



Energy & Utilities Subcommittee

**Tuesday, February 8, 2011
306 HOB
9:00 AM – 12:00 PM**

ACTION PACKET

**Dean Cannon
Speaker**

**Clay Ford
Chair**

Committee Meeting Notice

HOUSE OF REPRESENTATIVES

Energy & Utilities Subcommittee

Start Date and Time: Tuesday, February 08, 2011 09:00 am
End Date and Time: Tuesday, February 08, 2011 12:00 pm
Location: 306 HOB
Duration: 3.00 hrs

Discussion relating to Current and Projected Electric Energy Sources

Discussion relating to the Potential for Energy Efficiency and Conservation

Presentation relating to "Grid Modernization" and "Smart Grid"

NOTICE FINALIZED on 02/01/2011 16:12 by Sims-Davis.Linda

COMMITTEE MEETING REPORT

Energy & Utilities Subcommittee

2/8/2011 9:00:00AM

Location: 306 HOB

Summary: No Bills Considered

Committee meeting was reported out: Tuesday, February 08, 2011 3:10:39PM

COMMITTEE MEETING REPORT

Energy & Utilities Subcommittee

2/8/2011 9:00:00AM

Location: 306 HOB

Attendance:

	<i>Present</i>	<i>Absent</i>	<i>Excused</i>
Clay Ford (Chair)	X		
Ben Albritton	X		
Charles Chestnut IV	X		
Jeff Clemens	X		
Janet Cruz	X		
Daniel Davis	X		
Shawn Harrison	X		
Clay Ingram	X		
George Moraitis, Jr.	X		
Peter Nehr	X		
Kathleen Passidomo	X		
Elizabeth Porter	X		
Michelle Rehwinkel Vasilinda	X		
W. Gregory Steube	X		
Alan Williams	X		
Totals:	15	0	0

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COMMITTEE MEETING REPORT

Energy & Utilities Subcommittee

2/8/2011 9:00:00AM

Location: 306 HOB

Other Business Appearance:

Current and Projected Electric Energy Sources

Bob Trapp (State Employee) (At Request Of Chair) - Information Only
Florida Public Service Commission
2540 Shumard Oak Blvd
Tallahassee Florida 32399-0850
Phone: 850-413-6632

Current and Projected Electric Energy Sources

John E. Odom, Jr. (Lobbyist) (At Request Of Chair) - Information Only
Florida Reliability Coordinating Council
1408 N. Westshore Blvd., Suite 1002
Tampa Florida 33607
Phone: 813-207-7985

Current and Projected Electric Energy Sources

Barry Moline (Lobbyist) (At Request Of Chair) - Information Only
Florida Municipal Electric Association
P. O. Box 10114
Tallahassee Florida 32302
Phone: 850-224-3314

Current and Projected Electric Energy Sources

Bill Willingham (Lobbyist) (At Request Of Chair) - Information Only
Florida Electric Cooperatives Association
2916 Apalachee Parkway
Tallahassee Florida 32301
Phone: 850-877-6166, ext. 1

Potential for Energy Efficiency and Conservation

Mark Futrell (State Employee) (At Request Of Chair) - Information Only
Florida Public Service Commission
2540 Shumard Oak Blvd
Tallahassee Florida 32399-0850
Phone: 850-413-6692

Potential for Energy Efficiency and Conservation

John Wilson (At Request Of Chair) - Information Only
Southern Alliance for Clean Energy
1810 16th Street, NW
Washington DC 20009
Phone: 828-337-8260

Potential for Energy Efficiency and Conservation

John Floyd (At Request Of Chair) - Information Only
Gulf Power Company
One Energy Place
Pensacola Florida 32520-0001
Phone: 850-444-6644

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COMMITTEE MEETING REPORT

Energy & Utilities Subcommittee

2/8/2011 9:00:00AM

Location: 306 HOB

Potential for Energy Efficiency and Conservation
Howard Bryant (At Request Of Chair) - Information Only
Tampa Electric Company
P. O. Box 111
Tampa Florida 33601
Phone: 813-228-4120

Potential for Energy Efficiency and Conservation
Chip Merriam (At Request Of Chair) - Information Only
Orlando Utilities Commission
100 West Anderson Street
Orlando Florida 32801-4408
Phone: 407-222-2247

Potential for Energy Efficiency and Conservation
Richard Vento (At Request Of Chair) - Information Only
JEA (Jacksonville)
21 W. Church Street
Jacksonville Florida 32202-3155
Phone: 904-665-6764

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Florida Energy Efficiency and Conservation Act (FEECA)

Introduction

Pursuant to the Florida Energy Efficiency and Conservation Act (FEECA or Act), established in ss. 366.80-366.85 and 403.519, F.S., the Florida Public Service Commission (PSC or Commission) must adopt goals designed to increase the conservation of resources, such as petroleum fuels; to reduce and control the growth rates of electric consumption; to reduce the growth rates of weather-sensitive peak demand;¹ and to encourage development of demand-side renewable energy² resources.³ These goals must be reviewed at least every five years.⁴ The most recent review, and subsequent goal-setting, was in 2009.

