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By the Policy and Steering Committee on Ways and Means; the Committees on Environmental Preservation and Conservation; and Communications, Energy, and Public Utilities; and Senator King

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A bill to be entitled

An act relating to energy; amending s. 366.92, F.S.; revising definitions and providing additional definitions; requiring that electric utilities meet or exceed specified standards for the production or purchase of clean energy; establishing a schedule for compliance; providing a penalty if a utility fails to meet the standards; authorizing the Public Service Commission to excuse certain electric utilities from compliance under specified conditions; requiring the commission to adopt rules; requiring an annual report to the Legislature; amending s. 366.93, F.S.; authorizing the Public Service Commission to allow a utility to recover the costs of converting an existing fossil fuel plant to a biomass plant under certain conditions; encouraging utilities to pursue joint ownership of nuclear power plants; requiring that certain costs be shared; creating s. 366.99, F.S.; providing a short title; providing legislative findings with respect to the need to reduce greenhouse gas emissions through the direct end-use of natural gas; defining terms; authorizing a utility to establish a surcharge for the purpose of constructing natural gas installations in areas that lack natural gas service; providing limitations on the surcharge; providing procedures for determining the surcharge and making filings to the commission; requiring the commission to conduct limited proceedings to determine

the amount of the surcharge; providing for future expiration of provisions authorizing the surcharge; amending s. 377.6015, F.S.; providing that terms for members of the Florida Energy and Climate Commission begin and end on specified dates; amending s. 403.503, F.S.; revising the definition of "electrical power plant"; amending s. 525.09, F.S.; imposing a fee on alternative fuel containing alcohol; requiring the Florida Energy and Climate Commission to prepare a report that identifies ways in which to increase the energy-efficiency practices of low-income households; requiring the report to include certain determinations and recommendations; requiring that the report be submitted to the Legislature by a specified date; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 366.92, Florida Statutes, is amended to read:

366.92 Florida <u>clean</u> renewable energy policy.-

(1) It is the intent of the Legislature to promote the development of <u>clean and</u> renewable energy; protect the economic viability of Florida's existing renewable energy facilities; diversify the types of fuel used to generate electricity in Florida; lessen Florida's dependence on natural gas and fuel oil for the production of electricity; minimize the volatility of fuel costs; encourage investment within the state; improve

environmental conditions; and, at the same time, minimize the

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costs of power supply to electric utilities and their customers.

- (2) As used in this section, the term:
- (a) "Class I clean energy source" means Florida clean energy resources derived from wind or solar photovoltaic systems.
- (b) "Class II clean energy source" means clean energy derived from Florida clean energy resources other than class I clean energy sources or class III clean energy sources.
- (c) "Class III clean energy source" means clean energy derived from nuclear energy or integrated gasification combined cycle for which carbon capture and sequestration plans have been approved by the Department of Environmental Protection.
- (d) "Clean energy" means electrical energy produced from a method that uses one or more of the following fuels or energy sources: nuclear energy placed in commercial service after July 1, 2009, integrated gasification combined cycle for which carbon capture and sequestration plans have been approved by the Department of Environmental Protection, hydrogen produced from sources other than fossil fuels, biomass, solar photovoltaic, geothermal energy, wind energy, ocean energy, or hydroelectric power. The term includes waste heat from sulfuric acid manufacturing operations and waste heat thermal energy which is produced by a combined heat and power system placed in service in this state after July 1, 2009, and which is used to produce biofuel and any associated coproducts.
- (e) "Combined heat and power system" means a system that simultaneously or sequentially generates electricity and thermal energy from the same primary energy source.
 - (f) (a) "Florida clean renewable energy resources" means

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<u>clean</u> renewable energy, as defined in s. 377.803, that is produced in Florida.

- $\underline{\text{(g)}}$ "Provider" means a "utility" as defined in s. 366.8255(1)(a).
- (c) "Renewable energy" means renewable energy as defined in s. 366.91(2)(d).
- (h) (d) "Clean Renewable energy credit" or "REC" means a product that represents the unbundled, separable, clean renewable attribute of clean renewable energy produced in Florida and is equivalent to 1 megawatt-hour of electricity generated by a source of clean renewable energy located in Florida. For combined heat and power systems placed in service in this state after July 1, 2009, one clean energy credit shall be produced for every 3.412 million British thermal units of waste heat thermal energy used to produce biofuel and any associated coproducts.
- (i) (e) "Clean Renewable portfolio standard" or "RPS" means the minimum percentage of total annual retail electricity sales by an electric utility a provider to consumers in Florida which is that shall be supplied by clean renewable energy or through the purchase of clean energy credits from clean energy produced in Florida.
- (3) (a) Each electric utility must meet or exceed the following clean portfolio standards through the production of clean energy or the purchase of clean energy credits:
- 1. By January 1, 2013, 7 percent of the previous years' retail electricity sales;
- 2. By January 1, 2016, 12 percent of the previous years' retail electricity sales;

