SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

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BILL:	SB 2494					
INTRODUCER:	Senator Baker					
SUBJECT:	Energy Diversity & Efficiency Act					
DATE:	April 12, 200	06	REVISED:	04/23/06		
ANALYST		STAFF DIRECTOR		REFERENCE		ACTION
Wiehle		Caldwell		CU	Favorable	
. Branning		Kiger		EP	Favorable	
				СА		
				GA		

I. Summary:

The bill creates the Florida Energy Diversity and Efficiency Act to govern the siting of new nuclear power plants. The act is modeled after the existing Electrical Power Plant Siting Act. The bill:

- Changes the criteria the Public Service Commission is to use in its determination of need for the nuclear power plant, requiring the commission to grant the petition if it finds that the nuclear power plant will:
 - Provide needed base-load capacity;
 - Enhance the reliability of electric power production within the state by improving the diversity of power plant fuels and reducing the dependence of this state on fuel oil and natural gas; and
 - Provide a cost-effective, although not necessarily the least cost, alternative source of power, taking into account the need to improve the fuel diversity, reduce the dependence of this state on fuel oil and natural gas, mitigate air emission effects within the state, and contribute to the long-term stability and reliability of the electric grid.
- Exempts nuclear plants from the requirement that a utility seeking to build a power plant solicit bids from other sources of power.
- Provides that after the need determination petition has been granted, the utility has the right to recover any preconstruction costs, stating that these costs are not subject to challenge unless the commission finds by clear and convincing evidence that the utility was imprudent in incurring costs significantly in excess of the initial, nonbinding estimate; a substantial increase in the current "preponderance of the evidence" standard in prudency reviews.

- Includes in the definition of the term "nuclear power plant," associated transmission lines, including not only lines and substations directly interconnected to nuclear plants, but also any transmission upgrades or expansions on the utility's transmission system. As a result, any grid-wide upgrades required to reliably handle the electric output of the proposed nuclear plant would be considered as part of the licensing process required under this act.
- Provides new criteria for approval or denial of the certification by the Siting Board.
- Streamlines and shortens Electrical Power Plant Siting Act time frames by combining determination of the application's completeness and sufficiency; eliminating mandatory land use and certification hearings, and changing deadlines.

The bill creates the following sections of the Florida Statutes: 403.550, 403.551, 403.552, 403.553, 403.554, 403.555, 403.556, 403.557, 403.558, 403.559, 403.560, 403.561, 403.562, 403.563, 403.564, 403.565, 403.566, 403.567, 403.568, 403.569, 403.570, 403.571, 403.572, and 403.573.

The bill amends section 403.503 of the Florida Statutes.

The bill reenacts sections 380.23(3)(c) and 403.5175(1) of the Florida Statutes.

II. Present Situation:

Sections 403.501-403.518, F.S., are the "Florida Electrical Power Plant Siting Act" (PPSA). Under the PPSA, for an electrical plant proposal to proceed, the Public Service Commission (PSC or commission) must make an affirmative determination of need for the plant. Under s. 403.519, F.S., in determining whether to approve a need petition, the PSC is required to consider the following specified criteria: the need for electric system reliability and integrity; the need for adequate electricity at a reasonable cost; whether the proposed plant is the most cost-effective alternative available; available conservation measures which mitigate the need for the plant; and other matters within the commission's jurisdiction. In connection with the determination of whether the proposed plant is the most cost-effective alternative, the PSC has established Rule 25-22.082, F.A.C., on selection of generating capacity. This rule requires that the utility seeking to build a power plant request bids for alternatives to its proposed plant in order to meet the identified need for power. The effect of the rule is to provide the PSC with more complete information about potential alternatives to the proposed power plant to use as a consideration in its deliberation of the project's cost-effectiveness.

The remainder of the PPSA siting process is overseen by the Department of Environmental Protection (DEP). The process includes appointment of an administrative law judge (ALJ), who presides over the proceedings and litigation, reports and participation by all affected state and local government agencies, a land use hearing and a mandatory certification hearing involving opportunities for public participation, and a final approval or denial of the plant certification by the Governor and Cabinet sitting as the Siting Board.

