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HAND DELIVERED

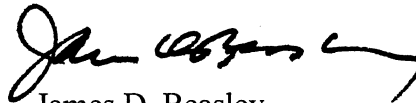
Ms. Martha Carter Brown  
Office of General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Renewable Portfolio Standard (UNDOCKETED)

Dear Ms. Brown:

As a follow up to the September 27, 2007 Staff Workshop in this matter, we enclose for your consideration Tampa Electric Company's post-workshop comments and responses to questions raised by the Commission's Staff.

Sincerely,



James D. Beasley

JDB/pp  
Enclosure

cc: Mark Futrell (w/enc.) ✓  
Bob Trapp (w/enc.)  
Bob Graniere (w/enc.)  
Ann Cole (w/enc.)

## **Tampa Electric Comments**

Tampa Electric believes the workshops held by the Florida Public Service Commission (FPSC) have been helpful and educational towards gaining a better understanding of the issues that must be addressed in order to establish a renewable portfolio standard. Tampa Electric suggests that the State of Florida should consider a Clean Portfolio Standard (CPS) rather than a Renewable Portfolio Standard so that other cost-effective resources that help the state achieve certain environmental and economic objectives are included. Tampa Electric believes that a CPS should be focused on reducing emissions of greenhouse gases (GHG) from the production of electricity while increasing energy security, creating more fuel diversity, maintaining reliable electric service, promoting economic growth and providing adequate energy needs to customers at reasonable prices.

Given the beneficial nature of the workshops the FPSC has held, Tampa Electric suggests additional topics that could be similarly beneficial in future workshops, including:

- Types of clean resources that should qualify towards a CPS/availability of such resources in the State of Florida;
- Current and projected development/implementation/operating costs of such resources;
- Quantification of the relative effectiveness of such resources at achieving emission reductions and providing other desired benefits;
- Analysis of the potential impact of a CPS on electric customers' rates and bills; and
- Cost recovery and incentive mechanisms to encourage cost effective development of these resources.

Tampa Electric has stated at previous workshops, and states again here, that a study should be initiated to analyze and quantify capacity and energy resources that exist and can be developed in Florida. Tampa Electric believes such a study should be similar to the 2003 study conducted by the FPSC and Department of Environmental Protection. Such a study need not hinder the continuing development of a CPS, and its results will provide invaluable information to facilitate its success.

With these objectives in mind, Tampa Electric is pleased to provide the following responses to the questions posed by staff at the September 27, 2007 workshop.

### **Responses to Staff's Questions**

#### **COMPLIANCE:**

**1. Once a verification methodology (e.g., contract path, Renewable Energy Credits (RECs) or utility ownership of renewable facility) is chosen, how do we make it work?**

Utilities should be permitted to achieve compliance with a Clean Portfolio Standard (CPS), through the purchase or self-production of clean energy from qualified resources, the purchase of renewable energy credits (REC) or through Alternative Compliance Payments (ACP).

## **2. Who administers verification of compliance (state agency or third party)?**

It should be the responsibility of the FPSC to determine whether a utility is in compliance with a CPS. However, the administration of an evaluation, measurement and verification system, as well as a tracking system for RECs, could be done through a designated third-party administrator.

## **3. Should there be a weighting system based on objectives (multipliers or tiered approach)?**

Yes, multipliers should be used for resources that are favored for compliance (e.g., solar, wind or Florida-based RECs or resources.) A multiplier, rather than a carve-out, should be used for such purposes to provide the needed flexibility to manage compliance costs. A carve-out should not be utilized as it eliminates flexibility, does not appropriately incent providers to improve the technology or reduce costs, and may ultimately result in higher long-term costs to customers. A carve-out is essentially a requirement within a requirement and hamstrings the utilities' ability to meet the RPS in the most cost effective manner.

## **4. Should there be a safety valve, such as an alternative compliance payment?**

Yes, there should be an ACP, however the ACP should not be viewed as a safety valve. An ACP is not a penalty for non-compliance, or a safety valve, but an additional means of complying with a CPS. It may be a preferred method of compliance for utilities that do not generate their own power or are smaller in size and not able to develop economic projects.

An expense cap should be employed as a "safety valve." Such a cap helps control the total cost of compliance with a CPS. Estimates regarding the likely availability and cost of clean/renewable resources can be the basis for establishing reasonable CPS targets. However, if those estimates prove to be inaccurate and costs for such resources turn out to be higher, an expense cap limits the total cost to customers and protects rate levels from rising too far.

Implementing an ACP and an expense cap together could work to restrain prices in a supply-constrained environment and will limit the total cost impact to customers.

Another "safety valve" that should be employed is a 'force majeure' type exception. This exception would specify that a utility would be deemed to be in compliance with the CPS target if the FPSC determined that events beyond the reasonable control of a utility prevented the utility from meeting its CPS target. Such events or circumstances outside a utility's control would include such things as: weather-related damage, mechanical failure, lack of transmission capacity or availability, strikes, lockouts, etc.