3. By January 1, 2019, 18 percent of the previous years' retail electricity sales; and

4. By January 1, 2021, 20 percent of the previous years' retail electricity sales.

No more than 25 percent of the amount of the clean portfolio standard requirement for each year may be from Class III clean energy sources. For the production or procurement of Class III clean energy, a Florida utility that is a member of the Southeastern Electric Reliability Council may co-own or purchase energy from a Class III clean energy source located in another state and owned by an affiliate in a holding company with multistate dispatch.

- (b) Except as otherwise provided in this section, an investor-owned electric utility that fails to meet or exceed its clean portfolio standard is subject to a penalty pursuant to s. 366.095 for each day such failure continues, and the penalty may not be recovered from the utility's ratepayers. No electric utility shall be required to produce or purchase any Class III clean energy, nor be fined or deemed imprudent for not acquiring any energy from a Class III clean energy source in order to achieve the clean energy standards provided in this section.
- (c) The commission shall excuse an investor-owned electric utility from compliance with the clean portfolio standard if:
- 1. The supply of clean energy and clean energy credits is not adequate to satisfy the clean portfolio standard; or
- 2. The cost of producing clean energy or purchasing clean energy credits is prohibitive in that the total costs of compliance with the clean portfolio standard exceeds 2 percent

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of the investor-owned electric utility's total annual revenue from retail sales of electricity.

- (d) The cost of compliance with the clean portfolio standards includes:
- 1. The costs associated with the purchase of clean energy credits;
- 2. The costs paid by the utility which are associated with the clean energy credit market; and
- 3. The utility's costs of its self-build Florida clean energy resource which exceed the costs to the utility of the generation source it would have otherwise built or the energy or capacity, or both, it would have purchased from another source.

Expenses for Class III clean energy sources may not be included in calculating the cost of compliance.

- (e) The cost of compliance must be allocated separately for Class I and Class II clean energy sources and, for each class, the total cost of compliance is prohibitive if the costs exceed 1 percent of the investor-owned electric utility's total annual revenue from retail sales of electricity.
- (f) Each investor-owned electric utility seeking to construct a Florida clean energy project must select the technology and project most likely to be cost-effective for the general body of ratepayers for that class of clean energy technology. In determining the most cost-effective construction option and in purchasing clean energy credits, an investor-owned utility shall seek the least-cost alternatives within each class of clean energy sources. The method of determining the least-cost alternative shall be determined by the commission and may

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include requests for proposals, auctions, or other methods.

- (g) A clean energy credit remains the property of the owner of the clean energy resource from which it was derived until it is sold or transferred.
- $\underline{(4)}$ (3) The commission shall adopt rules <u>providing</u> requirements for:
 - (a) Implementing the clean a renewable portfolio standard.
- (b) Determining the method of establishing least-cost options for the construction of facilities or the purchase of clean energy credits.
- (c) Determining what entities are eligible to produce clean energy credits.
- (d) Determining the method of recovery of the costs of compliance with the clean portfolio standard, with such costs appearing as a separate line item on each customer's bill.
- (e) Filing reports concerning compliance by utilities with the clean portfolio standard.
- (f) Creating a clean energy credit market requiring each provider to supply renewable energy to its customers directly, by procuring, or through renewable energy credits. In developing the RPS rule, the commission shall consult the Department of Environmental Protection and the Florida Energy and Climate Commission. The rule shall not be implemented until ratified by the Legislature. The commission shall present a draft rule for legislative consideration by February 1, 2009.
- (a) In developing the rule, the commission shall evaluate the current and forecasted levelized cost in cents per kilowatt hour through 2020 and current and forecasted installed capacity in kilowatts for each renewable energy generation method through

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(b) The commission's rule:

1. Shall include methods of managing the cost of compliance with the renewable portfolio standard, whether through direct supply or procurement of renewable power or through the purchase of renewable energy credits. The commission shall have rulemaking authority for providing annual cost recovery and incentive-based adjustments to authorized rates of return on common equity to providers to incentivize renewable energy. Notwithstanding s. 366.91(3) and (4), upon the ratification of the rules developed pursuant to this subsection, the commission may approve projects and power sales agreements with renewable power producers and the sale of renewable energy credits needed to comply with the renewable portfolio standard. In the event of any conflict, this subparagraph shall supersede s. 366.91(3) and (4). However, nothing in this section shall alter the obligation of each public utility to continuously offer a purchase contract to producers of renewable energy.