Speaking generally, recovery of the costs of building and operating the plant begins after the plant becomes operational.

The Federal Energy Policy Act of 2005 provides significant financial incentives that may inure to the benefit of Florida consumers. These incentives, however, are limited to the first 6,000 megawatts of new nuclear plants constructed. To date, utilities in a number of other states have announced their intent to build new nuclear plants.

III. Effect of Proposed Changes:

Section 1 creates s. 403.550, F.S., to provide that the act may be cited as the Florida Energy Diversity and Efficiency Act. The act is patterned after the existing PPSA, with many of the proposed changes based upon the proposed streamlined PPSA provisions contained in Senate Bill 888 and House Bill 1473, which streamline and shorten PPSA time frames by: combining determination of the application's completeness and sufficiency; eliminating mandatory land use and certification hearings, and changing deadlines. Significant differences between these proposals are noted below.

Section 2 creates s. 403.551, F.S., to provide legislative intent that it is in the public interest and critical to the health, prosperity, and general welfare of the state and its citizens to promote the expansion of nuclear generation by the siting of new nuclear power plants and associated facilities within the state.

Section 3 creates s. 403.552, F.S., to provide definitions, most of which are adapted from those used in the PPSA, with exceptions for using the term "nuclear" in lieu of "electric." In defining the term "nuclear power plant," the bill expands the current corresponding definition of "electrical power plant" to include in the term "associated facilities," at the applicant's option, associated transmission lines, including not only lines and substations directly interconnected to nuclear plants, but also any transmission upgrades or expansions on the utility's transmission system. As a result, any grid-wide upgrades required to reliably handle the electric output of the proposed nuclear plant would be considered as part of the licensing process required under this act.

Section 4 creates s. 403.553, F.S., to provide the powers and duties of DEP, with these powers being much the same as those under the PPSA.

Section 5 creates s. 403.554, F.S., to provide for the applicability of this new act, stating that it applies exclusively to any new nuclear power plant and to any expansion in steam-generation capacity of any existing nuclear power plant.

Section 6 creates s. 403.555, F.S., to provide for the distribution of the nuclear power plant certification application and the scheduling of the siting process.

- Within 7 days after the filing of an application, the DEP shall provide to the applicant and the Division of Administrative Hearings (DOAH) the names and addresses of those affected individuals or agencies that are entitled to notice and copies of the application and any amendments.
- Within 7 days after completeness has been determined, the DEP shall prepare a schedule of dates for submitting statements of issues, determining sufficiency, and submitting final reports from affected individuals and agencies and other significant dates to be followed during the certification process.

• Within 7 days after the DEP issues the names and addresses of affected individuals or other agencies entitled to notice and copies of the application and any amendments, the applicant shall distribute copies of the application to all agencies identified by the DEP. Copies of changes and amendments to the application shall be timely distributed by the applicant to all affected agencies and parties.

Section 7 creates s. 403.556, F.S., to provide for the appointment of the administrative law judge (ALJ).

Section 8 creates s. 403.557, F.S., to provide for the determination of completeness, combining the determinations of completeness and sufficiency.

- Within 45 days after distribution of the application or an amendment to a pending application, the DEP shall file a statement with DOAH and with the applicant declaring its position with regard to the completeness of the application or amendment.
- If the DEP declares the application or amendment incomplete, the applicant may withdraw the application or amendment. If the applicant declines to withdraw the application or amendment the applicant may, at its option:
 - Within 40 days file additional information necessary to make the application or amendment complete. If the applicant makes its application or amendment complete within this period, certain specified time schedules are not tolled by the DEP's statement of incompleteness.
 - Advise the DEP and the ALJ that the information necessary to make the application or amendment complete cannot be supplied within the allotted authorized time; or
 - Contest the statement of incompleteness by filing a request for hearing with the ALJ within 15 days after the filing of the statement of incompleteness. A hearing shall be held no later than 21 days after the filing of the statement by the DEP, and a final decision shall be rendered by the ALJ within 10 days after the hearing.
- If the ALJ determines that an application or amendment is complete, all specified time schedules shall resume as of the date of the judge's decision. If the ALJ agrees that the application is incomplete, all time schedules remain tolled until the applicant files additional information and the application or amendment is determined complete by the DEP or the ALJ.
- If, within 30 days after receipt of the certain specified additional information, based on the recommendations of the affected agencies, the DEP determines that the additional information supplied by an applicant does not render the application or amendment complete, the applicant may exercise any of the options specified above as often as necessary to resolve the dispute.

