

## **Florida Energy 2020 Study Commission Report**

I. Governor Bush established a Energy 2020 Study Commission (“Study Commission”) in May 2000 (Executive Order No. 00-127) to “determine what Florida’s energy needs would be over the next 20 years and how best to supply those needs in an effective, affordable and reliable manner that will ensure adequate electric reserves...and recommend appropriate electric energy policies for this state including statutory changes, if necessary.”

The Study Commission consisted of twenty members from private industry, the legislature and the Public Service Commission and Public Counsel. The Commission began its deliberations in the fall of 2000, and delivered its final report to the Governor and the President of the Senate and Speaker of the House in December of 2001.

Of particular note in the Final Report of the 2020 Study Commission (“Final Report”) is the conclusion that wholesale and retail deregulation should not be done simultaneously (which is what P51 amendment would do). The Final Report emphasizes “the importance of addressing wholesale competition separately from retail competition.” Effective wholesale competition provides the foundation upon which retail competition can be built....

“Retail competition presents many difficult and challenging issues over and above those that must be resolved to bring about wholesale competition. Adding those issues to the policy agenda compounds the opportunities for mistakes that could have significant adverse consequences on Florida utility customers.

Final Report of 2020 Study Commission Report, p. 83.

II. The Final Report provides insight into the many factors and issues that must be considered in instituting a competitive electricity market:

- What would the mechanism be for transforming the current regulated market to a competitive market? (moving from a cost-based price to a market-based price). Over what time period should the transition to a competitive market take place? Would incumbent utilities continue to own generating facilities and how would prices for energy from those facilities be set. P. 69
- Should utilities be required to sell their generating facilities – and how should any gain or loss on such sales be addressed. P. 69
- What should be the Public Service Commissioners (“PSC”) role in the transition to a competitive market and thereafter. What role can/should the PSC have in monitoring/regulating a Florida wholesale market given the Federal Energy Regulatory Commissions’ (FERC) authority over the wholesale market. p. 73, 76, 79, 80
- How is PSC’s access to books and records of market participants assured so the market can be effectively monitored? p. 73, 76
- How does the local utility’s obligation to serve all customers change in a competitive market? If a customer’s supplier of electricity fails, must the local utility step in and

supply the electricity and at what price? (i.e. supplier of last resort) p. 19 (issue in Executive Order)

- A functioning competitive market requires a large number of buyers and sellers. How would Florida develop an adequate competitive market given its geography that limits energy import capability from surrounding states? p. 30, 59
- A competitive market is characterized by “boom and bust” cycles (over-supply and under-supply with corresponding signals of produce more or less of a commodity). This cycle would be exacerbated in the electricity market by the inability to inventory (store) electricity. Mechanisms would need to be developed to prevent excessive price volatility (California-type problem in early 2000s) and assure an adequate supply of electricity for operational and emergency purposes. p. 76
- What authority should the PSC have in requiring the construction of generating facilities of the market does not assure an adequate supply of electricity? p. 76
- How can the state be ensured there will be an adequate supply of electricity in the future. (currently done by incumbent utilities through load foreclosing and annual requirement of filing a ten year site plan outlining proposed supply resources) p. 34
- How should demand side resources be incorporated into a competitive market? p. 48
- Fuel diversity is one aspect of assuring an adequate and reliable supply of energy. How should fuel diversity be addressed in a competitive market? p. 62
- If a competitive market is instituted what role should the PSC and the Power Plant (and Transmission Line) Siting Board (Governor and Cabinet) have in determining the need for the facilities and the siting of facilities. P. 64, 66
- Electric restructuring, particularly retail restructuring can have significant impacts on the fees and taxes paid by utilities to support local and state programs. There is the impact to ad valorem taxes (going from a “cost” approach to an “income” approach for property valuation makes tax collectors more unpredictable). Also will taxing authorities be able to claim a sufficient nexus to be able to tax energy produced outside of the state? What changes to the tax system will need to be made to assure it is fair to all electricity providers and classes of customers. p. 84
- How much out-of-state resources should Florida rely on for its electricity needs? p. 30
- How can a competitive market address environmental concerns associated with electricity production? p. 95

Full Report: <http://edocs.dlis.state.fl.us/fldocs/commissions/energy/2001report.pdf>