft rules implementing these provisions on January 30, 2009.¹² To date, the Legislature has not ratified the draft rules.

Energy Policy Bedrock Principles

The following energy bedrock principles are founded upon the statutory framework that establishes the Commission’s authority with respect to Florida’s electric utilities, as well as the Commission’s implementation of these statutes through its rules and orders. These bedrock principles are intended to provide guidance to FPSC staff in evaluating proposed state and federal legislation, preparing bill analyses, and responding to legislative information requests related to energy policy. The Commission has authority to modify these energy bedrock principles at any time.

REGULATORY OBJECTIVES

The Florida Legislature established the FPSC to implement policy relating to electric utilities and the provision of electric service. Electric utilities are required to provide safe and reliable service to all customers in an efficient manner without undue discrimination. Utilities are granted the exclusive right to provide electric service to end users within their service territories, and to investor-owned utilities may recover prudently incurred expenses to provide service, including an opportunity to earn a fair return on investments. The FPSC is given full regulatory authority over investor-owned utilities to balance the interests of customers and the utilities.

Principles

- The FPSC is responsible for ensuring that Florida’s citizens receive adequate, reliable, ~~and affordable~~ electricity service at a reasonable cost from Florida’s public utilities.¹³
- The rates established by the FPSC must be just, reasonable, and compensatory and reflect the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public; and the ability of the utility to improve such service and facilities.¹⁴

¹² See Docket No. 080503-EI – In re: Establishment of rule on renewable portfolio standard.

¹³ Section 366.04, F.S.

¹⁴ Section 366.041, F.S.

INTEGRATED RESOURCE PLANNING

Electric utilities must plan and operate their systems in a cost-effective manner that results in safe, adequate, and reliable service at reasonable rates. Florida utilities must plan to meet existing and future customer requirements in a process that integrates all feasible resources. The planning process and selection of resources must be based on fundamental economic principles whereby the least cost options are pursued first, taking into consideration the need for safe, adequate, and reliable service. Federal and state statutes requiring electric utilities to meet environmental, health, and safety standards, as well as economic and strategic concerns, must be factored into the evaluation of resources and the impact on cost and reliability. Florida statutes require utilities to file results of their annual planning process with the FPSC as part of the Ten-Year Site Plan. The FPSC reviews each plan and assesses the impact on the adequacy and reliability of the statewide grid.

Principles

- Electric utilities must evaluate all alternatives reasonably available to meet customer demand and energy needs, including but not limited to: conservation and demand-side management, transmission and distribution efficiency, renewable energy, modernization and efficiency improvements to existing power plants, and construction of new generating plant capacity.¹⁵
- The evaluation of the cost-effectiveness of alternatives should be based, first and foremost, on quantifiable costs that will ultimately be included in rates paid by consumers using the economic principles of least cost over the useful life of the alternative.¹⁶
- In keeping with the responsibility to protect public welfare and promote the public interest, strategic concerns and societal benefits (such as fuel diversity, job creation, economic development, environmental enhancements, etc.) may be considered on a case-by-case basis consistent with the authority legislative intent provided in state and federal statutes.¹⁷
- In determining the weight to be given to strategic concerns and societal benefits in the selection of energy alternatives, priority may should be given to those that promote Florida non-emitting resources (clean energy resources technologies), reasonable affordable electricity rates, and enhanced reliability.

¹⁵ Sections 366.05(7), (8), 366.051, 366.81, 366.82, 366.91, 366.92, 403.519, F.S.

¹⁶ Sections 366.051, 366.91, 366.92, 403.519, F.S.

¹⁷ Sections 366.01, 366.91, 366.92, 366.82, 403.519, F.S.

ENERGY EFFICIENCY, DEMAND-SIDE MANAGEMENT AND CONSERVATION

The Florida Legislature has established that energy efficiency, demand-side management, and conservation are priorities and created a multi-pronged approach to meeting policy goals. This includes encouraging energy consumers to use energy more efficiently which will reduce energy costs. The Florida Building Commission is given authority over the energy efficient building code to improve efficiency of new homes and buildings. Federal and state policies have established minimum appliance efficiency standards for key energy consuming devices. Federal and state resources have been devoted to research and development of energy technologies to improve efficiency and develop alternative energy generating resources. Programs offered by governmental agencies reduce the cost of investment in home and building improvements and technologies that will improve energy efficiency. In 1980, the Florida Legislature recognized electric utilities as the appropriate parties to effect additional cost-effective energy savings from customers. The FPSC is given authority to establish goals and approve cost-effective utility plans and programs, taking into consideration the impact on customer rates. Among the FPSC's cost-effectiveness tests used to evaluate utility programs, there is a mechanism in which the FPSC may consider other benefits and costs, including environmental and health impacts, that are not reflected in actual costs borne by the utility and its customers. In addition to implementing the FPSC's specific authority under the Florida Energy Efficiency and Conservation Act (FEECA), the FPSC also supports and encourages state and federal activities that result in more efficient use of energy through building codes and appliance standards.

Principles

- Improving the efficiency of energy usage is ~~Conservation continues to play an important role as a~~ first step in meeting the energy needs of Florida's citizens and should be promoted across a full range of federal, state and local government policy initiatives. This includes energy efficient building codes for new construction, appliance efficiency standards, energy education, research and development of new energy technologies, initiatives to reduce the cost to the consumer of energy efficiency improvements, and utility conservation and demand-side management programs.¹⁸
- Public education and awareness is paramount in promoting wise energy use in Florida and to avoid wasteful consumption practices.¹⁹
- Continued focus should be placed on increasing the efficiency of new and existing structures and energy consuming devices~~equipment~~ in Florida's homes and businesses.²⁰
- Utility sponsored conservation and demand-side management over which the FPSC has

¹⁸ Sections 377.601(1)-(2), F.S.; 366.80-.82, F.S.;

¹⁹ Section 377.601(2)(h), F.S.