Section 9 creates s. 403.558, F.S., to provide for preliminary reports of affected agencies. Each affected agency shall submit a preliminary statement of issues to the DEP and the applicant no later than 45 days after the distribution of the application. The failure to raise an issue in this statement does not preclude the issue from being raised in the agency's report. The following agencies shall prepare a report and submit it to the DEP and the applicant within 60 days after the agency's application is determined complete:

• Department of Community Affairs.

- Public Service Commission.
- The affected water management district.
- Each local government in whose jurisdiction the proposed nuclear power plant, including associated facilities and associated transmission lines, is to be located.
- Fish and Wildlife Conservation Commission.
- Regional planning council.
- Department of Health.
- Department of Transportation.
- Any other agency, if requested by the DEP and upon approval of the assigned ALJ.

The bill specifies what each report must address. Each agency shall initiate the preparation of the report no later than 30 days after the complete application is distributed.

The DEP shall prepare a written analysis that must be filed with the ALJ and served on all parties no later than 85 days after the application is determined to be complete but no later than 60 days before the scheduled date for the certification hearing if a request has been filed. Specifies what the DEP's analysis must include.

Except for good cause shown, an agency's failure to submit a preliminary statement of issues or a report within the allowed time does not affect certain time limitations. An agency's failure to submit a preliminary statement of issues or a report, or failure to submit an adequate preliminary statement of issues or report is not a reason to deny or make conditional the certification of a nuclear power plant.

Section 10 creates s. 403.559, F.S., to provide for notice of the DEP recommendation on the site certification application. The notice must be published in the newspaper or newspapers in the locality where the proposed nuclear power plant and any associated facilities are to be located. Any party or any person whose substantial interest may be affected by the proposed nuclear power plant may file with the DEP a petition for a certification hearing within a certain specified time. If a petition for certification hearing is not filed, the DEP's recommendation becomes final and is not subject to a challenge or reversal in any proceeding, including before the siting board¹. Only those conditions contained in the DEP's recommendation may be imposed upon the proposed nuclear power plant.

Section 11 creates s. 403.560, F.S., to provide for the certification hearing. If a petition is filed for a hearing, the hearing must be held before a designated ALJ no later than 260 days after the application is filed with DEP. However, a certification hearing may not be held unless the PSC makes a positive determination of need for the siting of the nuclear plant. If a timely petition for a certification hearing is filed, the hearing must be held at a location in proximity to the proposed site of the nuclear generating plant. The certification hearing is the only hearing allowed by ch. 120, F.S., to determine the substantial interest of a party regarding any required agency license or a related permit required under any federally delegated or approved permit program.

At the conclusion of the hearing, the ALJ must submit a recommended order to the siting board no later than 60 days after the filing of the hearing transcript. If the ALJ fails to issue a

¹ The siting board is defined in the bill as the Governor and Cabinet sitting as the Nuclear Power Plant Siting Board.

recommended order within the allotted time, the ALJ must submit a report to the siting board with a copy to all parties within the 60-day period to advise the siting board of the reason for the delay in the issuance of the recommended order and of the date by which the recommended order will be issued. Parties to the hearing include:

- The applicant.
- The PSC.
- The Department of Community Affairs.
- The Fish and Wildlife Conservation Commission.
- The Department of Transportation.
- The water management district.
- The DEP.
- The regional planning council.
- The local government.

Any party, other than the DEP, may waive its right to participate in the certification proceedings.

Other parties may be named as parties to the proceeding under certain conditions.

