

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Communications, Energy, and Public Utilities

BILL: CS/SB 1586

INTRODUCER: Communications, Energy, and Public Utilities Committee and Senator Simmons

SUBJECT: Energy Grid

DATE: January 25, 2018

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wiehle	Caldwell	CU	Fav/CS
2.			RI	
3.			GO	
4.			RC	

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 1586 requires the Florida Public Service Commission (commission or PSC) to develop a disaster preparation and energy grid improvement plan for each public utility's energy grid, a term defined to mean a public utility's interconnected generation, transmission, and distribution infrastructure. As part of this process, the commission must hold public hearings, including customer hearings in each public utility's service territory as appropriate. The bill sets out factors the commission must consider in determining these disaster preparation and energy grid improvement plans. Upon development of a plan for each public utility, the commission must issue an order requiring the utility to implement the plan.

On or before February 1, 2019, and for every 3 years thereafter, the commission is required to submit a report to the President of the Senate and the Speaker of the House of Representatives which describes, for each public utility, the commission's determination and order for that public utility regarding its plan for energy grid improvement, the timetable for completion of the plan, and the projected costs and benefits of the plan. In the February 1, 2022, report, and in each report thereafter, the commission shall report on the performance of the energy grid improvements for each storm or other natural disaster that has occurred since the previous report.

II. Present Situation:

Chapter 366, F.S., provides for regulation of electric utilities in Florida. Section 366.02, F.S., provides definitions for these purposes.

- “Commission” means the Florida Public Service Commission.
- “Electric utility” means any municipal electric utility, investor-owned electric utility, or rural electric cooperative which owns, maintains, or operates an electric generation, transmission, or distribution system within the state.
- “Public utility” means every person, corporation, partnership, association, or other legal entity and their lessees, trustees, or receivers supplying electricity ... to or for the public within this state; but the term “public utility” does not include either a cooperative now or hereafter organized and existing under the Rural Electric Cooperative Law of the state; a municipality or any agency thereof;

The Commission has full economic regulation authority over the public utilities, including setting rates, and ensuring service quality standards.¹ It has grid reliability authority over all Florida electric utilities.^{2,3}

III. Effect of Proposed Changes:

The bill creates s. 366.96, F.S., on hardening of Florida’s energy grid, a term defined to mean a public utility’s interconnected generation, transmission, and distribution infrastructure.

The bill establishes legislative intent that the commission incorporate in its ongoing storm hardening proceedings an increased focus on the resiliency of the energy grid to reduce the percentage of customers without electricity during and after a storm or other natural disaster and to reduce the time necessary for the affected public utility to fully restore electric service during such outages. Furthermore, such reductions should be accomplished at a cost that is fair and reasonable for the state’s public utility customers.

To accomplish this, the commission is directed to hold public hearings, including such customer hearings in each public utility’s service territory as appropriate, to determine a disaster preparation and energy grid improvement plan for each public utility, including all necessary improvements and the time within which the public utility must complete each improvement. The plan implementation period may be up to 20 years, and the commission must allow for the plan to be modified at least every 3 years.

In determining the disaster preparation and energy grid improvement plans, the commission must consider all of the following factors:

- The available projections for the number and severity of storms in the future and for changes in sea level, storm surge, and flooding;

¹ Section 366.04(1), F.S.

² Sections 366.04(2)(c) and 366.05(8), F.S.

³ According to the commission, there are 5 public utilities, 34 municipally owned electric utilities, and 18 rural electric cooperatives, for a total of 57 electric utilities. Florida Public Service Commission, *2017 Facts and Figures of the Florida Utility Industry*, page 1.

<http://www.psc.state.fl.us/Files/PDF/Publications/Reports/General/Factsandfigures/March%202017.pdf>

- The projected costs and benefits of each plan;
- Any alternatives to the traditional energy grid which provide strengthening or resiliency benefits to the energy grid, including distributed generation and microgrids; and
- The individual circumstances and characteristics of each public utility, including:
 - The utility's energy grid, taking into account its history of outages, restorations, the time necessary to complete each restoration, and the factors involved in restoration and timing of completion;
 - The utility's ratepayer base;
 - The utility's existing cost recovery structure and rates;
 - Any potential alternative standards and goals for the utility, including implementing alternative forms of renewable energy;
 - Available energy grid improvements for the utility, including the benefits and costs of such improvements and the impact of such improvements on rates; and
 - A reasonable period for the utility to implement the plan.

Upon completion of the development of a plan for each public utility, the commission is to issue an order requiring the public utility to implement the plan. During any 6-year period, a utility may apply to the commission for a single extension for one or more plan deadlines specified in the order. The commission may grant the extension if the public utility provides to the commission sufficient evidence that an extension is in the best interest of the utility's ratepayers.

The commission is required to adopt rules and issue orders as are necessary and proper to implement this section.

On or before February 1, 2019, and for every 3 years thereafter, the commission shall submit a report to the President of the Senate and the Speaker of the House of Representatives which describes, for each public utility, the commission's determination and order for that public utility regarding its plan for energy grid improvement, the timetable for completion of the plan, and the projected costs and benefits of the plan. In the February 1, 2022, report, and in each report thereafter, the commission shall report on the performance of the energy grid improvements for each storm or other natural disaster that has occurred since the previous report.

The bill takes effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

Public utilities will incur unknown costs to develop and implement the disaster preparation and energy grid improvement plans, which will be passed on to their customers. Customers will get the benefits of the energy grid improvements, but as these benefits depend on many variables, such as what improvements are made and details of future storms and outages, these benefits cannot be quantified with any certainty.

C. Government Sector Impact:

The PSC will incur costs to adopt the required rules and to hold hearings to develop the disaster preparation and energy grid improvement plans. There will be additional costs to continue to monitor and periodically modify the plans. These costs have not yet been estimated.

These proceedings will also involve the Office of Public Counsel,⁴ which will also incur costs.

VI. Technical Deficiencies:

None

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill creates section 366.96 of the Florida Statutes.

IX. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Communications, Energy, and Public Utilities on January 25, 2018:

- deletes the requirement that the PSC develop disaster hardening standards;
- makes the bill applicable to five public utilities instead of 57 electric utilities; and
- deletes references to “costs of outages ... avoided”.

⁴ The Office of Public Counsel provides legal representation for utility customers in proceedings before the PSC (s. 350.0611, F.S.).

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
