



July 18, 2008

Ms. Cindy Miller (cmiller@psc.state.fl.us)
Ms. Judy Harlow (jharlow@psc.state.fl.us)
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Post-Workshop Comments on Development of a Renewable Energy Portfolio Standard

Dear Ms. Miller and Harlow,

The Florida Municipal Electric Association submits the following post-workshop comments on issues discussed at the July 11, 2008, workshop on development of a renewable portfolio standard (RPS) for the State of Florida.

The Florida Municipal Electric Association (FMEA) is the state trade association for the thirty four municipal electric utilities in Florida. FMEA represents these utilities before the legislature and regulatory agencies, including the Florida Public Service Commission (FPSC).

FMEA members, as municipal electric utilities, are exempted from the majority of this rule, as it applies primarily to investor-owned utilities. However, in practice, because we are required by the rule to annually report our renewable energy activities, the rule will have a significant impact as our members may use the rule as a benchmark for establishing their own renewable energy programs. Therefore, while we might not be primarily regulated by the rule, we will be impacted by it, especially in the trading of renewable energy credits. Furthermore, we believe that our comments recommend good public policy for the State of Florida.

FMEA has four principal comments:

- ◆ Control costs
- ◆ Include solar water heating in the RPS
- ◆ Count Renewable Energy Credits towards RPS goals
- ◆ Establish a reasonable timeframe to achieve RPS goals

1. Control Costs

In the past year's discussion of an RPS, FMEA has consistently advocated that it is vital for Floridians to fully understand the full cost of an RPS. We advocated for a 1% limit on the cost of such a program, with expenditures accounted for only when costs for renewable energy exceed marginal cost. Cost control is a major policy issue. We have seen numerous renewable energy advocates implore the FPSC to mandate achievement of a 20% RPS by the year 2020, with no consideration given to the financial impacts on consumers. We find this position insensitive to the concerns of the majority of Floridians, especially those of low- and moderate-income. While advocates point to polls that suggest Floridians are willing to pay a higher electric bill for renewable energy, we believe that without a cap on costs, the FPSC would be giving a blank check to the renewable energy industry to charge whatever they like to achieve a goal in a timeframe that may be unachievable.

Several utilities have been in contract discussions with renewable energy providers and have found that costs for renewable energy can generally be anywhere from 40% to more than 100% higher than conventional energy sources (e.g., fossil and nuclear energy). In addition, for many renewable energy equipment vendors, current pricing is contingent on the extension of Federal Investment Tax Credits which are currently set to expire at the end of 2008. If these credits are not extended, the estimated costs for renewable energy is likely to increase further.

Furthermore, in this era of rapidly rising fuel costs, we believe it is vital for Floridians to fully understand the financial impact of an RPS that will be imposed on their electric utility, and subsequently, on consumers themselves.

Recommendation 1: Control the cost of the RPS to Floridians by imposing a cap on costs.

2. Treat Solar Water Heating as a Renewable Energy Technology

FMEA has advocated that solar water heating be included in the list of accepted renewable energy technologies to achieve RPS goals. Clearly, solar water heating is a renewable technology. Water is heated by the sun, just as electrons are excited by the sun using photovoltaic energy. In fact, solar water heating is one of the most cost-effective renewable energy technologies available in Florida, and any suggestion to limit its consideration in an RPS would make the goals of an RPS significantly more difficult to achieve. In nearly every case of its application (except when replacing nuclear energy), solar water heating replaces fossil fuels, which contribute to greenhouse gas emissions. Furthermore, eleven other states have already established RPS policies that include solar water heating as an eligible resource. By including solar water heating as an eligible resource, Florida would be following the good example set by others.

