

BOMA FLORIDA WHITE PAPER

POWER GENERATION IN FLORIDA

BOMA POSITION

BOMA Florida supports legislation that increases competition in the energy market, supports a free market approach to energy generation and requires utility companies to focus resources on Demand Side Management (DSM) energy reduction strategies in lieu of increasing generation capacity. To accomplish this, BOMA Florida recommends:

- A requirement that utilities offer meaningful demand side management (DSM) strategies to assist building owners in reducing their energy consumption, thus contributing to a statewide reduction of overall energy consumption. A DSM program would minimize the need to build additional power plants. Building owners will see immediate reduction in their power bills due to reduced consumption and absence of power plant construction costs.
- A distributed renewable energy generation strategy that will allow building owners the flexibility to pursue energy supply from any number of sources. This will create a fair market and allow for building owners to make investment choices that will meet their needs rather than the goals of the utility company.

BACKGROUND

In 2010, House Bill 7217 and Senate Bill 2078 were introduced with the intent of taxing Florida's citizens to expand electrical power generation capacity and potentially allow the 5 state investor owned utilities to have a monopoly on renewable energy. This legislation may have limited the ability of all citizens to purchase solar energy through third party sources.

Due to Governor Rick Scott's objections to the taxation methods used to pay for the power plant, the bill died in committee. Less media attention was generated about the potential loss of building owners rights to build or purchase renewable power from "any source" for their building.

This legislation is being reformulated with the costs passed through to building owners through utility bills rather than as a tax. In this legislative approach, the Florida Public Service Commission would rule on the increased charges, not the Legislature.

Building owners will see increased costs if either power generation capacity is expanded or a utility controlled monopoly is created in the renewable energy market.

REFERENCE DATA and EXAMPLES

Building owners understand that reducing their power consumption costs less than buying additional power. Florida utility companies do not give this strategy enough emphasis as one of their basic operational principles, while it can be found as a key strategy in many other states. Since 1982, Austin Energy which serves Austin Texas has made this strategy a core focus. Austin Energy clearly states this in its annual business plan as follows “...Under this [energy resource] strategy Austin Energy will first seek renewable energy and conservation solutions to meet our customers’ new energy needs before resorting to traditional fossil fuel sources...”¹

As a result of Austin Energy’s business practices encouraging (DSM) and renewable energy initiatives, the company will exceed its initial goal of 20 percent of its energy to be generated by renewable sources by year 2020 (Florida only generates 2 percent of its power from renewable sources). Austin Energy will also exceed its goal of 15 percent overall energy reduction through DSM, by year 2020. (Florida has no stated DSM goal, but instead has asked for money to build additional power plants). In light of this achievement, Austin Energy has decided to increase its yr 2020 renewable energy goal to 30 percent. Currently Austin Energy generates 10.57 percent of its energy from renewable sources and its DSM plan has contributed 10.3 percent towards demand savings.³ This strategy provides the company with protection from rising fuel costs and other market instabilities which could impact building owners in the form of additional utility costs.

Other states and cities have successfully created systems to control power company influence over private property owners. Two types of systems are listed below.

1. The New Jersey Board of Public Utilities has created a Renewable Portfolio Standard (RPS) that provides rebate money to building owners as well as a methodology for selling the Solar Renewable Energy Credits (SREC) to non-compliant power generators in the state. The net result is a more balanced and competitive power market in which green power companies can compete.
2. Gainesville Florida is served by the Gainesville Regional Utility (GRU), which has adopted a “Feed-In Tariff” (FIT). Customers signing onto the Solar FIT invest in their own solar PhotoVoltaic (PV) systems to generate electricity and sell energy directly to GRU under a contract for 20 years at a fixed price.

There is currently no free market for renewable energy in Florida to create a “check and balances” hedge, which keeps costs under control.

Utility costs for building owners could be reduced if the money paid to the utility companies was spent on reducing demand. Instead, the utility companies have spent millions of dollars on lobbying for the proposed legislation HB 7217 and SB 2078, kept hundreds of millions of dollars of excess profits and proposed to spend billions of dollars for new power generation plants. Again, these costs are passed back to the building owners through higher utility costs.