2. Shall provide for appropriate compliance measures and the conditions under which noncompliance shall be excused due to a determination by the commission that the supply of renewable energy or renewable energy credits was not adequate to satisfy the demand for such energy or that the cost of securing renewable energy or renewable energy credits was cost prohibitive.

3. May provide added weight to energy provided by wind and solar photovoltaic over other forms of renewable energy, whether directly supplied or procured or indirectly obtained through the purchase of renewable energy credits.

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4. Shall determine an appropriate period of time for which renewable energy credits may be used for purposes of compliance with the renewable portfolio standard.

- 5. Shall provide for monitoring of compliance with and enforcement of the requirements of this section.
- 6. Shall ensure that energy credited toward compliance with the requirements of this section is not credited toward any other purpose.
- 7. Shall include procedures to track and account for renewable energy credits, including ownership of renewable energy credits that are derived from a customer-owned renewable energy facility as a result of any action by a customer of an electric power supplier that is independent of a program sponsored by the electric power supplier.
- 8. Shall provide for the conditions and options for the repeal or alteration of the rule in the event that new provisions of federal law supplant or conflict with the rule.
- (c) Beginning on April 1 of the year following final adoption of the commission's renewable portfolio standard rule, each provider shall submit a report to the commission describing the steps that have been taken in the previous year and the steps that will be taken in the future to add renewable energy to the provider's energy supply portfolio. The report shall state whether the provider was in compliance with the renewable portfolio standard during the previous year and how it will comply with the renewable portfolio standard in the upcoming year.
- (5) By February 1, 2010, and each year thereafter, the commission shall submit a report to the Legislature detailing

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further rulemaking activities, developments in the production of clean energy, how much and what types of clean energy are available in various regions of the state and at what cost, and any impediments to further increases in the production of clean energy in this state.

(6) (6) (4) In order to demonstrate the feasibility and viability of clean energy systems, the commission shall provide for full cost recovery under the environmental cost-recovery clause of all reasonable and prudent costs incurred by a provider for renewable energy projects that are zero greenhouse gas emitting at the point of generation, up to a total of 110 megawatts statewide, and for which the provider has secured necessary land, zoning permits, and transmission rights within the state. Such costs shall be deemed reasonable and prudent for purposes of cost recovery so long as the provider has used reasonable and customary industry practices in the design, procurement, and construction of the project in a cost-effective manner appropriate to the location of the facility. The provider shall report to the commission as part of the cost-recovery proceedings the construction costs, in-service costs, operating and maintenance costs, hourly energy production of the renewable energy project, and any other information deemed relevant by the commission. Any provider constructing a clean energy facility pursuant to this section shall file for cost recovery no later than July 1, 2009.

(7)(5) Each municipal electric utility and rural electric cooperative shall develop standards for the promotion, encouragement, and expansion of the use of renewable energy resources and energy conservation and efficiency measures. On or

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before April 1, 2009, and annually thereafter, each municipal electric utility and electric cooperative shall submit to the commission a report that identifies such standards.

- (8) (6) Nothing in This section does not shall be construed to impede or impair terms and conditions of existing contracts.
- (9) (7) The commission may adopt rules to administer and implement the provisions of this section.

Section 2. Subsection (4) of section 366.93, Florida Statutes, is amended, and subsection (7) is added to that section, to read:

366.93 Cost recovery for the siting, design, licensing, and construction of nuclear and integrated gasification combined cycle power plants.—

(4) When the nuclear or integrated gasification combined cycle power plant is placed in commercial service, the utility shall be allowed to increase its base rate charges by the projected annual revenue requirements of the nuclear or integrated gasification combined cycle power plant based on the jurisdictional annual revenue requirements of the plant for the first 12 months of operation. The rate of return on capital investments shall be calculated using the utility's rate of return last approved by the commission prior to the commercial inservice date of the nuclear or integrated gasification combined cycle power plant. If any existing generating plant is retired as a result of operation of the nuclear or integrated gasification combined cycle power plant, the commission shall allow for the recovery, through an increase in base rate charges, of the net book value of the retired plant over a period not to exceed 5 years or, if the commission determines

