

## MINUTES OF THE MEETING

### GOVERNOR'S ACTION TEAM ON ENERGY AND CLIMATE CHANGE

Capitol Building, 22<sup>nd</sup> Floor  
Tallahassee, Florida

Friday, October 5, 2007

Meeting called to order by Department of Environmental Protection (DEP) Secretary Mike Sole, serving as Chairman, at 9:00 a.m.

Members Present:

Secretary Mike Sole, Chairman  
Mayor Rick Baker, Vice Chairman  
Tommy Boroughs  
Lisa Polak Edgar  
Dr. James Fenton  
Manley Fuller  
David Guest  
Dr. Lonnie Ingram  
Mark Kaplan  
Jerry Karnas  
Jerry Montgomery  
Armando Olivera  
Charles Pattison  
Kathleen Shanahan  
Jack Shreve

Excused absences:

Senator Jeff Atwater  
Senator Al Lawson  
Representative Stan Mayfield  
Representative Dan Gelber  
Camille Coley  
Debbie Harrison

Others Present:

Chris Kise, Counselor to the Governor  
Kelly Layman, Chief of Staff, DEP  
Steve Adams, Director, Office of Strategic Projects and Planning, DEP  
Andrew Collins, Senior Executive Assistant, DEP  
Kelley Smith, Governmental Analyst II, DEP  
Bruce Deterding, Senior Management Analyst II, DEP

Chairman Sole welcomed the Action Team members and members of the public present. The Chair reminded members that this was the third meeting and there is one more meeting scheduled before the November 1 deadline for the “phase one” report due to the Governor (the second and final report is due October 1, 2008).

The Chair indicated that the next meeting will need to be a two-day meeting. The Chair then heard from members on availability. The Chair entertained a motion to have a two-day meeting for the last meeting. The motion was made, seconded and passed.

The Chair suggested staff prepare and present summary information for the report so that it can be discussed in the two-day meeting. By voice vote, all present agreed.

The Chair entertained a motion to approve the minutes of the first meeting. The motion passed. The Chair indicated that the minutes of the second meeting would be addressed at the next meeting and emailed for review in advance.

Governor Crist provided welcome remarks and thanked the Action Team members for their public service to this panel. He commented on the importance of the debate and the Action Team’s charge, and thanked the public and representatives in attendance for taking part.

Three speakers—two from investor-owned utilities and the municipal statewide trade association—gave presentations with perspectives on the Action Team’s charge from the Governor:

- Jeff Lyash, President and CEO, Florida Progress Energy (Progress)
- Randall LaBauve, Vice President of Environmental Services, Florida Power & Light (FPL)
- Barry Moline, Executive Director, Florida Municipal Electric Association

The Chair opened up the floor to Action Team members for questions of any of the presenters.

Kathleen Shanahan asked what technologies the utilities invested in with regard to research and development. Jeff Lyash indicated that for the utility industry as a whole, R&D expenditures are considerable, but focused on key areas such as carbon capture and storage and nuclear. Armando Olivera said that for FPL, many issues pertinent to climate change are Florida-specific and require the participation of all stakeholders including industry, government, and the universities.

Chris Kise asked the utilities what they thought of a collective response from industry, universities, and government about technologies with regard to research and development. Armando Olivera answered that he believed utilities would be in favor of such a collective response. Kathleen Shanahan suggested that the collective process had already begun.

David Guest asked if there was any difference between what Florida utilities spent on conservation as opposed to other states. Utility response indicated that such a comparison would be favorable for Florida's utilities. David Guest clarified his question to ask if the "per customer" spending by Florida utilities on conservation matters was comparable to other states. Utility response indicated that they did not have the data to answer that question.

Mayor Baker asked that as we go forward with goals to reduce carbon and positively impact climate change and energy issues, particularly given that many planned power facilities presently project the use of coal and natural gas, how will these new efficiencies affect the supply of electricity for Floridians? Utility response indicated that efficiency goals must not be uncoupled from power supply planning because they are inextricably linked. Market analysis of projected demand will play a large part in both, and those analyses are under way. All utilities must annually file a 10-year plan with the Florida Public Service Commission (PSC), addressing perceived generation load, utility options for meeting that load, and identifying the reserve market.