Section 12 creates s. 403.561, F.S., to provide for the final disposition of the application. Within 60 days after the DEP issues its recommendations or 60 days after the siting board receives the recommended order, the siting board shall issue a written order granting or denying the certification for the siting of a nuclear generating plant. When determining whether a certificate should be approved or denied, the siting board must consider whether and the extent to which the location, construction, or operation of the proposed nuclear power plant will:

- Meet the electrical energy needs of the state in an orderly and timely fashion, as determined by the PSC;
- Comply with nonprocedural requirements of agencies;
- Be consistent with applicable local government comprehensive plans and in compliance with applicable zoning ordinances. If the proposed nuclear power plant is not consistent with applicable local government comprehensive plans or does not comply with local zoning ordinances, the siting board shall order that reasonable and available methods be used to minimize any inconsistency with applicable future land-use categories or applicable local zoning in order to make the proposed nuclear power plant compatible with existing land uses surrounding the site; and
- Create a reasonable balance between the need for the nuclear power plant as a means of providing abundant, low-cost electrical energy and the impact upon the public and the environment resulting from the location, construction, and operation of the proposed nuclear power plant.

After issuing the certificate, the siting board may resolve issues relating to the use of property by the nuclear power plant which is held by an agency and direct any such agency to execute, within 30 days after issuing the certificate, the necessary licenses or easements for the use, connection, or crossing of the property.

Section 13 creates s. 403.562, F.S., to provide for alteration of certain time limits.

Section 14 creates s. 403.563, F.S., to provide that the act supersedes any conflicting law, rule, regulation, or ordinance of this state or any political subdivision, municipality, or agency and preempts the siting, regulation, and certification of nuclear power plant sites and nuclear power plants. The siting board may adopt rules to administer this act and to give effect to the legislative intent to provide an efficient, simplified, centrally coordinated, one-stop licensing process.

Section 15 creates s. 403.564, F.S., to provide for the effect of certification. Except for the issuance of licenses required under any federally delegated or approved permit program and as otherwise provided herein, any certificate approved by the siting board is the sole license of the state and its agencies approving the site and the construction and operation of the proposed nuclear power plant. The certificate authorizes the applicant to construct and operate the proposed nuclear power plant, subject to the conditions set forth in the certificate and those contained in any federally delegated or approved license or permit.

The certificate may include conditions that constitute variances, exemptions, or exceptions from nonprocedural requirements of the DEP or any agency which were expressly considered during the proceeding unless waived by the agency and which otherwise would be applicable to the construction and operation of the proposed nuclear power plant. A variance, exemption, exception, or other relief may not be granted from a state statute or rule for the protection of endangered or threatened species, aquatic preserves, Outstanding National Resource Waters, or Outstanding Florida Waters or for the disposal of hazardous waste.

Each party shall notify the applicant and other parties no more than 60 days after application is determined complete of any nonprocedural requirements not specifically listed in the application from which a variance, exemption, exception, or other relief is necessary in order for the siting board to approve issuing a certificate for a nuclear power plant. If an agency fails to notify the siting board of such a requirement, the agency waives its right to assert the nonprocedural requirement.

If a condition in a certificate issued under this act is inconsistent with or otherwise in conflict with any requirement of a federal law, regulation, or license regulating construction or operation of a nuclear power plant, the condition in the certificate is automatically modified to conform to the federal requirement or is superseded by the federal requirement. The state may not enforce compliance with any federal requirement under this act except to the extent that the state is authorized to enforce the condition under federal law.

The certificate issued under this act supersedes any license, permit, certificate, or similar document required by any agency under, but not limited to: ch. 125, F.S.; ch. 161, F.S.; ch. 163, F.S.; ch. 166, F.S.; ch. 186, F.S.; ch. 253, F.S.; ch. 298, F.S.; ch. 370, F.S.; ch. 373, F.S.; ch. 376, F.S.; ch. 380, F.S.; ch. 381, F.S.; ch. 387, F.S.; ch. 403, F.S., except for permits issued under s. 403.0885, F.S., and except as provided in s. 403.509(3) and (6), F.S.; ch. 404, F.S., the Florida Transportation Code; or 33 U.S.C. s. 1341.

This act does not affect the right of any local government to charge appropriate fees or require that construction be undertaken in compliance with applicable building codes. However, if there is a conflict between requirements of local building codes and federal construction requirements, the federal requirements supersede the local building codes. A nuclear power plant that is issued a certificate under this act must comply with rules adopted by the DEP after the issuance of the certificate which prescribe new or stricter criteria, to the extent that the rules are applicable to nuclear power plants. Provides for relief under certain circumstances.