Attached is a copy of an actual Renewable Energy Credit (REC) certificate, made available by Lakeland Electric, which was produced by providing 50% solar-heated water to a residence, thus replacing an electric water heater, and 50% photovoltaic energy. Other utilities such as Orlando Utilities Commission and Keys Energy Services are trading solar hot water Renewable Energy Credits via their local Green Energy Marketing programs. Clearly, RECs derived from solar water heating have been actively traded in the Florida voluntary green energy marketplace for the past four years. We should continue this positive renewable energy contribution – and expand it further – to take advantage of the great potential this important renewable resource has for Florida.

Recommendation 2: Include solar water heating as a renewable energy technology in a renewable portfolio standard.

3. Renewable Energy Credits Should be Counted Towards the Goal

FMEA supports the use of credits to comply with the goal. We envision two types of credit markets based on different standards: 1) a national market, and 2) a state market.

The national market would likely be based on a national standard for credits, such as the Green-E standard, which is very specific to the type of renewable energy that can be counted. While we are not necessarily advocating for a particular national standard, we recommend that such national credits be usable in Florida when they are consistent with Florida's definition of renewable energy.

Furthermore, FMEA recommends that there be statewide trading of credits based on the definition of renewable energy used for this rule.

Recommendation 3: Allow Qualified In-State and Out-of-State Renewable Energy Credits to be used to Comply with the Goal.

4. Establish a Reasonable Timeframe to Achieve the Goal

We have heard renewable energy advocates repeatedly say that we must achieve 20% renewable energy generation by the arbitrary year 2020. Except for the pleasant-sounding “bumper sticker” slogan of “20% by 2020,” such a goal has no economic or technical basis in reality. First, while we have discussed an RPS at FPSC staff workshops for the past year, there has been no independent examination of the technical or economic potential of renewable energy in Florida. As an example of the consideration that must be made when establishing an aggressive goal, Michele Curtis, Wood Supply Manager for Buckeye Florida, stated in the July 11, 2008, FPSC workshop that trees they are harvesting today were planted 20 years ago. The point she made is not that an RPS is unachievable, or that biomass is a poor choice as a feedstock, but rather, that crafting an effective RPS has long-term business, economic, technical, weather and policy implications. If biomass is going to be counted on, then it is not a “flick the switch” technology, but rather, a carefully planned project that considers not just combusting

biomass to make electricity, but also plans appropriately for growing the fuel for each power plant.

On a practical level, many renewable energy providers do not have extensive experience in large, utility-scale implementation of their technologies. Therefore, installation and operation may be a lengthy process as these vendors gain experience in larger, utility-scale operations. We believe that in the long run aggressively adding renewable energy will enhance its availability. However, it can just as easily lead to shortages of equipment availability. As utilities across the country begin consideration and installation of renewable technologies, the volume of projects will continue to increase, likely creating longer lead times for equipment, qualified technical staffing and ultimately, system operation. This will correct itself in the future as equipment production catches up to demand; however, the FPSC must recognize the possible impact, at least in the short run, of limited equipment availability on limiting the achievement of a mandated goal.

For more than a year, FMEA has advocated that the FPSC hire an independent consultant to conduct an economic, technical and achievable potential study of renewable energy in Florida. The Florida Energy and Climate Commission (formally the Florida Energy Office), has been investigating the possibility of conducting such a study. We recommend that the FPSC coordinate with Energy and Climate Commission to first conduct such an analysis before identifying appropriate goals, timeframes for accomplishing those goals, and the economic impact on Floridians. Only then will the FPSC be able to confidently establish a goal, identify its cost impact and have some level of assurance that it will be achieved in the timeframe expected.

Recommendation 4: Coordinate with the Florida Energy and Climate Commission to conduct an independent technical and achievable potential study and economic analysis of available renewable energy before identifying appropriate goals, timeframes for accomplishing those goals, and the economic impact on Floridians.

Thank you for the opportunity to share our concerns with you. If you have any questions, please call me at (850) 224-3314, ext. 1, or send an email to bmoline@publicpower.com.

Sincerely,

A handwritten signature in black ink that reads "Barry Moline". The signature is written in a cursive, flowing style.

Barry Moline
Executive Director

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