



# KNOW YOUR FLORIDA PUBLIC SERVICE COMMISSION

**Matthew M. Carter II, Commissioner**

## **STRENGTHENING ENERGY EFFICIENCY AND CONSERVATION IN FLORIDA**

Many years ago, the Arab Oil Embargo revealed the potential influence that exporters of oil had over the world's economies. The State of Florida recognized and accepted that adverse economic consequences would occur whenever the supply of oil was short, causing oil prices to escalate. Florida's Legislature and Governor reacted to the new reality by passing and signing the Florida Energy Efficiency and Conservation Act (FEECA) in 1980. The Florida Public Service Commission (PSC), which is responsible for making sure utility customers receive safe and reliable utility services at fair prices, was directed to develop and implement energy efficiency and conservation goals for Florida's electric power and natural gas utilities. Today, the PSC continues to foster increases in energy efficiency and improvements in conservation, and I am also committed to furthering these efforts.

### **Precarious Fuel Supplies are a Perennial Issue**

Energy has always been essential. Before machines and electrical appliances, the sun warmed our bodies, grew our food, and lighted our path. The sun, however, did not cook our food directly. Instead, the energy from wood—fire's heat—performed this task. Since this most primitive use of fuel for energy we have moved on to extracting energy from liquid sources such as oil and vaporous sources such as natural gas.

These energy producing fuels are limited in supply and are largely provided to us by profit-maximizing companies that extract the fuels from countries rich in supply. The major oil exporting countries recognized the importance of energy producing fuels to the world economy during the 1970s, and they formed the Organization of Petroleum Exporting Countries, which to this day controls global oil prices by periodically increasing and decreasing the production of oil. Many countries in recent years, like Russia, have discovered the economic power that comes from an ability to influence natural gas prices. The result of the economic arrangements among these companies and the fuel producing nations is an impact on the electric utility rates for Florida customers. For all practical purposes, the effects we feel are increases in our utility bills.

### **PSC's Responses to the Use of Oil and Natural Gas to Produce Electricity**

Since Florida's enactment of FEECA the PSC has done much to encourage and promote energy efficiency and conservation. The PSC has moved aggressively to respond to the growing demand for electric power. Recently, the PSC approved the utilities' 2006 budgets containing \$156 million of proposed expenditures designed to reduce their load and create innovative pricing programs. The PSC also approved a budget of \$89 million to pursue other energy efficiency and conservation opportunities during 2006. These utilities have recently supplied new budgets for 2007, which are currently under consideration.

Past energy efficiency and conservation programs have reduced Florida's dependence on oil, while current PSC activities focus on re-balancing the fuel portfolio that Florida utilities use to generate electric power, thereby avoiding an over reliance on any single fuel. Among these activities is a strengthening of current energy efficiency and conservation programs.

To learn more about energy efficiency and conservation in Florida, please contact the PSC at 1-800-342-3552. You may also contact the PSC via Internet e-mail at [contact@psc.state.fl.us](mailto:contact@psc.state.fl.us), or at the PSC Web site at [www.floridapsc.com](http://www.floridapsc.com).

### **Evaluation of Energy Efficiency and Conservation Programs**

The PSC uses three different cost-benefit tests to evaluate energy efficiency and conservation programs in Florida. First, the Participant Test ensures that customers save more money than they spend to conserve electricity or buy energy-efficient appliances. Second, the Ratepayer Impact Test assures that the general body of electricity customers are not asked to pay more because the utilities are offering particular energy efficiency or conservation programs to particular customers. Finally, the Total Resource Cost Test measures the expected economic gain to Florida that flows from energy efficiency and conservation.

The PSC's reliance on this mix of cost-benefit tests is a pragmatic approach to ensure that electricity customers are not harmed by deferring the construction of a new power plant. The practical result is that the personal finances of the general body of ratepayers do not suffer from the PSC's commitment to conservation and energy efficiency.

### **Changing Circumstances**

However, changes in the way Floridians consume electricity, and the way they expect utilities to produce electricity, will cause the PSC to continually re-evaluate how it views energy efficiency and conservation. For example, ongoing discussion of issues surrounding climate change have caused policy-makers to evaluate the impact of industrial greenhouse emissions, especially in the tropical and sub-tropical regions. The more immediate concern of fuel shortages caused by catastrophic hurricane damage will also influence the way the PSC evaluates the costs and benefits of conservation and energy efficiency measures.

These two significant changes in day-to-day circumstances caused the Florida Legislature to direct the PSC to lead an inter-agency study group that will examine innovative ways to encourage and promote conservation and energy efficiency. The results of this study are to be submitted to the President of the Senate and the Speaker of the House of Representatives by February 28, 2008.

In these deliberations, I will always consider the impact any measure has on Florida's utility customers.