A certificate holder under this act may choose to operate the nuclear power plant under DEP's rules that may be more lenient than the criteria required by the terms and conditions of the certificate under certain circumstances.

Section 16 creates s. 403.565, F.S., to provide for notice and costs of the proceeding. The following notices must be published by the applicant:

- A notice of filing no later than 15 days after the application has been determined to be complete.
- A notice of the issuance of the report and recommendation of the DEP no later than 15 days after they are released by the DEP.
- If a certification hearing is to be conducted, a notice of the certification hearing.
- Notice of a request to modify an application no later than 21 days after the DEP receives the request for modification.
- Notice of a supplemental application.

The form of the notices and where they must be published is specified. All notices published by the applicant are to be paid for by the applicant and are in addition to the application fee.

The DEP shall:

- Publish notices of the filing of the application or the supplemental application; of the DEP's report and recommendations; of the certification hearing, if one is to be held; of the hearing before the siting board; and of stipulations, proposed agency action, or petitions for modification; and
- Provide copies of those notices to any person who has requested to be placed on the DEP's mailing list for this purpose.

The applicant is also required to pay those expenses and costs associated with conducting the hearings and recording and transcribing the proceedings.

Section 17 creates s. 403.566, F.S., to provide that a certificate may be revoked or suspended for:

- Any materially false statement in the application or in the supplemental or additional statements of fact or studies required of the applicant if a true answer would have warranted the siting board's refusal to recommend a certificate in the first instance.
- Failure to comply with the terms or conditions of the certificate.
- Violation of the provisions of this act.

Section 18 creates s. 403.567, F.S., to provide that proceedings under this act are subject to judicial review in the Florida Supreme Court instead of the district court of appeal.

Section 19 creates s. 403.568, F.S., to provide for enforcement of compliance.

Section 20 creates s. 403.569, F.S., to provide that information filed with the DEP relating to the certification of a nuclear power generating plant is a public record and shall be made available for public inspection and copying during regular office hours.

Section 21 creates s. 403.570, F.S., to provide for the circumstances under which a certificate may be modified.

Section 22 creates s. 403.571, F.S., to require the DEP to adopt rules governing the processing of a supplemental application for a certificate to construct and operate a nuclear power plant to be located at a site that has been previously certified under the PPSA. A supplemental application is limited to a nuclear power plant using the fuel type previously certified for that site. Specifies certain provisions that the rule must contain.

Section 23 creates s. 403.572, F.S., to provide for fees.

- Application fee.
 - May not exceed \$200,000, to be set on a sliding scale.
 - 60 percent of the fee is transferred to the DEP for certain costs.
 - 20 percent of the fee or \$25,000, whichever is greater, is transferred to the Administrative Trust Fund of DOAH.
 - Reimbursement for certain costs to the Department of Community Affairs, the Fish and Wildlife Conservation Commission, any water management district, a regional planning council, or the local government in the jurisdiction in which the proposed nuclear power plant is to be located, and any other agency from which the DEP requests special studies.
 - If any sums remain after the specified reimbursements, the DEP shall retain the fees for its use. However, if the application for a certificate is withdrawn, the remaining sums shall be refunded to the applicant within 90 days after the withdrawal of the application.
- Modification fee.
 - May not exceed \$30,000.
 - If a petition is transferred for a hearing, only \$10,000 of the fee may be transferred to the Administrative Trust Fund for DOAH.
 - \circ The fee to modify a certificate pursuant to an agreement is \$10,000.
 - Any sums remaining after payment of authorized costs shall be refunded to the applicant within 90 days after the approval or the denial of the modification request.
- Supplemental application fee.
 - May not exceed \$75,000.
 - Only \$20,000 shall be transferred to the Administrative Trust Fund for DOAH.