In developing the goals, the Commission must evaluate the full technical potential of all available demand-side and supply-side conservation and efficiency measures,⁵ as well as demand-side renewable energy systems.⁶

When adopting the goals, the Commission must also take into consideration the following:

- The costs and benefits to customers participating in the measure
- The costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions
- The need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems
- The costs imposed by state and federal regulations on the emission of greenhouse gases⁷

Following the adoption of goals, the PSC requires each utility to develop plans and programs to meet the overall goals established for its service area. The Commission may require modifications or additions to a utility's plans and programs if the changes are in the public interest, such as having an undue impact on the costs passed on to customers.⁸ The Commission may further authorize financial rewards or penalties for those utilities, over which it has ratesetting authority, that exceed or fail to meet their goals.⁹

¹ "Peak demand" is the maximum amount of electric power required to serve a utility's customers during a specified period of time.

² As defined in s. 366.82(1)(b), F.S., "demand-side renewable energy" means a system located on a customer's premises generating thermal or electric energy using Florida renewable energy resources and primarily intended to offset all or part of the customer's electricity requirements provided such system does not exceed 2 megawatts.

³ Section 366.82(2), F.S.

⁴ Section 366.82(6), F.S.

⁵ "Demand-side measures" are those undertaken by consumers to modify their patterns of electricity usage. "Supply-side measures" are those undertaken by a utility to improve the efficiency of its generation, transmission, and distribution system.

⁶ Section 366.82(3), F.S.

⁷ Ibid.

⁸ Section 366.82(7), F.S.

⁹ Section 366.82(8), F.S.

Further, the law authorizes utilities over which the PSC has ratesetting authority to recover the reasonable and prudent costs of conducting energy audits and implementing programs to achieve the Commission-approved goals. These costs may be added to the rates otherwise charged by the utility. Pursuant to this authority, the PSC allows these costs to be recovered through a separate Energy Conservation Cost Recovery charge that is adjusted annually.¹⁰ A separate Fact Sheet, *Regulation of Investor-Owned Electric Utilities (Rates and Service)*, provides additional information on this charge and other utility charges.

Utilities Subject to the Florida Energy Efficiency and Conservation Act

Section 366.82(1)(a), F.S., provides criteria by which to identify which utilities are subject to FEECA.¹¹ Specifically, in accordance with this paragraph, the following utilities must comply with the Act: Florida Power & Light Company (FPL); Progress Energy Florida, Inc. (PEF); Tampa Electric Company (TECO); Gulf Power Company; Florida Public Utilities Company (FPUC); Orlando Utilities Commission (OUC); and JEA, which is located in Jacksonville. OUC and JEA are municipal electric utilities, which are not under the ratesetting authority of the PSC; however, the remaining five utilities are investor-owned utilities (IOUs) and do fall under the ratesetting jurisdiction of the PSC.

Demand-Side Management

Section 366.82(2), F.S., directs the Commission to “adopt appropriate goals for increasing the efficiency of energy consumption..., specifically including goals designed to increase the conservation of expensive resources,...to reduce and control the growth rates of electric consumption, [and] to reduce the growth rates of weather-sensitive peak demand...” These goals, which are achieved through conservation and energy efficiency programs, are generally referred to as “demand-side management” (DSM) goals.

According to the PSC, since 1980, utility-sponsored DSM programs are projected to reduce statewide summer peak demand by an estimated 6,107 megawatts and winter peak demand by 6,442 megawatts.¹²

In 2008, the Legislature passed HB 7135, a comprehensive energy bill that created new requirements for the PSC when adopting DSM goals. These include consideration of benefits and costs to DSM program participants and ratepayers as a whole as well as the need for energy efficiency incentives for customers and utilities.

¹⁰ Section 366.82(11), F.S.

¹¹ For the purposes of this Act, “[u]tility” means any person or entity of whatever form which provides electricity or natural gas at retail to the public, specifically including municipalities or instrumentalities thereof and cooperatives organized under the Rural Electric Cooperative Law and specifically excluding any municipality or instrumentality thereof, any cooperative organized under the Rural Electric Cooperative Law, or any other person or entity providing natural gas at retail to the public whose annual sales volume is less than 100 million therms or any municipality or instrumentality thereof and any cooperative organized under the Rural Electric Cooperative Law providing electricity at retail to the public whose annual sales as of July 1, 1993, to end-use customers is less than 2,000 gigawatt hours.