²⁰ Section 553.886, F.S.; 553.900-.912, F.S.; 553.951-.975, F.S.

specific authority under FEECA is an important part of the state's overall energy policy which is aimed at reducing the need for additional power plants, maximizing the efficiency of existing power plants, and reducing overall fossil fuel consumption in the production of electricity.²¹

- In determining the scope of utility conservation efforts, quantifiable the direct economic and indirect societal benefits must be balanced with the costs of conservation and demand side management programs, taking into consideration the rates charged to electric consumers and the cost affordability of electricity.²²

RENEWABLE ENERGY

Federal and state statutes authorize alternative electric generation providers, and establish a paradigm for utilities to purchase energy from these providers while ensuring that customers do not pay more than the incremental cost to the utility for energy or capacity, or both are not harmed economically. Recent amendments to Florida statutes have established enhanced renewable energy contracts that are continuously offered by the investor-owned utilities. These contracts are intended to provide additional value to renewable generators, yet are grounded in the existing paradigm that the rate paid for electricity does not exceed the utility's cost of production. Policies encouraging renewable energy on customer premises aim to reduce the up-front cost of equipment, enhance the value of energy generated by these systems, and expedite the interconnection of renewable devices with the grid. Finally, legislative policy to encourage utility-owned renewable energy demonstration projects provides an opportunity to assess the feasibility of large-scale renewable installations.

Principles

- Any approach to promote renewable energy resources must be lawful under the Federal Public Utility Regulatory Policies Act (PURPA) and Federal Energy Regulatory Commission regulations, as well as Florida law.²³
- Under current state and federal law, purchases of electric capacity and energy from renewable energy providers and other qualifying facilities must be at or below an investor-owned utility's full avoided cost.²⁴
- Strategies to provide additional value to renewable energy producers above the utility's full avoided cost should take into consideration: (1) the impact on the adequacy and reliability of

²¹ Section 366.80-.82, F.S.

²² Section 366.051, F.S.; Rules 25-17.001-.0021, F.A.C.

²³ 16 U.S. Code, Section 824a-3(b); FERC Rule 18 C.F.R. 292.301-292.304

²⁴ Section 366.051, F.S., 366.91(1)-(3), F.S.; Rules 25-17.080-.091 and 25-17.200-.310, F.A.C.

electricity supply, (2) identification and selection of cost-effective resources, and (3) the costs of electric service to customers ~~consumers~~.²⁵

- Any p~~Preferences~~ for certain renewable energy technology types should be established through Legislative policy ~~with priority given to those technologies that, consistent with integrated resource planning, result in the least cost over the useful life of the facility.~~
- Renewable technologies that result in a least cost mix of resources and contribute to the provision of adequate, reliable service to customers should be included in each utility's bulk power supply planning portfolio.
- Energy producing devices located on customer premises and utility-owned renewable energy resources are viable means of encouraging further development of renewable energy. ~~Consideration should be given to both customer-owned renewable energy resources as well as utility-owned renewables.~~
- Customer-owned renewable energy resources should be encouraged through mechanisms that enhance the value of these systems to the individual customer, minimize any adverse rate impact on the general body of utility consumers, and maintain the financial viability of the utility.²⁶

²⁵ Section 366.92(1), F.S.

²⁶ Sections 366.91(5),(6), F.S.; Rule 25-6.065, F.A.C.

**Energy Bedrock Principles
Florida Public Service Commission
August 23, 2011**

Background

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The Commission has jurisdiction over public utilities to regulate each company's rates and service.² The Commission is charged to investigate and determine the actual legitimate costs of the public utility.³ In fixing fair, just, and reasonable rates for each customer class, the Commission shall, to the extent practicable, consider the cost of providing service to the class, as well as the rate history, value of service, and experience of the public utility; the consumption and load characteristics of the various classes of customers; and public acceptance of rate structures.⁴ Finally, no public utility shall be denied a reasonable rate of return upon its rate base in any order entered pursuant to an appropriate rate proceeding.⁵

The Commission has jurisdiction over the planning, development, and maintenance of a coordinated electric power grid throughout Florida to assure an adequate and reliable source of energy for operational and emergency purposes in Florida.⁶ The Commission also has authority to hold proceedings if there is probable cause to believe that inadequacies exist with the grid and to require installation or repair of necessary generation or transmission facilities. Further, costs associated with infrastructure repair or additions must be distributed in proportion to the benefits received.⁷

In order to monitor and assess the planning functions and results of the Florida utilities, the Commission annually reviews the Ten-Year Site Plans of each utility subject to Section 186.801, F.S., and Commission Rules 25-22.070 through 25-22.072, Florida Administrative Code (F.A.C.). These documents, and the *Regional Load and Resource Plan* prepared annually by the Florida Reliability Coordinating Council, provide the Commission data and information

¹ Chapter 366, F.S.

² Section 366.04, F.S.

³ Section 366.06(1), F.S.

⁴ Ibid.

⁵ Section 366.041(1), F.S.

⁶ Section 366.04(5), F.S.

⁷ Section 366.05(8), F.S.

on the need for electrical power in the area to be served, the effect on fuel diversity of power plant additions, and possible alternatives to the proposed plan.

The Commission is the sole forum for the determination of need for power plant and transmission line additions that meet the criteria established in the Florida Electrical Power Plant Siting Act and the Florida Electric Transmission Line Siting Act, respectively.⁸ In making its determination on power plant additions that exceed 75 megawatts of steam capacity, the Commission must take into account: (1) the need for electric reliability, (2) the need for adequate electricity at a reasonable cost, (3) the need for fuel diversity and supply reliability, (4) whether the proposed plant is the most cost-effective alternative, (5) whether renewable energy sources as well as conservation measures are utilized to the extent reasonably available, and (6) whether conservation measures might mitigate the need for the proposed plant.