Dr. Lonnie Ingram asked if there had been lifecycle studies on the construction and production of materials for the construction of power plants, as opposed to just the power plant's daily operation. The utilities indicated that there had been some studies but those studies were possibly not as rigorous as some other research. The utilities also indicated that due to the long lifecycle of the plants themselves, there was the strong possibility that the emissions from construction and the production of materials for production would be minimal when viewed over the entire lifecycle.

Dr. Ingram followed up asking whether it would be worthwhile for someone to gather these numbers and do the pertinent research. The utilities agreed that such research might be beneficial. Dr. Ingram then asked about co-firing and whether there were opportunities to co-fire using biomass in some smaller generators like Taylor County's. The utilities indicated that there should be opportunities to co-fire using biomass as well as bio-oil and that there were ongoing pilot projects by some of the utilities to test those opportunities in smaller generators. The utilities stressed that this sort of procedure had some obstacles to overcome in blending the fuels but that the situation was being explored. Chairman Sole offered an explanation for the room of the term "co-firing" as the blending of bio-mass or other bio-fuels into the coal feedstock or oil used in some generators to reduce the carbon footprint of the generator.

Charles Pattison asked what utilities perceived their responsibilities to be with nuclear power generation, particularly new generation, given the federal government's inaction with regard to disposal of the nuclear waste. What does that inaction mean for disposal, supposedly onsite? And turning to conservation and efficiencies in generation, is that just related to a renewable portfolio standard (RPS). The utilities responded that the waste issue was central to the nuclear question and that reprocessing of spent nuclear materials is the vexing part of that discussion. Armando Olivera added that storage onsite was the immediate solution, but that a federal public policy was desirable. Regarding conservation and efficiencies, the municipal utilities have discussed this but Chairman

Sole said RPS is being addressed by the PSC and is not a part of the Action Team's charge.

Jerry Karnas asked about a carbon tax, how the utilities suggest that the tax amount should be set and whether the Internal Revenue Service would administer it. The utilities responded by indicating that \$10 per ton tax on carbon might be a place to start. The program should not be administered by the IRS, but they suggested that a separate board with some expertise in the area have oversight. Armando Olivera suggested that the carbon tax would not be a tax because a zero emitter would not pay anything. Chairman Sole said he would like to see little or no reliance on government to take the fee and/or administer it. Chris Kise added that his understanding of the Governor's position on a carbon tax or any characterization of that as a fee, is that a fee, for all intents and purposes, is a tax. Jerry Karnas also indicated that a carbon tax might be limiting in terms of allowing the market to work. One of the utilities indicated that if a carbon tax was interpreted as a tax, rather than a fee, there probably would be concerns it would be regressive and disproportionately affect lower income groups and would not effectively ensure a carbon reduction.

Manley Fuller asked, What do we need to do in order to foster greater efficiencies sooner rather than later? What are the benefits and drawbacks of reduction allowance auctions as opposed to allocations? What was the basis for one of the utilities indicating in its presentation that we would need to "go slower" with regard to the reduction of GHGs other than carbon and why the production of biomass, for instance, shouldn't be accelerated and all GHGs addressed from the outset? The replies indicated that the utilities were not reluctant to go after other GHGs and their focus was an administrative issue—whatever approach is proposed should focus on carbon first since it constituted the bulk of the problem; to the extent other GHGs could be reduced, those should be included in the program and used as offsets. To the second question, Progress indicated that it favored the allocation method because it recognized the current state of emissions and that it could be implemented easily at little immediate cost to the customer. On the first question, Progress indicated that there were pursuits state and counties could take on immediately by addressing building codes, standards, customer incentives and expansion of existing incentive programs, and the realignment of incentives for utilities to move ahead in this area. All of these together should be applied, FPL indicated it was troubled by the proposal to allocate allowances because it might create a windfall profit for many utilities and that an auction was preferable... when allocations were made, prices went up and there was double compensation to utilities due to the allocations. Auctions would incent utilities to only purchase the allowances they need; revenues could be used for appropriate purposes or recycled back into the economy. Manley Fuller asked if the options were mutually exclusive and if there wasn't some combination that would be beneficial.