All parties would benefit if the revenue utility companies received from building owners was spent on a functional Demand Side Management program and distributed generation strategy. As a result, building owners would see lower power bills and more efficient buildings. This strategy and action would also reduce the waste created by the power industry.

ACTION REQUESTED

BOMA Florida opposes any type of legislation or regulation, such as House Bill 7217 and Senate Bill 2078 that increase utility company profits at the expense of building owners.

This legislation increases costs to building owners over time because it expands the monopoly for the major utility companies.

- BOMA Florida opposes the request by power companies in the state to build additional power generation capacity, without a simultaneous investment in consumption reduction through more robust (DSM) Demand Side Management. These investments would fund energy efficient upgrades for roofing, windows, air conditioning and lighting in existing buildings.
- BOMA Florida supports investment in distributed renewable energy generation. Florida's business should have the freedom to choose its own renewable power source.

Building owners want the freedom to choose power sources that stimulate the economy and provide them with the best options for their asset. Most Florida Utility Companies are too focused on increasing generation capacity. The investment costs billions⁴ and creates hundreds of jobs as opposed to an investment in DSM and distributed renewable energy which would cost hundreds of millions and create thousands of jobs.

Please contact your Senators & Representatives to let them know that although there is a great deal of influence on them [legislators] from the utility companies, passage of legislation similar to the proposed House Bill 7217 or Senate Bill 2078 would be bad for building owners and bad for Floridians.

References

- 1 Austin Energy 2003 Strategic Plan
<http://www.austinenergy.com/about%20us/newsroom/Reports/strategicPlan.pdf>
- 2 Facts & Figures of the Florida Utility Industry by the Florida Public Service Commission dated March 2011.
- 3 Austin Energy 2010 update to the Strategic Plan report titled "Strategic Planning & Enterprise development"
<http://www.austinenergy.com/about%20us/newsroom/Strategic%20Plan/strategicPlan.pdf>

- 4 SunSentinel Article "FPL gets approval to pass costs to us" October 17, 2009 by Julie Patel http://articles.sun-sentinel.com/2009-10-17/business/sfl-fpl-nuclear-101709_1_nuclear-reactors-nuclear-plant-fpl
- 5 SunSentinel Article "Gov. Scott opposes FPL-backed renewable energy "tax", April 18, 2011 by Julie Patel 4:15pm http://weblogs.sun-sentinel.com/business/realestate/housekeys/blog/2011/04/gov_scott_opposes_utility_rate.html
- 6 Miami Herald - Herald/Times Tallahassee Bureau article "FPL's solar power plan gets new life" by Mary Ellen Klas <http://www.miamiherald.com/2011/04/18/2174169/fpls-solar-power-plan-gets-new.html>
- 7 SunSentinel Article "FPL's net profit jumps 14 percent to \$945 million in 2010" by Julie Patel January 26, 2011 <http://www.tcpalm.com/news/2011/jan/26/fpls-net-profit-jumps-14-percent-to-945-million/?partner=RSS>
- 8 The Palm Beach Post article "FPL bills on rise as state regulators approve fuel charges" by Susan Salisbury January 26, 2011 <http://www.palmbeachpost.com/money/fpl-bills-on-rise-as-state-regulators-approve-1211426.html>
- 9 The Palm Beach Post article "Florida PSC sides with FPL on earnings review" by Susan Salisbury January 12, 2011 <http://www.palmbeachpost.com/money/florida-psc-sides-with-fpl-on-earnings-review-1178313.html>
- 10 Miami Herald - Herald/Times Tallahassee Bureau article "Legislators return favor to FPL with renewable bill" by Mary Ellen Klas March 29, 2011 <http://www.miamiherald.com/2011/03/29/2140288/legislators-return-favor-to-fpl.html>
- 11 Amory Lovins coined the term NegaWatts to give a means to quantify the amount of power not expended because measures were in place that reduced consumption. The word is the combination of negative and watts, inferring that reduced power consumption is equivalent to negative power consumption.