Since the early 1980s, the Commission has implemented federal and state laws and policies that encourage renewable energy and other alternative sources of electricity. The federal Public Utility Regulatory Policies Act (PURPA), signed into law November 9, 1978, in part requires electric utilities to interconnect and sell electric energy to qualifying cogeneration and small power production facilities, referred to as Qualifying Facilities (QF), and to purchase electric energy from these facilities at the utility's full avoided cost.⁹ In response to PURPA, in 1981, the Florida Legislature authorized the Commission to establish guidelines for the purchase and sale of capacity and energy from cogenerators and small power producers, which includes renewable generators, at full avoided cost. Section 366.051, F.S., defines avoided cost as the incremental costs to the utility of the electric energy or capacity, or both, which, but for the purchase from cogenerators or small power producers, such utility would generate itself or purchase from another source. The Commission implements its statutory authority by identifying an avoided generating unit or power purchase and calculating avoided costs based on the quantifiable costs for this unit or purchase. Avoided cost includes a capacity and energy component based on: (1) the actual capital cost which would have been incurred for the avoided plant, (2) the fuel cost and quantity that would have been used in the plant, and (3) the plant's operating and maintenance expenses. Avoided cost is based on quantifiable costs associated with the avoided unit or purchase. This policy ensures that customers will pay the same value for electrical energy regardless of whether the energy is produced by the host utility or a QF, including a renewable energy producer.¹⁰

In 2007, the Commission conducted workshops to assess mechanisms to further encourage renewable energy. These discussions ultimately led to the Commission adopting amendments to Rule 25-6.065, F.A.C., requiring the investor-owned electric utilities to expedite the interconnection of customer-owned renewable generation and allowing the additional benefit of carrying forward excess generation month-to-month through net metering.¹¹

⁸ Sections 403.519 and 403.537, F.S.; PPSA: Sections 403.501-.518, F.S.; TLSA: Sections 403.52-.5365, F.S.

⁹ 16 U.S. Code, Section 824a-3

¹⁰ 16 U.S. Code, Section 824a-3(b); FERC Rule 18 C.F.R. 292.301-292.304; Section 366.051, F.S., 366.91(1)-(3), F.S.; Rules 25-17.080-.091 and 25-17.200-.310, F.A.C.

¹¹ Section 366.91(4),(5), F.S.; Rule 25-6.065, F.A.C.

In 2008, the Legislature amended Section 366.92, F.S., requiring the Commission to develop a draft rule, subject to ratification by the Legislature, establishing a Renewable Portfolio Standard for Florida's investor-owned electric utilities. The Commission submitted its draft rules implementing these provisions on January 30, 2009.¹² To date, the Legislature has not ratified the draft rules.

Energy Bedrock Principles

The following energy bedrock principles are founded upon the statutory framework that establishes the Commission's authority with respect to Florida's electric utilities, as well as the Commission's implementation of these statutes through its rules and orders. These energy bedrock principles are intended to provide guidance to FPSC staff in evaluating proposed state and federal legislation, preparing bill analyses, and responding to legislative information requests related to energy policy. The Commission has authority to modify these energy bedrock principles at any time.

REGULATORY OBJECTIVES

The Florida Legislature established the FPSC to implement policy relating to electric utilities and the provision of electric service. Electric utilities are required to provide safe and reliable service to all customers in an efficient manner without undue discrimination. Utilities are granted the exclusive right to provide electric service to end users within their service territories. Investor-owned utilities may recover prudently incurred expenses to provide service, including an opportunity to earn a fair return on investments. The FPSC is given full regulatory authority over investor-owned utilities to balance the interests of customers and the utilities.

Principles

- The FPSC is responsible for ensuring that Florida's citizens receive adequate, reliable, electricity service at a reasonable cost from Florida's public utilities.¹³
- The rates established by the FPSC must be just, reasonable, and compensatory and reflect the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public; and the ability of the utility to improve such service and facilities.¹⁴

¹² See Docket No. 080503-EI – In re: Establishment of rule on renewable portfolio standard.

¹³ Section 366.04, F.S.

¹⁴ Section 366.041, F.S.

INTEGRATED RESOURCE PLANNING

Electric utilities must plan and operate their systems in a cost-effective manner that results in safe, adequate, and reliable service at reasonable rates. Florida utilities must plan to meet existing and future customer requirements in a process that integrates all feasible resources. The planning process and selection of resources must be based on fundamental economic principles whereby the least cost options are pursued first, taking into consideration the need for safe, adequate, and reliable service. Federal and state statutes requiring electric utilities to meet environmental, health, and safety standards, as well as economic and strategic concerns, must be factored into the evaluation of resources and the impact on cost and reliability. Florida statutes require utilities to file results of their annual planning process with the FPSC as part of the Ten-Year Site Plan. The FPSC reviews each plan and assesses the impact on the adequacy and reliability of the statewide grid.

Principles

- Electric utilities must evaluate all alternatives reasonably available to meet customer demand and energy needs, including but not limited to: conservation and demand-side management, transmission and distribution efficiency, renewable energy, modernization and efficiency improvements to existing power plants, and construction of new generating plant capacity.¹⁵
- The evaluation of the cost-effectiveness of alternatives should be based, first and foremost, on quantifiable costs that will be included in rates paid by consumers using the economic principles of least cost over the useful life of the alternative.¹⁶
- In keeping with the responsibility to protect public welfare and promote the public interest, strategic concerns and societal benefits (such as fuel diversity, job creation, economic development, environmental enhancements, etc.) may be considered consistent with the authority provided in state and federal statutes.¹⁷
- In determining the weight to be given to strategic concerns in the selection of energy alternatives, priority may be given to those that promote Florida non-emitting resources (clean energy resources), reasonable electricity rates, and enhanced reliability.

¹⁵ Sections 366.05(7), (8), 366.051, 366.81, 366.82, 366.91, 366.92, 403.519, F.S.

¹⁶ Sections 366.051, 366.91, 366.92, 403.519, F.S.

¹⁷ Sections 366.01, 366.91, 366.92, 366.82, 403.519, F.S.