Kathleen Shanahan asked if the utilities considered the targets to be too aggressive or were they realistically implementable with the technologies we have or that might be available in the future. The utilities indicated that they felt the targets would be difficult

and expensive, and that safety valves and readjustments must play a part. They indicated goals would need to be set, but as we got closer to the benchmark years, Florida should have the opportunities to be flexible and make adjustments.

Stephen Adams, Action Team Staff Director, presented the document “Consensus Concepts” for consideration by the Action Team. The Action Team’s votes on these issues were to guide staff in compiling and drafting recommendations for a November 1, 2007, deliverable to the Governor. There were proposed amendments to several of the Consensus Comments. Revisions will be made and recirculated to the Action Team.

Stephen Adams indicated he would begin by reading item 2 on the consensus concepts list, being the first of the seven sets of findings and recommendations that had been discussed to this point, out of eleven total findings/recommendations to be addressed for the November 1 deliverable by the Action Team. Stephen Adams indicated that the findings and recommendations, as addressed, tracked the Governor’s executive orders.

Stephen Adams began by reading Item 2 on the consensus concepts list, dealing with additional greenhouse gas emission reduction strategies beyond those directed in Executive Order 07-127, as well as an overall blueprint for development of actions.

The chair asked for questions from the Action Team.

Lisa Edgar asked if the public comment would come before or after the vote by the Action Team on each of the seven items to be discussed. The Chair responded that public comment would precede the vote on each item.

Mark Kaplan asked if it was the appropriate time to discuss how the Action Team would proceed after the November 1<sup>st</sup> deliverable date. The Chair indicated that the process would, in the future, have the services of a facilitator as well as department staff in order to proceed after the November 1 date, with the possible addition of subcommittees as well

Tommy Burroughs asked that, if there was going to be a facilitated stakeholder process, how would that change the role of the Action Team. The Chair indicated that the Action Team would just have public and other stakeholder involvement, with subcommittees, but that the Action Team would be making the final recommendations.

Tommy Burroughs suggested that all stakeholders should be represented in that future facilitated process, including environmentalists, utilities, big and small businesses, local government, state government, customer base, and public interest groups in order for the process to work; that it must be a bottom-up process. The Chair agreed that there must be a complete representation of stakeholders.

The Chair then returned to consideration of the findings/recommendations in item 2 of the consensus concepts, and called for public comment.

Bob Krasowski, representing himself and the Florida Alliance for a Clean Environment, commented.

Dave Bruderly, representing himself and Clean Power Engineering Company, commented.

The Chair called for additional public comment and seeing none, Kathleen Shanahan moved the adoption of Item 2 as presented. The motion was seconded by Vice-Chair Rick Baker. The Chair called for further discussion from the Action Team membership. Hearing none, the Chair called for a voice vote which was unanimous and the findings and recommendations in Item 2 were approved by the Action Team.

Stephen Adams continued by reading Item 3 on the consensus concepts list, dealing with policies to enhance energy efficiency and conservation, including statewide targets. The Chair recommended that the discussion be broken down by findings and recommendations. Seeing no objection, the Chair called for discussion by the Action Team and recognized Armando Olivera for discussion of the findings.

Armando Olivera asked Stephen Adams to elaborate on Finding (b) of Item 2, where the finding indicated existing efficiency technologies were under-utilized and therefore constituted a net benefit to consumers in the process. Stephen Adams responded by stating that the staff, in relying on presentations to the Action Team to this point, had understood some existing customer incentive programs had not had complete penetration into the customer market.

Armando Olivera indicated that he saw this as two separate tracks. He agreed that consumers did not always understand what was available to them already, but he also felt that the second track were the programs that could be brought forward that differed but still augmented the programs in existence. The Chair indicated he understood Mr. Olivera's point and suggested it could be addressed by an expansion of the item to include consumer education or promotional programs as additional benefits for customers. Armando Olivera agreed and the Chair indicated that this could be accomplished.

