



ENERGY NEWS

of the Southeast Florida Society of Energy Professionals, a Chapter of the Association of Energy Engineers

October 2000 • Volume 13 • Number 8

Energy Study Round 1: Wholesale Restructuring

by Robert Farmer, © 2000

The Governor's *Energy 2020 Study Commission* held its first meeting in September to consider Florida's electricity future. Governor Bush opened the meeting by reminding the members that "they come without strings attached". That they "should think about big changes rather than incremental ones" as they consider Florida's growing demand for power, the changes taking place in the energy industries, and the development of new energy technologies. An inference taken by me to include fuel cells, microturbines, and distributed power, among other technologies and systems. He also reminded them that "environment and conservation are key components. If we don't conserve it will cost us more". This is a clear indication that the Governor is seeking a complete energy policy—one that includes solutions on both ends: efficiency in electricity production and in consumption.

This was a promising start and it got better because the commission chair—Walter Revell, a former secretary of the Florida Department of Transportation—appears to be a commanding leader. But, after listening to all the presentations and the questions from the members I came away with a very uneasy feeling about what this commission might actually deliver.

The issue first and foremost on the commission's agenda is that of wholesale market restructuring, and they have set themselves an ambitious target to deliver an interim report to the Governor and the legislature prior to this winter's session. Why the rush, do you suppose? They learned from the Florida Public Service Commission that without voluntary interruptible power contracts the state's true electric reserve capacity is merely 9%. Compare this to California's reserve margin and you will understand why I think this commission will soon begin thinking in crisis mode. "The California Energy Commission, a state agency that licenses new power plants and predicts the state's energy demand, says California has a 10% reserve margin for this summer's expected peak electric demand, assuming all plants and transmission lines are working perfectly. But plants and transmission lines often run at less than their theoretical capacity. As a result, the state's reserve power margin has already fallen below 5% ... this summer, prompting the ISO to declare a Stage 2 alert and begin cutting power ..." (*The New York Times*, August 3, 2000).

Members also learned from the Florida Department of Community Affairs that there are 4 competing bids to bring additional natural gas supplies into the state. How long will the permitting process, community buy-in, and construction of new pipeline(s) take? Also, from FPSC and probably the

most telling—by 2009 we need to increase our capital stock in power plants by 10,000 MW—a full 25% over current installed capacity! For the energy economists out there, that's \$3.5 billion in new power plants over the next 9 years, not including the price of the pipelines.

The worries don't end there, of course. As a participant in the Future of Florida American Assembly the following week, I learned the City of Gainesville has an annual operating budget of \$65 million—\$24 million of which comes from energy sales by Gainesville Regional Utilities. Think they're not worried about retail competition? Think it won't come if they allow wholesale competition without adequate safeguards to their tax base? And what about long term natural gas prices and availability? Demand is so high that "natural gas prices have doubled in the last twelve months—no one is storing for winter yet" (USEA presentation, July 23rd). The US is looking to NAFTA to provide long-term access to gas supplies from Canada and Mexico. But on the same day that a front page headline proclaimed "A Big Push is On for Natural Gas Under the (Canadian) Arctic: Environmental Worry is Taking Back Seat to Rising Prices for Consumers in US" (*The New York Times*, September 28, 2000), a report out of Mexico presented yet another facet of this hemispheric supply problem. It said that 500 Mexican glass, steel and ceramic plants might be forced to lay off 250,000 workers

Energy Study Round 1: Wholesale Restructuring (continued)

this winter because increased demand had forced Pemex to raise its prices.

Governor Bush wants suggestions for “big changes”, but will these “no strings attached” members, the majority with very little direct experience in energy issues, be able to discern opportunities for a truly sustainable future through the wailing they will hear about averting yet another impending crisis?•



Robert Farmer is an energy planning engineer and energy policy specialist. A comprehensive resource on technologies, issues, and policies, he offers clients strategies, briefings, and presentations on planning a sustainable energy future.

His technical expertise includes large scale to small scale power generation, combined heat and power (CHP), marine and surface transportation, and alternative fuel applications.

A Florida resident since 1984, Robert was a member of the Energy Advisory Committee of Governor Chiles’ Commission for a Sustainable South Florida.

He is a Regional member and Market Development Chair of the Gold Coast Clean Cities Coalition (a U.S. Department of Energy program), and a member of the Southeast Air Coalition for Outreach (SEACO, an initiative of the Florida Department of Environmental Protection).

He is a member of the international Association of Energy Engineers (AEE) and since 1992 has served on the Board of the Southeast Florida Society of Energy Professionals, the local AEE chapter. He is a member of the Sound Science Initiative of the Union of Concerned Scientists, and a member of the United States Association for Energy Economics (USAEE).

He is also a member of the Board of Directors of the Tallahassee-based law firm, Legal Environmental Assistance Foundation, Inc. (LEAF), and of Third Planet, a Fort Lauderdale-based public charity.

He graduated as a Planning Engineer with Bristol-Siddeley Engines/Rolls Royce Gas Turbines Ltd. in the United Kingdom and has over 30 years engineering, sales and service management experience in the engine power industry in North America.

robertfarmer@conceptcommuniques.com
CONCEPT COMMUNIQUÉS INC.
5200 N Federal Hwy Ste 2
Fort Lauderdale FL 33308
(954) 493-8127

www.conceptcommuniques.com