ENERGY EFFICIENCY, DEMAND-SIDE MANAGEMENT AND CONSERVATION

The Florida Legislature has established that energy efficiency, demand-side management, and conservation are priorities and created a multi-pronged approach to meeting policy goals. This includes encouraging energy consumers to use energy more efficiently which will reduce energy costs. The Florida Building Commission is given authority over the energy efficient building code to improve efficiency of new homes and buildings. Federal and state policies have established minimum appliance efficiency standards for key energy consuming devices. Federal and state resources have been devoted to research and development of energy technologies to improve efficiency and develop alternative energy generating resources. Programs offered by governmental agencies reduce the cost of investment in home and building improvements and technologies that will improve energy efficiency. In 1980, the Florida Legislature recognized electric utilities as the appropriate party to effect additional cost-effective energy savings from customers. The FPSC is given authority to establish goals and approve cost-effective utility plans and programs, taking into consideration the impact on customer rates. Among the FPSC's cost-effectiveness tests used to evaluate utility programs, there is a mechanism in which the FPSC may consider other benefits and costs, including environmental and health impacts, that are not reflected in actual costs borne by the utility and its customers. In addition to implementing the FPSC's specific authority under the Florida Energy Efficiency and Conservation Act (FEECA), the FPSC also supports and encourages state and federal activities that result in more efficient use of energy through building codes and appliance standards.

Principles

- Improving the efficiency of energy usage is an important first step in meeting the energy needs of Florida's citizens and should be promoted across a full range of federal, state and local government policy initiatives. This includes energy efficient building codes for new construction, appliance efficiency standards, energy education, research and development of new energy technologies, initiatives to reduce the cost to the consumer of energy efficiency improvements, and utility conservation and demand-side management programs.¹⁸
- Public education and awareness is paramount in promoting wise energy use in Florida and to avoid wasteful consumption practices.¹⁹
- Continued focus should be placed on increasing the efficiency of new and existing structures and energy consuming devices in Florida's homes and businesses.²⁰
- Utility sponsored conservation and demand-side management over which the FPSC has specific authority under FEECA is an important part of the state's overall energy policy

¹⁸ Sections 377.601(1)-(2), F.S.; 366.80-.82, F.S.;

¹⁹ Section 377.601(2)(h), F.S.

²⁰ Section 553.886, F.S.; 553.900-.912, F.S.; 553.951-.975, F.S.

which is aimed at reducing the need for additional power plants, maximizing the efficiency of existing power plants, and reducing overall fossil fuel consumption in the production of electricity.²¹

- In determining the scope of utility conservation efforts, quantifiable benefits must be balanced with the costs of conservation and demand side management programs, taking into consideration the rates charged to electric consumers and the cost of electricity.²²

RENEWABLE ENERGY

Federal and state statutes authorize alternative electric generation providers, and establish a paradigm for utilities to purchase energy from these providers while ensuring that customers do not experience an undue impact to the costs of electricity. Recent amendments to Florida statutes have established enhanced renewable energy contracts that are continuously offered by the investor-owned utilities. These contracts are intended to provide additional value to renewable generators, yet are grounded in the existing paradigm that the rate paid for electricity not exceed the utility's cost of production. Policies encouraging renewable energy on customer premises aim to reduce the up-front cost of equipment, enhance the value of energy generated by these systems, and expedite the interconnection of renewable devices with the grid. Finally, legislative policy to encourage utility-owned renewable energy demonstration projects provides an opportunity to assess the feasibility of large-scale renewable installations.

Principles

- Any approach to promote renewable energy resources must be lawful under the Federal Public Utility Regulatory Policies Act (PURPA) and Federal Energy Regulatory Commission regulations, as well as Florida law.²³
- Under current state and federal law, purchases of electric capacity and energy from renewable energy providers and other qualifying facilities must be at or below an investor-owned utility's full avoided cost.²⁴
- Strategies to provide additional value to renewable energy producers should take into consideration: (1) the impact on the adequacy and reliability of electricity supply, (2) identification and selection of cost-effective resources, and (3) the costs of electric service to customers.²⁵

²¹ Section 366.80-.82, F.S.

²² Section 366.051, F.S.; Rules 25-17.001-.0021, F.A.C.

²³ 16 U.S. Code, Section 824a-3(b); FERC Rule 18 C.F.R. 292.301-292.304

²⁴ Section 366.051, F.S., 366.91(1)-(3), F.S.; Rules 25-17.080-.091 and 25-17.200-.310, F.A.C.

²⁵ Section 366.92(1), F.S.

- Any preferences for certain renewable energy technology types should be established through Legislative policy.
- Renewable technologies that result in a least cost mix of resources and contribute to the provision of adequate, reliable service to customers should be included in each utility's bulk power supply planning portfolio.
- Energy producing devices located on customer premises and utility-owned renewable energy resources are viable means of encouraging further development of renewable energy.
- Customer-owned renewable energy resources should be encouraged through mechanisms that enhance the value of these systems to the individual customer, minimize any adverse rate impact on the general body of utility consumers, and maintain the financial viability of the utility.²⁶

²⁶ Sections 366.91(5),(6), F.S.; Rule 25-6.065, F.A.C.

Comments Provided by Interested Persons
Internal Affairs
August 15, 2011

ATTACHMENT C

From: Hoffman, Kenneth [KENNETH.HOFFMAN@fpl.com]

Sent: Friday, July 08, 2011 8:27 AM

To: Mark Futrell

Cc: Adams, Lynne

Subject: Bedrock Principles

Mark-- FPL would propose the following additional bedrock principles for the staff and Commission's consideration:

1. Regulatory Compact -- "Florida's statutory regulation of investor-owned utilities is built on a regulatory compact under which a utility has the exclusive right and obligation to serve all customers in its service territory without discrimination and is provided the opportunity to recover its reasonable and prudently incurred costs and earn a fair and reasonable return on its investment. This regulatory compact forms the foundation for appropriate regulatory oversight of a utility's ownership, maintenance, and operation of electric generation, transmission, and distribution facilities; water supply, transmission and distribution facilities; and wastewater and reuse collection and disposal facilities."

2. Utility-Owned Renewables -- Add under Renewable Energy Section -- "Utility-owned renewable energy resources should also be encouraged through a regulatory paradigm that recognizes the growing need for fuel diversity and independence, the desire to create new jobs and promote economic development, and the need to balance rate impacts on utility customers."

Please contact me if you have any questions.

Kenneth A. Hoffman
Vice President, Regulatory Affairs
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301
850.521.3919

Comments Provided by Interested Persons
Internal Affairs
August 15, 2011

ATTACHMENT C

From: Steven R. Griffin [mailto:srg@beggslane.com]
Sent: Friday, July 08, 2011 4:28 PM
To: Mark Futrell
Subject: Gulf Power Comments Regarding Draft Energy Bedrock Principles

Mr. Futrell:

Attached please find Gulf Power's comments regarding the Commission's Draft Energy Bedrock Principles dated June 21, 2011.