576-05819A-09 20091154c3 that it would be more cost-effective to convert the existing 319 320 generating plant to a biomass plant, allow for the recovery of 321 the costs of conversion in base rate charges over a period that 322 is determined by the commission. 323 (7) In order to further promote the development of nuclear 324 electrical generation and minimize the financial risk to any one 325 utility associated with the construction of a nuclear power 326 plant, electric utilities in this state are encouraged to pursue 327 the joint ownership of nuclear power plants. 328 Section 3. Section 366.99, Florida Statutes, is created to 329 read: 330 366.99 Natural gas delivery; surcharge for carbon 331 reduction.-332 (1) This section may be cited as the "Natural Gas Act." 333 (2) It is the intent of the Legislature to promote the 334 expanded direct end use of natural gas for its inherent energy 335 efficiency and environmental benefits. 336 (3) As used in this section, the term "eligible 337 installations" means natural gas utility facilities that: 338 (a) Connect supply sources of natural gas to a distribution 339 system that serves primarily residential customers; 340 (b) Are in service and used and useful in providing utility 341 service; 342 (c) Were not included in the utility's rate base for purposes of determining the utility's base rate in the most 343 344 recent general base-rate proceedings; and 345 (d) Consist of mains that are greater than or equal to 4 346 inches in diameter or that are certified to operate at a maximum

allowable operating pressure greater than 60 pounds per square

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inch gauge, together with associated valves, regulator stations,
vaults, transmission line taps, and other pipeline system
components.

- (4) Notwithstanding any provision in this chapter or rule to the contrary, a public utility, as defined in s. 366.02, which is providing natural gas service may petition the commission to establish or modify a carbon-reduction surcharge to be used to construct eligible installations in areas of this state which are unserved or underserved with natural gas service. The surcharge shall be recovered through a cost-recovery clause, separate and distinct from a utility's base rates, using the same allocation methodology applicable to the utility's recovery of costs recoverable pursuant to the Energy Conservation Cost Recovery Rule, rule 25-17.015, Florida Administrative Code. The surcharge is to recover the utility's revenue requirement relevant to construction of the eligible installations and shall be in the amount of the pretax revenues equal to:
- (a) The utility's weighted average cost of capital allowed in the most recent rate proceeding multiplied by the 13-month average net book value of eligible installations, including recognition of accumulated depreciation associated with eligible installations;
 - (b) State, federal, and local income taxes;
 - (c) Ad valorem taxes; and
 - (d) Depreciation expenses on eligible installations.
- (5) When a petition is filed by a utility, the commission shall conduct a limited proceeding and determine the utility's revenue requirements and the surcharge to be charged in the

following year.

- (6) The petition must contain:
- (a) An estimation of the utility's revenue requirements and carbon-reduction surcharge collections for the following year.
- (b) If a carbon-reduction surcharge has previously been established, an annual true-up filing showing the actual eligible installation costs and actual carbon-reduction surcharge revenues for the most recent 12-month period from January 1 through December 31 which ends before the annual petition filing, including a comparison of the actual eligible installation costs and carbon-reduction surcharge revenues to the estimated total eligible installation costs and carbon-reduction surcharge revenues previously reported for the same period. The filing shall also include the over-or-under recovery of total carbon-reduction surcharge revenue requirements for the true-up period.
- (7) The utility shall establish separate accounts or subaccounts for each eligible installation for purposes of recording the costs incurred for each project. The utility shall also establish a separate account or subaccount for any revenues derived from specific carbon-reduction surcharges.
- (8) An eligible installation shall be included for the purposes of calculating revenue requirements for no more than 5 years.
- (9) The total amount of carbon-reduction surcharge revenue in effect in any 1 year may not exceed 2 percent of the utility's total annual nonfuel revenue for the previous year.
- (10) This section expires December 31, 2014, unless reviewed and reenacted by the Legislature before that date.

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However, the procedures and other applicable provisions in this section and the carbon-reduction surcharges approved pursuant to this section shall remain in effect for the full term of all eligible installations approved by the commission before December 31, 2014.

Section 4. Paragraph (a) of subsection (1) of section 377.6015, Florida Statutes, is amended to read:

- 377.6015 Florida Energy and Climate Commission. -
- (1) The Florida Energy and Climate Commission is created within the Executive Office of the Governor. The commission shall be comprised of nine members appointed by the Governor, the Commissioner of Agriculture, and the Chief Financial Officer.
- (a) The Governor shall appoint one member from three persons nominated by the Florida Public Service Commission Nominating Council, created in s. 350.031, to each of seven seats on the commission. The Commissioner of Agriculture shall appoint one member from three persons nominated by the council to one seat on the commission. The Chief Financial Officer shall appoint one member from three persons nominated by the council to one seat on the commission.
- 1. The council shall submit the recommendations to the Governor, the Commissioner of Agriculture, and the Chief Financial Officer by September 1 of those years in which the terms are to begin the following October or within 60 days after a vacancy occurs for any reason other than the expiration of the term. The Governor, the Commissioner of Agriculture, and the Chief Financial Officer may proffer names of persons to be considered for nomination by the council.