Charles Pattison questioned where an efficiency assessment for state agencies fitted into this item. The Chair responded to the question by saying that Executive Order 07-126 included such a charge to those state agencies under the executive branch of state government to conduct efficiency assessments and report their findings to the Governor.

Kathleen Shanahan reiterated a part of Armando Olivera's concern that the public should be educated to recognize the cost of efficiencies. She suggested there should be a cost matrix included with the educational and promotional programs suggested by Armando Olivera.

The Chair suggested an amendment of a finding indicating that the state should encourage additional outreach and communication to user groups to seek existing

opportunities provided by utilities with the knowledge that efficiency is the most cost effective mechanism available to address GHG emissions.

Jerry Karnas suggested the deletion of the word “may” from the Finding (c) of Item 3, since he felt it was a certainty that there were some clear disincentives for efficiencies. Lisa Edgar indicated that she thought the use of the word “may,” in context, contributed to the discussion and examination of efficiencies. The Chair indicated that, when the Action Team got to the vote, an amendment would be considered if Mr. Karnas offered one.

Manley Fuller indicated support for Recommendation e. of Item 3, but suggested the addition of the phrase “and other appropriate efficiency technologies such as closed loop water source heat pumps” to follow the mention of solar technologies.

Kathleen Shanahan agreed with Mr. Fuller’s statement and questioned why only one technology was singled out in the recommendation.

The Chair responded to indicate that this mention of solar technology was intended as a segue into the issue of decoupling within a pilot project, but that the Action Team was not prepared to discuss decoupling directly at this point in the process. However, the Chair felt that the mention of solar technology could be expanded to include other technologies in a pilot program that were cost effective. The Chair suggested that the Action Team members could consider an amendment to that effect.

The Chair then recognized Lisa Edgar for a comment on Recommendation e. of Item 3, that under current statute, utilities are allowed to recover some costs through the conservation cost recovery clause mechanism. She wondered if the Action Team would want the recommendation to allow investments in these technologies into the rate base. She suggested the recommendation should be a little broader and less restrictive as to how these investments would be treated. Armando Olivera agreed with Ms. Edgar’s suggestion and also that the mention of just one technology should be expanded to include other technologies.

Jack Shreve agreed with Ms. Edgar that existing statutes allow utilities to recover some of their costs associated with these technologies and thought that the mention of technologies should be expanded to include others. Mr. Shreve did feel that this should not be limited to a pilot program however.

Rick Baker suggested that the findings and recommendations, generally, did not recognize the cost to consumers, and he’d thought that was going to be one of the goals of the Action Team in their findings/recommendations. Mayor Baker suggested that this might be most appropriate in the development of a Florida Climate Action Plan in Item 2. The Chair accommodated this recommendation by suggesting reconsideration of Item 2. A motion was made and seconded and a vote taken putting Item 2 back under consideration by the Action Team.

David Guest suggested that any examination of the cost of the strategies in Item 2 include also the cost of inaction.

The Chair then called for public comment on the subject of the proposed amendment.

Robert Krasowski, representing himself and the Florida Alliance for Clean Energy, rose to offer comments on the amendment.

The Chair called for a motion on the amendment, received a motion and a second to the motion, and a vote was taken on the inclusion of the amendment to Item 2. The motion and amendment passed.

The Chair then returned to consideration of the findings and recommendations of Item 3.

Tommy Burroughs stated that he agreed with Armando Olivera's suggestion for the addition of an efficiency element and agreed with Jack Shreve's suggestion for striking the inclusion of a pilot program in Recommendation (e) of Item 3. Charles Pattison wanted to know how Manley Fuller's comments had been incorporated into Item 3. The Chair advised that the Action Team was in a discussion phase on Item 3, and would accept amendments following public comment.

Stephen Adams indicated that the staff's intent with regard to Recommendation (e) of Item 3 was to differentiate this from traditional cost recovery mechanisms and underlying that was the recognition that such investments would accrue to a rate of return as opposed to straight cost recovery. That is why the inclusion of a pilot project because the recommendation would be to take a step toward decoupling and would be treated by the commission differently than they treat cost recovery. Mr. Adams requested guidance from the Action Team for staff in addressing Recommendation (e) of Item 3.