Information contained in this e-mail transmission may be privileged, confidential, or otherwise legally exempt from disclosure. If you are not the intended recipient, do not read, distribute, or reproduce this transmission. If you have received this e-mail transmission in error, please call (850) 432-2451.

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**GULF POWER COMPANY'S COMMENTS
REGARDING DRAFT ENERGY BEDROCK PRINCIPLES
(July 8, 2011)**

Gulf Power Company ("Gulf") appreciates the opportunity to submit written comments regarding the Florida Public Service Commission's ("Commission") Draft Energy Bedrock Principles dated June 21, 2011 (the "Draft Principles"). Gulf is supportive of the Commission's decision to establish fundamental principles addressing the role that integrated resource planning, renewable energy, conservation and demand-side management play in shaping overall energy policy in Florida. Moreover, with few exceptions, Gulf supports the Draft Principles prepared and circulated by Commission Staff. Attached to these Comments as Exhibit "A" is a version of the Draft Principles in legislative format depicting Gulf's proposed revisions. The rationale for each of Gulf's proposed revisions is briefly discussed below.

1. Second bullet beneath "**Integrated Resource Planning**"

Gulf recommends eliminating the word "ultimately" from this section, as it could be read to endorse expansion of cost-effectiveness evaluations to include costs and benefits which may not materialize, such as estimated costs to comply with potential renewable energy standards, potential carbon legislation or other similarly uncertain scenarios. Gulf believes that cost-effectiveness evaluations should be based only upon known, non-speculative costs and benefits.

2. Third bullet beneath "**Integrated Resource Planning**"

Gulf recommends eliminating the words "on a case by case basis" from this section and replacing the words "legislative intent" with "authority" in order to clarify that the factors considered by the Commission in reviewing and approving the selection of energy alternatives will be consistent with applicable law.

3. Fourth bullet beneath “**Integrated Resource Planning**”

Gulf does not offer any specific changes to this section, but notes that the term “clean energy technologies” does not appear to be defined in Florida law or elsewhere.

4. Fifth bullet beneath “**Energy Conservation**”

Gulf recommends eliminating the words “and indirect societal” from this section. For purposes of evaluating the costs and benefits of utility-sponsored conservation efforts, the Commission has adopted the use of the Rate Impact Measure (“RIM”), Total Resource Cost test (“TRC”) and the Participant’s test. See, Order No. PSC-09-0855-FOF-EG. Each of these tests is appropriately limited to consideration of tangible economic impacts associated with conservation efforts. They do not consider environmental externalities and other “societal” costs and benefits, which are quite often difficult, if not impossible, to identify and quantify. For these reasons, Gulf believes that the subject wording should be stricken.

5. Third bullet beneath “**Renewable Energy**”

Gulf recommends eliminating the words “above the utility’s full avoided cost” from this section. As noted in the second bullet of this section, under state and federal law, purchases of electric capacity and energy from renewable energy providers must be at or below the utility’s full avoided cost. This appropriately ensures that customers will pay the same for electrical energy regardless of whether the energy is produced by the utility or a renewable energy producer.

6. Fourth bullet beneath “**Renewable Energy**”

Gulf recommends replacing the word “should” with the word “may.” In its current form, this section could be read as a directive, as opposed to a statement of principle.

CONCLUSION

Gulf Power thanks the Commission for the opportunity to comment on this thoughtful analysis of an important subject.

Respectfully submitted this 8th day of July, 2011.

EXHIBIT "A"

Draft Energy Bedrock Principles
Internal Affairs
June 21, 2011

ATTACHMENT A

Energy Policy Bedrock Principles

The following energy bedrock principles are founded upon the statutory framework that establishes the Commission's authority with respect to Florida's electric utilities, as well as the Commission's implementation of these statutes through its rules and orders. These bedrock principles are intended to provide guidance to FPSC staff in evaluating proposed state and federal legislation, preparing bill analyses, and responding to legislative information requests related to energy policy.

Regulatory Objectives

- The FPSC is responsible for ensuring that Florida's citizens receive adequate, reliable, and affordable electricity service from Florida's public utilities.⁸
- The rates established by the FPSC must be just, reasonable, and compensatory and reflect the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public; and the ability of the utility to improve such service and facilities.⁹

Integrated Resource Planning

- Electric utilities must evaluate all alternatives reasonably available to meet customer demand and energy needs, including but not limited to: conservation and demand-side management, transmission and distribution efficiency, renewable energy, modernization and efficiency improvements to existing power plants, and construction of new generating plant capacity.¹⁰
- The evaluation of the cost-effectiveness of alternatives should be based, first and foremost, on quantifiable costs that will ultimately be included in rates paid by consumers using the economic principles of least cost over the useful life of the alternative.¹¹

⁸ Section 366.04, F.S.

⁹ Section 366.041, F.S.

¹⁰ Sections 366.05(7), (8), 366.051, 366.81, 366.82, 366.91, 366.92, 403.519, F.S.

¹¹ Sections 366.051, 366.91, 366.92, 403.519, F.S.

Draft Energy Bedrock Principles
Internal Affairs
June 21, 2011

ATTACHMENT A

- In keeping with the responsibility to protect public welfare and promote the public interest, strategic concerns and societal benefits (such as fuel diversity, job creation, economic development, environmental enhancements, etc.) may be considered on-a case-by-case-basis consistent with the legislative-intent authority provided in state and federal statutes.¹²
- In determining the weight to be given to strategic concerns and societal benefits in the selection of energy alternatives, priority should be given to those that promote clean energy technologies, affordable electricity rates, and enhanced reliability.