**5. If there should be a safety valve, such as an alternative compliance payment, who should administer the fund, how should the funds be used, should there be cost recovery for the IOUs?**

ACP funds could be managed by each utility through a FPSC-approved program under the Energy Conservation Cost Recovery Clause (ECCR) or a similar cost recovery mechanism where the payments would fund approved projects that further the development of clean energy resources or energy efficiency that would qualify under the CPS.

Administration of any state-wide fund to which ACP payments are made should be by an entity other than the FPSC, such as another state agency or designated third-party administrator. Appropriate guidance for that entity and controls should be put in place so that ACP funds are used only for promoting clean energy resources or energy efficiency that would qualify under the CPS. ACP funds should be used to provide funding through grants, loans and other incentives.

To ensure the success of the CPS, full cost recovery must be allowed, including recovery of an ACP. In addition to full cost recovery, incentives should be established to encourage early accomplishment of CPS goals. Cost recovery should be accomplished through the appropriate/applicable cost recovery mechanisms.

**6. Should self-service generation be counted toward goals?**

Yes, self-generation and energy efficiency should be counted towards a CPS target. A means of measuring and verifying such generation will need to be developed.

**7. Should out-of-state RECs be counted? (Issues: regional limitation, requirement that energy be delivered in Florida, coordinating to prevent double counting).**

Utilities should be permitted to use out-of-state RECs to meet a CPS target, but Florida RECs should be favored in some manner. Florida RECs would include RECs associated with energy generated in or delivered to Florida. In addition, measures to prevent double counting of the same resource need to be implemented.

**8. What flexibility measures (e.g., banking, borrowing, true-up period) should be allowed?**

Utilities should be allowed to bank excess RECs for future use as well as borrow RECs from future periods for current use. Banking and borrowing will help address price volatility issues. If the phrase “true-up period” means a specified timeframe after the date specified for CPS compliance within which RECs may be purchased, banked or borrowed to achieve the specified CPS target, then a true-up period should be used in determining compliance.

## **ENFORCEMENT:**

### **9. How often should utilities be reviewed (i.e., annual or interim goals)?**

There should be annual reporting of progress toward meeting specific targets, but compliance should be determined based on reaching the established target or expense cap on the date specified, with an appropriate true-up period.

### **10. What is the best way to ensure compliance (penalties vs. guidelines)? How should penalties be applied? How would funds be used? Who administers the funds? Should there be force majeure exceptions? Should IOUs receive recovery?**

The best way to ensure compliance is through incentives. Existing statutory authority is sufficient for non-compliance. There should be 'force majeure' exceptions (see response to question 4 above). Full cost recovery must be allowed (see response to question 5 above).

### **11. Should a baseline of current renewables be established? If so, what counts toward the baseline?**

Yes. An assessment of clean resources in the state, both existing and potential, should be conducted. This assessment should include important characteristics of each generation and fuel type such as capacity factor, emission levels per kWh, levelized cost per kWh, and short-term and long-term total generating capacity potential in Florida. All resources that contribute to the state's policy goals of reducing GHG and other emissions in the state, provide a significant degree of energy independence to the state, provide a significant level of fuel diversity to the state, and maximize the benefit while minimizing the cost to customers should be included. Resources assessed should include (but not be limited to):

- Solar energy
- Wind energy
- Biomass
- Waste-to-energy (including Municipal Solid Waste)
- Geothermal energy
- Ocean energy
- Waste heat (or Combined Heat and Power)
- Hydroelectric power
- Hydrogen produced from sources other than fossil fuels
- Energy efficiency, demand side management and direct load control measures
- Nuclear energy (post 2006)
- Nuclear energy uprates (post 2006)
- Fuel cells using clean/renewable fuels
- Fossil fuel generation technology with full/partial carbon capture and sequestration (post 2006)
- Fuel efficiency improvements (post 2006)
- Grid improvements (post 2006)

- RECs
- Authorized environmental offset programs
- Authorized research and development project costs

**12. What reporting requirements are needed?**

Utilities should be required to report their progress toward CPS targets annually to the FPSC. The report could include a discussion of technologies and measures used, lessons learned, and recommendations.

**13. Should there be a process to review the RPS? (Automatic process such as conservation goals proceedings – every five years – or ongoing review with no automatic process).**

Yes. A review process should be implemented similar to the process used in the conservation proceedings. Utilities should report to the FPSC annually regarding progress towards achieving CPS targets and provide updated views regarding the availability and cost of qualified clean resources and the ability to meet the specified targets. The targets and the schedule for compliance should be re-evaluated every three years and modified as appropriate to account for changes in load growth, technology, costs, and other factors that affect the availability and cost of clean/renewable sources of energy. This re-evaluation should be used to adjust the targets, if necessary.