Lisa Edgar commented that should the Recommendation e. pass the Action Team and be accepted at some point by the legislature and passed into law, the inclusion into rate base of these investments would constitute a significant policy change that would allow certain customers, who took the actions, to be compensated by other customers of the utility. Further, Ms. Edgar indicated that the policy changes might have unforeseen impacts and that this change should have the weightiest consideration of the Action Team.

Jack Shreve noted that many utilities in the state already had programs that allowed rebates on the cost of solar hot water heaters and that it would be a good idea to allow this investment to be included in rate base. Tommy Burroughs stated that he agreed with Jack Shreve that the investment should go to rate base and that may encourage more people to take advantage of the program. Jack Shreve stated that he had discussed a similar proposal with some utilities and he felt that allowing it go to rate base might raise questions of ownership that might have to be dealt with down the way.

The Chair called for additional discussion from the Action Team and seeing none, opened the floor for public comment. The Chair recognized Robert Krasowski for comments.

Robert Krasowski offered comments on efficiencies to be had in generation.

The Chair recognized Dave Bruderly for comments on an RPS for efficiencies as well as for renewables.

The Chair called for additional public comment. Seeing none, the Chair opened the floor to the Action Team for any amendments to Item 3.

Manley Fuller made a motion for an amendment to Recommendation (e) of Item 3, to add the phrase “and other effective and efficient renewable technologies” following the phrase “commercial solar hot water systems”. Kathleen Shanahan seconded the motion for an amendment.

The Chair called for any amendment to the amendment. Chairman Edgar indicated that some may still have some concerns about that amendment. Armando Olivera commented that he thought the investment should be treated as a power plant investment.

Jack Shreve stated that he did not see the recommendation as limiting the PSC to adding the investment into rate base, but merely recommended that the PSC should have the authority to do so. Mr. Shreve also stated that he would like to strike the “pilot project” from the recommendation.

Vice-Chair Rick Baker offered a replacement amendment: “The action team recommends legislative authority for the Public Service Commission to develop programs which provide utilities with financial incentives to make investments in residential and commercial solar hot water systems and other renewable and efficiency standards. Lisa Edgar seconded the amendment.

The Chair asked if this amendment provided the flexibility necessary to accomplish the intent of the Action Team recommendation. Armando Olivera suggested that the amendment might be too broad to accomplish anything or that it might lead the state down a path that alters policy in a way that might be detrimental.

Tommy Burroughs made a motion that Recommendation e. be separated out of Item 3 and laid on the table, and that the rest of Item 3 be addressed for the purpose of voting without Recommendation e. The Action Team would then return to Recommendation (e) after the lunch break and any amendment to that recommendation would be voted on separately.

The motion was seconded.

The Chair called for a vote on Item 3 without Recommendation (e)

Jerry Karnas made a motion amending Finding (c) of Item 3. for the deletion of the word “may”.

The motion was seconded.

A voice vote was taken and the Ayes were taken to have passed the motion; however, the Chair called for a showing of hands to verify that. The showing of hands indicated a 7 to 7 tie, and so the amendment did not pass.

The Chair returned to consideration of Item 3, Findings (a) through (c) and Recommendations (d), (f) and (g).

Lisa Edgar made a motion to adopt Item 3 as stated. The motion was seconded by Kathleen Shanahan. A vote was taken and the motion passed.

A point of order was requested from a member of the public, saying that there were 15 Action Team members present and the vote on Finding (c) of Item 3 had been a 7 to 7 tie. The question was posed as to whether someone had abstained on the vote. James Fenton indicated that he had just rejoined the group after an absence and had not heard the discussion and had therefore abstained.

A motion was made to adjourn for lunch. No objection was heard and the motion passed. The Action Team would adjourn for 45 minutes until 1:00 and would then return for consideration of other business.

At 1:00 the Action Team reconvened on order of the Chair.

The Chair indicated that a proposed replacement amendment to Recommendation e. of Item 3 had been worked on during the lunch break and that Vice Chairman Baker's replacement amendment was to be considered. Stephen Adams read the proposed replacement amendment for the Action Team: "The action team recommends legislative authority for the Public Service Commission to develop programs which provide utilities with financial incentives to make investments in residential and commercial solar hot water systems and other renewable and energy efficiency technologies.