Energy Conservation

- Conservation continues to play an important role as a first step in meeting the energy needs of Florida's citizens and should be promoted across a full range of state and local government policy initiatives.
- Public education and awareness is paramount in promoting wise energy use in Florida and to avoid wasteful consumption practices.
- Continued focus should be placed on increasing the efficiency of new and existing structures and equipment in Florida's homes and businesses.
- Utility sponsored conservation and demand-side management is an important part of the state's overall energy policy which is aimed at reducing the need for additional power plants, maximizing the efficiency of existing power plants, and reducing overall fossil fuel consumption in the production of electricity.
- In determining the scope of utility conservation efforts, the direct economic and indirect societal benefits must be balanced with the costs of conservation programs, taking into consideration the rates charged to electric consumers and the affordability of electricity.

Renewable Energy

- Any approach to promote renewable energy resources must be lawful under the Federal Public Utility Regulatory Policies Act (PURPA) and Federal Energy Regulatory Commission regulations, as well as Florida law.
- Under current state and federal law, purchases of electric capacity and energy from renewable energy providers and other qualifying facilities must be at or below an investor-owned utility's full avoided cost.¹³

¹² Sections 366.01, 366.91, 366.92, 366.82, 403.519.F.S.

¹³ Section 366.051.F.S.

Draft Energy Bedrock Principles
Internal Affairs
June 21, 2011

ATTACHMENT A

- Strategies to provide additional value to renewable energy producers ~~above the utility's full-avoided-cost~~ should take into consideration the impact on the adequacy and reliability of electricity supply and the costs of electric service to consumers.
- Preferences for certain renewable energy technology types ~~should~~ may be established through Legislative policy with priority given to those technologies that, consistent with integrated resource planning, result in the least cost over the useful life of the facility.
- Consideration should be given to both customer-owned renewable energy resources as well as utility-owned renewables.
- Customer-owned renewable energy resources should be encouraged through mechanisms that enhance the value of these systems to the individual customer, minimize any adverse rate impact on the general body of utility consumers, and maintain the financial viability of the utility.

From: Vicki Gordon Kaufman [mailto:vkaufman@kagmlaw.com]
Sent: Friday, July 08, 2011 9:20 AM
To: Mark Futrell
Subject: Bedrock Principles

Hi Mark. Attached are FIPUG's suggested changes/additions to the draft Bedrock Principles. We appreciate the opportunity to provide our thoughts.

Please let me know if you have any questions.

Vicki Gordon Kaufman

vkaufman@kagmlaw.com

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**Energy Bedrock Principles
Florida Public Service Commission
June 29, 2011**

Background

Florida Statutes establish the Florida Public Service Commission (FPSC or Commission) as the entity responsible for ensuring that Florida's citizens receive adequate, reliable and affordable electric service from Florida's public utilities.¹ Pursuant to Section 366.03, Florida Statutes (F.S.), each public utility has a statutory obligation to serve every customer within its service territory. Electric services provided must be reasonably sufficient, adequate, and efficient and provided in a non-discriminatory manner. As such, Florida's utilities must explore all available measures to ensure the most cost-effective and efficient means of producing and delivering reliable and affordable electricity service to their customers.

The Commission has jurisdiction over public utilities to regulate each company's rates and service.² The Commission is charged to investigate and determine the actual legitimate costs of the public utility. In fixing fair, just, and reasonable rates for each customer class, the Commission shall, to the extent practicable, consider the cost of providing service to the class, as well as the rate history, value of service, and experience of the public utility; the consumption and load characteristics of the various classes of customers; and public acceptance of rate structures.³ Finally, no public utility shall be denied a an opportunity to earn a reasonable rate of return upon its rate base in any order entered pursuant to an appropriate rate proceeding.⁴

The Commission has jurisdiction over the planning, development, and maintenance of a coordinated electric power grid throughout Florida to assure an adequate and reliable source of energy for operational and emergency purposes in Florida.⁵ The Commission also has authority to hold proceedings if there is probable cause to believe that inadequacies exist with the grid and to require installation or repair of necessary generation or transmission facilities. Further, costs associated with infrastructure repair or additions must be distributed in proportion to the benefits received.⁶

In order to monitor and assess the planning functions and results of the Florida utilities, the Commission annually reviews the Ten-Year Site Plans of each utility subject to Section 186.801, F.S., and Commission Rules 25-22.070 through 25-22.072, Florida Administrative Code (F.A.C.). These documents, and the *Regional Load and Resource Plan* prepared annually by the Florida Reliability Coordinating Council, provide the Commission data and information on the need for electrical power in the area to be served, the effect on fuel diversity of power plant additions, and possible alternatives to the proposed plan.

¹ Chapter 366, F.S.

² Section 366.04, F.S.

³ Section 366.06(1), F.S.

⁴ Section 366.041(1), F.S.

⁵ Section 366.04(5), F.S.

⁶ Section 366.05(8), F.S.

The Commission is the sole forum for the determination of need for power plant and transmission line additions that meet the criteria established in the Florida Electrical Power Plant Siting Act and the Florida Electric Transmission Line Siting Act, respectively.⁷ In making its determination on power plant additions that exceed 75 megawatts of steam capacity, the Commission must take into account: (1) the need for electric reliability, (2) the need for adequate electricity at a reasonable cost, (3) the need for fuel diversity and supply reliability, (4) whether the proposed plant is the most cost-effective alternative, (5) whether renewable energy sources as well as conservation measures are utilized to the extent reasonably available, and (6) whether conservation measures might mitigate the need for the proposed plant.

Since the early 1980s, the Commission has implemented federal and state laws and policies that encourage renewable energy and other alternative sources of electricity. The federal Public Utility Regulatory Policies Act (PURPA), signed into law November 9, 1978, in part requires electric utilities to interconnect and sell electric energy to qualifying cogeneration and small power production facilities, referred to as Qualifying Facilities (QF), and to purchase electric energy from these facilities at the utility's full avoided cost. In response to PURPA, in 1981, the Florida Legislature authorized the Commission to establish guidelines for the purchase and sale of capacity and energy from cogenerators and small power producers, which includes renewable generators, at full avoided cost. Section 366.051, F.S., defines avoided cost as the incremental costs to the utility of the electric energy or capacity, or both, which, but for the purchase from cogenerators or small power producers, such utility would generate itself or purchase from another source. The Commission implements its statutory authority by identifying an avoided generating unit or power purchase and calculating avoided costs based on the quantifiable costs for this unit or purchase. Avoided cost includes a capacity and energy component based on: (1) the actual capital cost which would have been incurred for the avoided plant, (2) the fuel cost and quantity that would have been used in the plant, and (3) the plant's operating and maintenance expenses. Avoided cost is based on quantifiable costs from the avoided unit or purchase and does not include an estimate for externalities, such as any environmental benefits associated with renewable energy. This policy ensures that customers will pay the same value for electrical energy regardless of whether the energy is produced by the host utility or a QF, including a renewable energy producer.