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2. The Governor, the Commissioner of Agriculture, and the Chief Financial Officer shall fill a vacancy occurring on the commission by appointment of one of the applicants nominated by the council only after a background investigation of such applicant has been conducted by the Department of Law Enforcement.

- 3. Members shall be appointed to 3-year terms; however, in order to establish staggered terms, for the initial appointments, the Governor shall appoint four members to 3-year terms, two members to 2-year terms, and one member to a 1-year term, and the Commissioner of Agriculture and the Chief Financial Officer shall each appoint one member to a 3-year term and shall appoint a successor when that appointee's term expires in the same manner as the original appointment. The terms of members shall begin on October 1 and end on September 30.
- 4. The Governor shall select from the membership of the commission one person to serve as chair.
- 5. A vacancy on the commission shall be filled for the unexpired portion of the term in the same manner as the original appointment.
- 6. If the Governor, the Commissioner of Agriculture, or the Chief Financial Officer has not made an appointment within 30 consecutive calendar days after the receipt of the recommendations, the council shall initiate, in accordance with this section, the nominating process within 30 days.
- 7. Each appointment to the commission shall be subject to confirmation by the Senate during the next regular session after the vacancy occurs. If the Senate refuses to confirm or fails to consider the appointment of the Governor, the Commissioner of

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Agriculture, or the Chief Financial Officer, the council shall initiate, in accordance with this section, the nominating process within 30 days.

8. The Governor or the Governor's successor may recall an appointee.

Section 5. Subsection (14) of section 403.503, Florida Statutes, is amended to read:

403.503 Definitions relating to Florida Electrical Power Plant Siting Act.—As used in this act:

(14) "Electrical power plant" means, for the purpose of certification, any steam or solar electrical generating facility using any process or fuel, including nuclear materials, except that this term does not include any steam or solar electrical generating facility of less than 75 megawatts in capacity unless the applicant for such a facility elects to apply for certification under this act. This term also includes the site; all associated facilities that will be owned by the applicant that are physically connected to the site; all associated facilities that are indirectly connected to the site by other proposed associated facilities that will be owned by the applicant; and associated transmission lines that will be owned by the applicant which connect the electrical power plant to an existing transmission network or rights-of-way to which the applicant intends to connect. At the applicant's option, this term may include any offsite associated facilities that will not be owned by the applicant; offsite associated facilities that are owned by the applicant but that are not directly connected to the site; any proposed terminal or intermediate substations or substation expansions connected to the associated

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transmission line; or new transmission lines, upgrades, or improvements of an existing transmission line on any portion of the applicant's electrical transmission system necessary to support the generation injected into the system from the proposed electrical power plant.

Section 6. Subsections (1) and (3) of section 525.09, Florida Statutes, are amended to read:

525.09 Inspection fee.-

- (1) For the purpose of defraying the expenses incident to inspecting, testing, and analyzing petroleum fuels in this state, there shall be paid to the department a charge of one-eighth cent per gallon on all gasoline, alternative fuel containing alcohol as defined in s. 525.01(1)(c)1. or 2., kerosene that is not (except when used as aviation turbine fuel), and #1 fuel oil for sale or use in this state. This inspection fee shall be imposed in the same manner as the motor fuel tax pursuant to s. 206.41. Payment shall be made on or before the 25th day of each month.
- (3) All remittances to the department for the inspection tax herein provided shall be accompanied by a detailed report under oath showing the number of gallons of gasoline, alternative fuel containing alcohol as defined in s.

 525.01(1)(c)1. or 2., kerosene, or fuel oil sold and delivered in each county.
- Section 7. (1) The Florida Energy and Climate Commission shall prepare a report that:
- (a) Identifies methods of increasing energy-efficiency practices among low-income households as defined in ss. 420.9071 and 421.03, Florida Statutes. The commission shall, at a

households in other states.

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minimum, identify energy-efficiency programs that are currently offered to low-income households by community action agencies, community-based organizations, and utility companies in this state and similar programs that are offered to low-income

- (b) Determines the statewide impact of improving the level of the energy efficiency of rental housing stock, including, but not limited to, the environmental benefits of such improvements and the potential fiscal impact with respect to property tenants, owners, and landlords and to the economy. The commission shall consider the relative equity and economic efficiency of the cost-share for such energy-efficiency improvements.
- (c) Provides recommendations for implementing energyefficiency practices among residents of low-income households.
- (2) The commission shall submit the report to the President of the Senate and the Speaker of the House of Representatives by December 1, 2009.

Section 8. This act shall take effect July 1, 2009.