



# KNOW YOUR FLORIDA PUBLIC SERVICE COMMISSION

**Matthew M. Carter II, Commissioner**

## ADVANCING RENEWABLE POWER GENERATION IN FLORIDA

During the past several years, extraordinary weather events along with a renewed environmental focus have spurred vigorous support among many in the public and government sectors to encourage the use of renewable sources of energy to meet Florida's ever growing demand for electricity. The Florida Public Service Commission (PSC), which is responsible for making sure utility customers receive *safe* and *reliable* utility services at *fair* prices, must balance the need to facilitate the growth of renewable generation with the need to keep the costs of electricity affordable. I am committed to achieving that balance.

### **The Need for Diversification**

Without change, the bulk of Florida's power will be generated from traditional electricity sources for some time. In less than ten years, the PSC anticipates natural gas will account for close to half of the state's energy portfolio, and coal will account just under one-third. In 2006, only about 1,115 megawatts of power, or 2 percent of the state's total generating capacity, came from alternative fuels such as trash, hydropower, biomass, and landfill gas.

In other words, the state's already precarious over-dependence on energy sources subject to supply disruption, like natural gas, or sources believed to significantly impact our environment, like coal, will increase rather than decrease. Such a scenario arguably impacts the *safety* and *reliability* of the state's electric supply.

### **Meeting the Needs of Tomorrow – The 2006 Florida Energy Act**

Last year, the Florida Legislature addressed this situation by enacting the 2006 Florida Energy Act - the first step toward establishing a diverse, secure and reliable energy future. The Act authorized the PSC to "adopt appropriate goals for increasing the use of existing, expanded, and new Florida renewable energy sources." In January, the PSC began addressing the Legislature's charge by adopting new rules to further advance the opportunities for development of renewable energy projects.

### **Standard Offer Contracts**

State law requires investor-owned electric utilities to continuously offer to purchase power from companies that produce electricity from renewable sources of energy. The utilities then sell that power to their customers. The idea behind this law is to level the playing field between renewable power generators and the electric utilities in Florida. Utilities and renewable generators are free to negotiate the contractual terms of this relationship. Where bargaining position makes such negotiation unworkable, PSC rules provide for a "standard offer contract" to help renewable projects move forward by guaranteeing standard terms that the utility is required to honor. The standard offer contract is meant to provide the certainty that ensures a much safer long-

term investment for those financing renewable projects.

Under the PSC's old rules, preferred by the utilities, the mechanism for determining the contract price kept costs low for utility customers, but failed to adequately encourage the development of new renewable energy projects. During several rule development workshops in 2006, the renewable energy producers proposed an alternative mechanism that better served their financing needs, but proved costly to ratepayers.

### **The Balanced Approach**

Following thoughtful and prudent deliberations, the PSC adopted a new rule that balanced the competing goals of long-term safety and reliability with the more immediate concern of the customer's electricity prices. The innovative approach provided more certainty to renewable projects seeking financing while maintaining *fair* prices for utility customers.

### **Facilitating Future Development**

The PSC continues to facilitate the development of renewable generation in Florida. In January, Commissioners welcomed experts from across the nation for an informational workshop to help further guide the growth of Florida's renewable energy market. Topics discussed included the use of a "renewable portfolio standard." A renewable portfolio standard mandates a state to generate a percentage of its electricity from renewable sources. The information gathered at that workshop is currently being reviewed by PSC staff.

With the shift in thinking about renewable energy in Florida, and the clear direction the Governor, Cabinet and Legislature is providing, the state's over-dependence on any single source of energy is sure to be reduced in the future. As customers of the state's utilities, you can also be sure the PSC will *always* balance the need for such change with the need to keep electricity affordable.

To learn more about renewable energy, 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).