In 2007, the Commission conducted workshops to assess mechanisms to further encourage renewable energy. These discussions ultimately led to the Commission adopting amendments to Rule 25-6.065, F.A.C., requiring the investor-owned electric utilities to expedite the interconnection of customer-owned renewable generation and allowing the additional benefit of carrying forward excess generation month-to-month through net metering.

In 2008, the Legislature amended Section 366.92, F.S., requiring the Commission to develop a draft rule, subject to ratification by the Legislature, establishing a Renewable Portfolio Standard for Florida's investor-owned electric utilities. The Commission submitted its draft

⁷ Sections 403.519 and 403.537, F.S.

rules implementing these provisions on January 30, 2009. To date, the Legislature has not ratified the draft rules.

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Regulatory Objectives

- The FPSC is responsible for ensuring that Florida's citizens receive adequate, reliable, and affordable electricity service from Florida's public utilities.⁸
- The rates established by the FPSC must be just, reasonable, and compensatory and reflect the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public; and the ability of the utility to improve such service and facilities.⁹

Integrated Resource Planning

- Electric utilities must evaluate all alternatives reasonably available to meet customer demand and energy needs, including but not limited to: conservation and demand-side management, transmission and distribution efficiency, renewable energy, modernization and efficiency improvements to existing power plants, and construction of new generating plant capacity.¹⁰
- The evaluation of the cost-effectiveness of alternatives should be based, first and foremost, on quantifiable costs that will ultimately be included in rates paid by consumers using the economic principles of least cost over the useful life of the alternative.¹¹
- In keeping with the responsibility to protect public welfare and promote the public interest, strategic concerns and societal benefits (such as fuel diversity, job creation, economic development, environmental enhancements, etc.) may be considered on a

⁸ Section 366.04, F.S.

⁹ Section 366.041, F.S.

¹⁰ Sections 366.05(7), (8), 366.051, 366.81, 366.82, 366.91, 366.92, 403.519, F.S.

¹¹ Sections 366.051, 366.91, 366.92, 403.519, F.S.

case-by-case basis consistent with the legislative intent provided in state and federal statutes.¹²

- In determining the weight to be given to strategic concerns and societal benefits in the selection of energy alternatives, priority should be given to those that promote clean energy technologies, affordable electricity rates, and enhanced reliability.

Energy Conservation

- Conservation continues to play an important role as a first step in meeting the energy needs of Florida's citizens and should be promoted across a full range of state and local government policy initiatives.
- Public education and awareness is paramount in promoting wise energy use in Florida and to avoid wasteful consumption practices.
- Continued focus should be placed on increasing the efficiency of new and existing structures and equipment in Florida's homes and businesses.
- ~~Utility sponsored~~ Conservation and demand-side management is an important part of the state's overall energy policy which is aimed at reducing the need for additional power plants, maximizing the efficiency of existing power plants, and reducing overall fossil fuel consumption in the production of electricity.
- In determining the scope of utility conservation efforts, the direct economic ~~and indirect societal~~ benefits must be balanced with the costs of conservation programs, taking into consideration the rates charged to electric consumers and the affordability of electricity.
- Conservation efforts undertaken and funded by customers should be recognized in setting goals and in apportioning the costs of any approved utility-funded programs.

Renewable Energy

- Any approach to promote renewable energy resources must be lawful under the Federal Public Utility Regulatory Policies Act (PURPA) and Federal Energy Regulatory Commission regulations, as well as Florida law, and should recognize all costs incurred to deliver energy to the grid.
- Under current state and federal law, purchases of electric capacity and energy from renewable energy providers and other qualifying facilities must be at or below an investor-owned utility's full avoided cost.¹³

¹² Sections 366.01, 366.91, 366.92, 366.82, 403.519, F.S.

¹³ Section 366.051, F.S.

- Strategies to provide additional value to renewable energy producers ~~above the utility's full avoided cost~~ should take into consideration the impact on the adequacy and reliability of electricity supply and the costs of electric service to consumers.
- Preferences for certain renewable energy technology types should be established through Legislative policy with priority given to those technologies that, consistent with integrated resource planning, result in the least cost over the useful life of the facility, including indigenous non-emitting resources.
- Consideration should be given to both customer-owned renewable energy resources as well as utility-owned renewables.
- Customer-owned renewable energy resources should be encouraged through mechanisms that enhance the value of these systems to the individual customer, minimize any adverse rate impact on the general body of utility consumers, and maintain the financial viability of the utility.

II. Outside Persons Who Wish to Address the Commission at Internal Affairs

The records reflect that no outside persons addressed the Commission at this Internal Affairs meeting.

III. Supplemental Materials for Internal Affairs


NOTE: The following material pertains to Item 2 of
this agenda.