¹² *Annual Report on Activities Pursuant to the Florida Energy Efficiency and Conservation Act*, February 2010, p. 3.

The most recent goal-setting process by the PSC culminated in the *Final Order Approving Numeric Conservation Goals (Final Order)*,¹³ which was released on December 30, 2009. The *Final Order* contains numeric conservation goals for all of the FEECA utilities for both residential and commercial/industrial customer classes.¹⁴

Plans and programs to meet these goals for utilities regulated under FEECA have been submitted to the PSC and the status of the approval process for these plans and programs is noted later in this sheet. These programs include such things as providing financial incentives for residential customers to purchase a more efficient unit when replacing an existing air conditioning system, voluntary load control of central air conditioning, and incentives to encourage the repair of the air distribution system in a facility.

Demand-Side Renewable Energy

Section 366.82(1)(b), F.S., defines the term “demand-side renewable energy” as “a system located on a customer’s premises generating thermal or electric energy using Florida renewable energy resources and primarily intended to offset all or part of the customer’s electricity requirements provided such system does not exceed 2 megawatts.”

Although renewable resources are generally more expensive than traditional utility generation resources, under the latest goal-setting proceeding, the Commission placed added emphasis on these resources by requiring the IOUs to offer renewable programs subject to an expenditure cap. Expenditures for renewable programs allowed for recovery by each utility are limited to 10 percent of the utility’s average annual amount recovered through the Energy Conservation Cost Recovery clause in the previous five years. The PSC also directed the IOUs to file pilot programs which focus on encouraging solar water heating and solar photovoltaic technologies.

Supply-Side Management

Section 366.82(2), F.S., gives the PSC authority to allow investments across generation, transmission, and distribution, and s. 366.82(3), F.S., requires the PSC to evaluate the full technical potential of all available supply-side conservation and efficiency measures within the goal-setting process. Contrary to this statutory directive, in its 2009 goal-setting proceeding, the PSC failed to conduct this evaluation, finding that efficiency improvements for generation, transmission, and distribution are continually reviewed through the utilities’ planning processes in an attempt to reduce the cost of providing electrical service to their customers. Therefore, the PSC did not set goals in those areas as part of the most recent goal-setting proceedings.

¹³ Order No. PSC-09-0855-FOF-EG, issued December 30, 2009, in Docket Nos. 080407-EG, 080408-EG, 080409-EG, 080410-EG, 080411-EG, 080412-EG, and 080413-EG.

¹⁴ *Ibid.*, pp. 17-22.

Status of Plans and Programs Proposed Under FEECA (as of 02/07/11)

Below is a brief summary of the current status of the plans and programs for each of the utilities that are subject to the FEECA statutes, as of February 7, 2011:¹⁵

- OUC - Plan and programs have been approved by the PSC and a final order has been issued.
- JEA - Plan and programs have been approved and a final order has been issued.
- TECO - Plan and programs have been approved by the PSC and a final order has been issued.
- FPUC - Plan and programs have been approved by the PSC and a final order has been issued.
- Gulf Power - Plan and programs have been approved by the PSC and a final order is pending.
- PEF - The PSC required PEF to re-file their plan and programs as the plan was not projected to meet the numeric goals. A PSC decision on the revised plan and programs is scheduled for February 22, 2011. The PSC has approved the utility's solar pilot programs.
- FPL - The PSC required FPL to re-file their plan and programs as the plan was not projected to meet the numeric goals. A PSC decision is not yet scheduled for the demand-side management plan and programs. The PSC has approved the utility's solar pilot programs.

Once all of the plans and programs of the utilities subject to FEECA have been approved by the PSC, they will be listed and discussed in the PSC's *Annual Report on Activities Pursuant to the Florida Energy Efficiency and Conservation Act*.¹⁶

Relevant Florida Statutes and Administrative Rules

Florida Statutes:

Sections 366.80-366.85, F.S.

Section 403.519, F.S.

Administrative Rules:

Rule No. 25-17.0021, F.A.C.

Rule No. 25-17.003, F.A.C.

Rule No. 25-17.008, F.A.C.

Rule No. 25-17.015, F.A.C.

¹⁵ Email correspondence with PSC staff on February 7, 2011.

¹⁶ See the following link on the PSC Internet website: <http://www.psc.state.fl.us/publications/reports.aspx#eng>

Additional information

For additional information concerning the Florida Energy Efficiency and Conservation Act, please refer to the entities listed below:

Florida Public Service Commission

Local Assistance Line: (850) 413-6100

Toll-Free Assistance Line: 1-800-342-3552

<http://www.psc.state.fl.us/>

Florida House of Representatives

Energy & Utilities Subcommittee

(850) 487-1342