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October 16, 2007

Ms. Ann Cole, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0850

Dear Ms. Cole:

At the Renewable Portfolio Standards (RPS) workshop held September 27, 2007, Commission Staff invited interested parties to submit comments in response to Staff's questions related to the consideration of an RPS in Florida. Pursuant to that invitation, attached please find the Post-Workshop Comments of Gulf Power Company, Responses to Staff's RPS Questions.

Sincerely,

*Susan D. Ritenour*  
*bmk*

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Enclosures

cc w/encl.: Mark Futrell [MFUTRELL@PSC.STATE.FL.US](mailto:MFUTRELL@PSC.STATE.FL.US)  
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## September 27, 2007, Renewable Portfolio Standards Workshop

### Post-Workshop Comments of Gulf Power Company Responses to Staff's RPS Questions

#### RPS 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?**

Any renewable energy target, goal, mandate, or portfolio standard enacted by the Florida Public Service Commission (FPSC) under its rulemaking authority must be governed by mechanisms currently available to the Commission under its existing jurisdiction. Under its existing jurisdiction, the Commission may not have the authority to enact a rule that requires or allows utilities to purchase renewable energy credits in lieu of purchasing actual renewable energy, to make "compliance payments" in lieu of purchasing actual renewable energy, or to require ratepayers in Florida to fund uneconomic purchases that are not cost-effective in order to meet a renewable energy target, goal, mandate, or portfolio standard.

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

Ultimately, it should be the responsibility of the FPSC to determine whether a utility is in compliance.

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

If some form of generation technology is to be treated with favor, a Multiplier framework is the most efficient method for doing so. Tiers, Carve-Outs and Set-Asides constitute mandates within a mandate and as such drive the cost of compliance up. Thus Tiers, Carve-Outs and Set-Asides should be avoided.

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

If non-cost-effective renewable resources are required, then yes, a safety valve should be established and implemented. An Expense Cap of 1% of retail base rate revenue is an appropriate safety valve because it protects ratepayers by clearly limiting the non-cost-effective expenses required to comply. An Alternative Compliance Payment (ACP), although useful for filling the gap when renewable energy is not available, is not a satisfactory safety valve because it is intentionally expensive.

**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?**

See discussion in answer to question 4 regarding safety valves. An Alternative Compliance Payment (ACP) is not a satisfactory safety valve. An Expense Cap is an appropriate and satisfactory safety valve. However, an ACP can appropriately be used to "fill the gap" when renewable energy is not available for compliance. IOU expenses associated with complying through ACP's should be allowed full cost recovery. The funds generated by Alternative Compliance Payments should be used to further develop renewable energy sources. In this way, an ACP can be treated similarly to a REC. Whereas the REC is associated with a certain amount of renewable energy already generated, the ACP is associated with an uncertain amount of renewable energy to be generated in the future. But both payments, one to purchase a REC, the other to pay an ACP, contribute toward the further development of renewable energy.

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

Small-scale customer-sited renewable generation should count toward compliance if the cost of measurement and verification per site is very small or zero.

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

The purchase of REC's from outside Florida should be allowed only as a last resort. The purchase of out-of-state REC's has the effect of exporting Florida's wealth. No commodity of value is imported in return for that export. In order to discourage the purchase of REC's from outside Florida, or said positively, in order to encourage the purchase of renewable energy and REC's from within Florida, multipliers should be applied. A multiplier of 0.25 should be applied to REC's from outside Florida to discourage their use for compliance in Florida, or a multiplier of 1.5 should be applied to REC's from within Florida to encourage their use for compliance. Renewable energy imported from out-of-state and delivered into Florida should count as if it were generated in-state because it displaces in-state generation, just as renewable energy generated in-state would.

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

Appropriate adjustments should be made to targets to address rate impacts, reliability issues, interconnection/transmission issues, and planned-for generation resources that do not materialize. Utilities should be allowed to bank excess megawatt hours (mWh's) for future use as well as borrow mWh's from future periods for current use. Banking and borrowing will help address price volatility issues. Compliance should be determined using an average over five years rather than looking at each year in isolation. A true-up period should be used in determining compliance, where the phrase "true-up period" means a specified timeframe after the date specified for compliance within which RECs may be purchased, banked or borrowed to achieve the specified target.

**RPS ENFORCEMENT:**

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

Annual progress reports should be incorporated into the Ten Year Site Plan reporting process. In-depth review of renewable energy generation progress should be established on a five-year basis, similar to the conservation goals process.

**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?**

Any renewable energy target, goal, mandate, or portfolio standard enacted by the FPSC under its rulemaking authority must be governed by mechanisms currently available to the Commission under its existing jurisdiction, including enforcement mechanisms. Note that an ACP is not an enforcement mechanism or penalty, it is, as its title suggests, an alternative method of complying with a target, goal, mandate, or portfolio standard and as such should be allowed full recovery for the reasons discussed in the answer to question #5 above. Force majeure exceptions should be allowed.

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

Yes. A broadly-supported, thorough assessment of resources in the state, both existing and potential, should be commissioned. This assessment should include important characteristics of each generation and fuel type such as capacity factor, emission levels per kilowatt hour (kWh), levelized cost per kWh, short-term and long-term total generating capacity potential in Florida, etc. All resources that contribute to the state's policy goals of reducing greenhouse gas 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.

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

Annual progress reports should be incorporated into the Ten Year Site Plan reporting process.

**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).**

In-depth review of renewable energy generation progress should be established on a five-year basis, similar to the conservation goals process.