Section 24 creates s. 403.573, F.S., to provide for the PSC determination of need. The bill provides new criteria for the determination, requiring the commission to grant the petition if it finds that the nuclear power plant will:

- Provide needed base-load capacity;
- Enhance the reliability of electric power production within the state by improving the diversity of power plant fuels and reducing the dependence of this state on fuel oil and natural gas; and
- Provide a cost-effective, although not necessarily the least cost, alternative source of power, taking into account the need to improve the fuel diversity, reduce the dependence of this state on fuel oil and natural gas, mitigate air emission effects within the state, and contribute to the long-term stability and reliability of the electric grid.

The bill also exempts nuclear plants from PSC Rule 25-22.082, F.A.C., which requires a utility seeking to build a power plant to solicit bids from other sources of power.

The bill also provides that after the need determination petition has been granted, the utility has the right to recover any costs associated with "siting, design, licensing, or construction of the plant...." The bill states that these costs are not subject to challenge unless the commission finds by clear and convincing evidence that the utility was imprudent in incurring costs significantly in excess of the initial, nonbinding estimate. This is a substantial increase in the current "preponderance of the evidence" standard in prudency reviews. Additionally, the bill provides that imprudence may not be found for any costs outside the utility's control "including delays in obtaining necessary governmental agency permits or licenses; delays due to litigation; increased costs for equipment, engineering, material, or construction; increases due to inflation or other economic factors; or increases in costs due to laws, rules, or regulatory conditions imposed by a state or federal governmental agency or court following the issuance of a need-determination order by the commission." In addition, a utility's right to recover costs associated with a nuclear power plant may not be raised in any other forum or in the review of proceedings in such other forum.

Under traditional ratemaking practice, expenditures for any pre-operational costs to build power plants would accrue in a regulatory account and when the plant becomes operational, all costs in this account would become part of the total plant cost that could be placed in rate. PSC practice does allow public utilities to request early cash flows to occur for power plant construction costs upon a showing that the utility would suffer financial hardship without such early recovery of costs.

Section 25 amends s. 403.503, F.S., to make a technical change.

Sections 26 and 27 reenacts s. 380.23, F.S., relating to federal consistency, and s. 403.5175, F.S., relating to existing electrical power plant siting certification, to incorporate amendments made to s. 403.503, F.S., in references thereto.

Section 28 provides that the act takes effect upon becoming law.

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IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill does not require cities and counties to expend funds or limit their authority to raise revenue or receive state-shared revenues as specified by s. 18, Art. VII, State Constitution.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

- A. Tax/Fee Issues:
 - Provides for an certificate application fee not to exceed \$200,000.
 - Provides for a certificate modification fee not to exceed \$30,000.
 - Provides for a supplemental application fee not to exceed \$75,000.

B. Private Sector Impact:

Indeterminate. The costs of construction and operation of a power plant are ultimately borne by the ratepayers through the rates. The fuel costs for a nuclear power plant are substantially less than that for plants using coal, oil, or natural gas.

The applicant for a nuclear power plant must pay the required application fees and the costs for publishing certain notices as well as the costs associated with the transcripts from any hearing. The application fee cannot exceed \$200,000; the modification fee cannot exceed \$30,000, and the supplemental application fee cannot exceed \$75,000.

C. Government Sector Impact:

Indeterminate. The DEP would administer this act in much the same way it administers the PPSA and the Transmission Line Siting Act. The DEP would incur costs associated with rulemaking as well as those costs associated with reviewing and approving the application for the siting of a nuclear power plant.

The application process requires several other agencies to review and comment on the application for a nuclear power plant. Those agencies would incur costs associated with that review. Those agencies include the Department of Community Affairs, the PSC, the affected water management district, affected local governments, the Fish and Wildlife Conservation Commission, the regional planning council, the Department of Heath, the Department of Transportation, and any other agency if requested to comment and review

by the DEP. In addition, the certification hearing is held by a hearing officer from DOAH.

The DEP would receive 60 percent of the application fee to cover certain costs. The DOAH would receive 20 percent of the application fee or \$25,000, whichever is greater. The other affected agencies would receive reimbursement of certain costs through the application fee.

A portion of the modification fee (\$10,000 of the \$30,000) goes to DOAH for certain costs. Of the supplemental application fee (not to exceed \$75,000), only \$20,000 is transferred for use by DOAH.

The PSC would incur costs associated with the determination of electric generating capacity and need.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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

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VIII. Summary of Amendments:

None.

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