**FLORIDA PUBLIC SERVICE COMMISSION
INTERNAL AFFAIRS
TALLY SHEET
AUGUST 23, 2011**

EXECUTIVE DIRECTOR RECOMMENDATION:

APPLICANT	Graham	Edgar	Brisé	Balbis	Brown	TOTAL
1. Aster Adams	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		4
2. Braulio Baez		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	3
3. Timothy Barden						
4. Diana Caldwell		<input checked="" type="checkbox"/>				1
5. Christine Ericson						
6. Charles "Chris" Hart		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	3
7. Stephen Hogge	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				2
8. Gary Hunt	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		2
9. Steven Marshall				<input checked="" type="checkbox"/>		1
10. Paul Montgomery					<input checked="" type="checkbox"/>	1
11. Phillip Nowicki						
12. David Russell						
13. William Stewart		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			2
14. Michael Townsley						
15. Bill Veach						


Ann Cole, Commission Clerk


Bobby Maddox, Personnel Officer

Date: August 23, 2011

Date: 8/23/11

Internal Affairs/Agenda
on 8/23/2011
Item No. 2

FLORIDA PUBLIC SERVICE COMMISSION

INTERNAL AFFAIRS

VOTE SHEET

AUGUST 23, 2011

EXECUTIVE DIRECTOR RECOMMENDATION:

APPLICANT	CHOICE <input checked="" type="checkbox"/>
1. Aster Adams	<input checked="" type="checkbox"/>
2. Braulio Baez	<input type="checkbox"/>
3. Timothy Barden	<input type="checkbox"/>
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6. Charles "Chris" Hart	<input type="checkbox"/>
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11. Phillip Nowicki	<input type="checkbox"/>
12. David Russell	<input type="checkbox"/>
13. William Stewart	<input type="checkbox"/>
14. Michael Townsley	<input type="checkbox"/>
15. Bill Veach	<input type="checkbox"/>

COMMISSIONER SIGNATURE

ART GRAHAM, CHAIRMAN: 

COMMENTS:

Internal Affairs/Agenda
on 8/23/2011
Item No. 2

FLORIDA PUBLIC SERVICE COMMISSION

INTERNAL AFFAIRS

VOTE SHEET

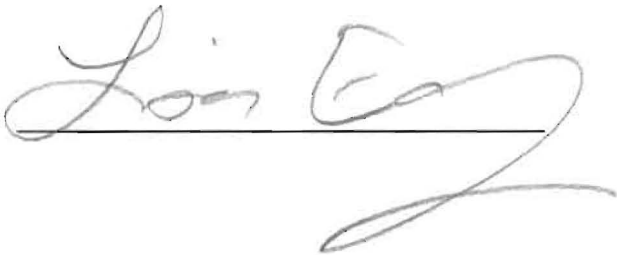
AUGUST 23, 2011

EXECUTIVE DIRECTOR RECOMMENDATION:

APPLICANT	CHOICE <input checked="" type="checkbox"/>
1. Aster Adams	✓
2. Braulio Baez	✓
3. Timothy Barden	
4. Diana Caldwell	✓
5. Christine Ericson	
6. Charles "Chris" Hart	✓
7. Stephen Hogge	✓
8. Gary Hunt	
9. Steven Marshall	
10. Paul Montgomery	
11. Phillip Nowicki	
12. David Russell	
13. William Stewart	✓
14. Michael Townsley	
15. Bill Veach	

COMMISSIONER SIGNATURE

LISA POLAK EDGAR, COMMISSIONER:



COMMENTS:

Internal Affairs/Agenda
on 8/23/2011
Item No. 2

FLORIDA PUBLIC SERVICE COMMISSION

INTERNAL AFFAIRS

VOTE SHEET

AUGUST 23, 2011

EXECUTIVE DIRECTOR RECOMMENDATION:

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2. Braulio Baez	<input checked="" type="checkbox"/>
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15. Bill Veach	<input type="checkbox"/>

COMMISSIONER SIGNATURE

RONALD A. BRISÉ, COMMISSIONER:



COMMENTS:

Internal Affairs/Agenda
on 8/23/2011
Item No. 2

INTERNAL AFFAIRS

VOTE SHEET

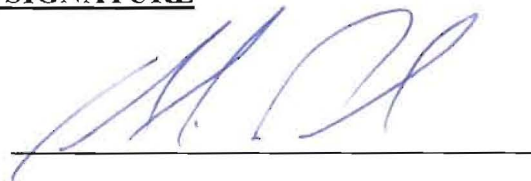
AUGUST 23, 2011

EXECUTIVE DIRECTOR RECOMMENDATION:

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12. David Russell	<input type="checkbox"/>
13. William Stewart	<input type="checkbox"/>
14. Michael Townsley	<input type="checkbox"/>
15. Bill Veach	<input type="checkbox"/>

COMMISSIONER SIGNATURE

EDUARDO E. BALBIS, COMMISSIONER:



COMMENTS:

Internal Affairs/Agenda
on 8/23/2011
Item No. 2

INTERNAL AFFAIRS

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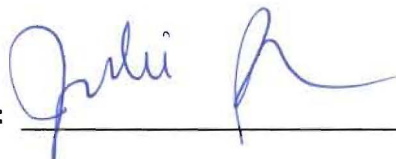
AUGUST 23, 2011

EXECUTIVE DIRECTOR RECOMMENDATION:

APPLICANT	CHOICE <input checked="" type="checkbox"/>
1. Aster Adams	
2. Braulio Baez	✓
3. Timothy Barden	
4. Diana Caldwell	
5. Christine Ericson	
6. Charles "Chris" Hart	✓
7. Stephen Hogge	
8. Gary Hunt	
9. Steven Marshall	
10. Paul Montgomery	✓
11. Phillip Nowicki	
12. David Russell	
13. William Stewart	
14. Michael Townsley	
15. Bill Veach	

COMMISSIONER SIGNATURE

JULIE I. BROWN, COMMISSIONER:



COMMENTS:

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on 8/23/2011
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FLORIDA PUBLIC SERVICE COMMISSION

INTERNAL AFFAIRS

TALLY SHEET

AUGUST 23, 2011

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EXECUTIVE DIRECTOR RECOMMENDATION:

APPLICANT	Graham	Edgar	Brisé	Balbis	Brown	TOTAL
1. Aster Adams	1	1	1	1		4
2. Braulio Baez		1	1		1	3
3. Timothy Barden						
4. Diana Caldwell		1				1
5. Christine Ericson						
6. Charles "Chris" Hart		1	1		1	3
7. Stephen Hogge	1	1				2
8. Gary Hunt	1			1		2
9. Steven Marshall				1		1
10. Paul Montgomery					1	1
11. Phillip Nowicki						
12. David Russell						
13. William Stewart		1	1			2
14. Michael Townsley						
15. Bill Veach						

Ann Cole, Commission Clerk

Bobby Maddox, Personnel Officer

Date: _____

Date: _____

Item No. 2