

Florida Public Service Commission Rule Development Workshop

Renewable Portfolio Standard Issues

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Renewable Portfolio Standard Issues

- Oversight of RPS Implementation & Expenditures
- Recovery of Utility Investments in Renewables
- Alternative Compliance Payments
- Feed-In Tariffs

I. Oversight of RPS Implementation & Expenditures

Oversight of RPS Implementation & Expenditures

- Establishment and review of the RPS standards
- Oversight of utility RPS implementation plans
- Oversight of utility-owned renewable projects
- Approval of contracts with renewable generators

Establishment and Review of the RPS Standards

Establishment and Review of the RPS Standards

- Initial RPS standards established in the rulemaking proceeding

- The RPS standards would be reviewed at least once every five years
 - Data on utility compliance and costs
 - Analysis of the technical and economic potential of renewables
 - Determine whether utility compliance actions were appropriate
 - Review the RPS standards

Oversight of Utility RPS Implementation Plans

Oversight of Utility RPS Implementation Plans

- Each IOU will explain how they intend to meet the RPS
 - Utility-owned renewable projects
 - Contracts with renewable generators for capacity/energy/RECs
 - Contracts to purchase RECs only
- Plans subject to Commission approval
- Implementation efforts to be reported with Ten-Year Site Plans

Oversight of Utility-Owned Renewable Projects

Oversight of Utility-Owned Renewable Projects

- IOUs must select the renewable resource that is most likely to result in the least-cost option for ratepayers
- IOUs must issue a request for proposals (RFP) for renewables at least every two years
- RFP results included in Ten-Year Site Plans
- This information will assist the Commission in reviewing requests for cost recovery of renewable projects
- Annual review of renewable project costs in the Renewable Energy Cost Recovery Clause (RECR)

Approval of Contracts with Renewable Generators

Approval of Contracts with Renewable Generators

- Renewable energy contracts may contain payment for
 - Capacity
 - Energy
 - Renewable Energy Credits (RECs)
- Existing rules provide for Commission approval of contracts for the purchase of capacity and energy at rates that do not exceed the utility's cost of generation
- RECs, representing an additional payment to renewable generators, may be purchased through contracts
 - Bundled with capacity and energy
 - Unbundled and purchased separately
- Annual review of renewable energy contract costs in the Renewable Energy Cost Recovery Clause

II. Recovery of Utility Investments in Renewables

Recovery of Utility Investments in Renewables

- All IOU costs associated with renewable energy would be reviewed in the Renewable Energy Cost Recovery Clause
 - Utility-owned renewable energy resources
 - Renewable capacity and energy purchases
 - Renewable as-available energy purchases
 - Purchases and sales of RECs
 - REC market administrative costs
- Facilitates the Commission's ability to
 - Track RPS compliance costs
 - Evaluate cost recovery issues for renewables

Recovery of Utility Investments in Renewables

- Under the RECR, IOUs would have an opportunity to earn a return on investments in renewable projects
- IOUs may earn additional returns on rate base that would potentially be larger than it otherwise would be due to the inclusion of higher cost utility-owned renewables
- Traditionally, costs of utility-owned renewable projects would be recovered through base rates
- However, rate base treatment could create a disincentive for utilities to pursue renewable projects due to regulatory lag rate case complexity and expense

III. Alternative Compliance Payments (ACPs)

Alternative Compliance Payments (ACPs)

- An ACP is an RPS compliance mechanism
- A utility may choose to pay the ACP in lieu of purchasing or producing sufficient RECs to meet the RPS
- This decision is dependent upon
 - The ACP payment level versus the price of RECs
 - Cost recovery provisions of the RPS
- If the ACP is recoverable from ratepayers, the ACP acts as a cost containment and compliance measure
- If the ACP is not recoverable from ratepayers, the ACP acts as a penalty to shareholders for non-compliance with the RPS

Alternative Compliance Payments (ACPs)

- ACP funds are sent to a designated agency which allocates the funds to one or more of the following uses:
 - Renewable energy programs, including grants
 - Renewable research and development
 - Energy efficiency programs
 - Low-income assistance
 - Energy education programs

IV. Feed-in Tariffs

Feed-in Tariffs

- Typically a contract to purchase renewable energy at a fixed rate over a long term to improve the financial viability of renewable projects
- Generally the rates paid through feed-in tariffs exceed the utility's cost of generation, and thus act to subsidize renewable resources regardless of the need for power
- Feed-in rates typically ramp down over time as technologies mature and costs begin approach the utility's cost of generation
- Feed-in tariffs have been used in Germany as a means of encouraging economic development of renewables

Feed-in Tariffs

- German program requires electric customers to pay a surcharge to fund payments to renewable generators
- The feed-in rate paid to owners of solar photovoltaic is approximately 2.5 times greater than retail electric rates
 - German retail rates approximately 20 eurocents/kWh (\$.25/kWh)
 - Solar PV feed-in rate approximately 57 eurocents/kWh (\$.72/kWh) for a 30 kW system
- Between 2000 and 2006 renewable's contribution to electric generation has increased from 6.3% to 11.6%

Thank you – Questions?