Jack Shreve asked if this proposed replacement amendment would give the PSC authority to include the investment in rate base.

Stephen Adams replied that, depending on how legislative language was written, the amendment could give the PSC that authority. Lisa Edgar commented that authority for the PSC to open the rate base on a program by program basis may be detrimental. Ms. Edgar pointed out that allowing the broader and more general language proposed in the amendment might give the PSC the opportunity to address the intent of the recommendation on a timelier basis.

The Chair commented that giving the PSC the flexibility contemplated in Mayor Baker's proposed amendment to Recommendation (e) of Item 3, might be more prudent.

Jack Shreve pointed out that the proposed recommendation amendment did not give the PSC any additional authority at all; that they had the authority already envisioned by Mayor Baker's proposed replacement amendment to Recommendation (e).

Armando Olivera suggested that the flexibility in the proposed replacement amendment would allow the PSC to address the intent of the recommendation without going through a "full-blown rate case." Jack Shreve reiterated that the PSC already had the authority contained in the proposed replacement amendment to Recommendation (e).

The Chair suggested that these related concerns and issues could be discussed in the document that accompanied the specific recommendations, and corollary issues such as decoupling and rate base would be brought to the attention of the legislature in that way.

Dr. Ingram asked if it was the sense of the Action Team that the term "rate base" should not be included in the recommendation itself. Lisa Edgar responded to Dr. Ingram's question by stating that her earlier comment had been that the use of the term "rate base" might be more limiting than the present language and might result in a longer term effort to reach the intent of the recommendation. The Chair called for any further discussion of the replacement amendment. Seeing none, a motion was made to adopt the replacement amendment

Lisa Edgar moved the replacement amendment to recommendation (e).

A vote was then taken and the amendment passed.

Stephen Adams was recognized to read Item 4, addressing: market-based regulatory mechanisms, such as cap and trade programs, for use in efficiently reducing greenhouse gas emissions. The Chair called for discussion of the proposed findings and recommendations contained in Item 4. The Chair further split the findings from the recommendations for purposes of discussion.

The Chair recognized David Guest for discussion of the findings in Item 4.

David Guest recalled that an earlier point had been raised concerning a carbon fee being preferable to a cap and trade system on the grounds that there was less administration involved. He stated that the process would still require measurement, would still require collection of allowance cost or fee, and there would be still be the question of leakage.

Stephen Adams responded by noting that a smaller group in state government, possibly the Department of Revenue, might administer the fee and it could be treated similarly to a sales tax. That administrator would be required to audit the measurements and fee collection. A cap and trade program would have more features and would require all of these things plus an annual auction or allocation process, as well as a compliance and enforcement function.

David Guest asked how that compliance and enforcement function would be different than the measurement process under a fee structure. Stephen Adams responded that the processes might be similar but that under a cap and trade process there would be issues associated with the tradable allowances as there are property rights assigned.

The Chair responded to David Guest's question by adding that the administrative burden under a cap and trade shifts, to some degree, from government to the utility; requiring them to make reductions or to account for reductions in emissions in lieu of simply writing a check for them. Under a fee structure, there is less incentive for the utilities to reduce emissions. The primary difference between the two systems is the greater incentive to reduce emissions, but there is also greater process under cap and trade because you are tracking both emissions and you are tracking reductions, and you must track equitable trading. Stephen Adams added that, under the cap and trade system, you must monitor for the safety valve mechanism as well, particularly at the beginning.

Tommy Burroughs pointed out that, no matter which system was used; you would still have the administrative problem of what to do with the revenues, whether from fees or auction of allowances.

Armando Olivera noted that the cap and trade system is often viewed as a low cost alternative whereas there are many costs associated with it. Whether allowances are allocated or auctioned, the market will assign a value to them and investment bankers and others will make money on it and that money will not flow back to the customers.

The Chair raised the point that the findings in Item 4 do not recommend either the fee structure or cap and trade.

Jerry Karnas indicated that he wasn't sure he had the ability, from what he'd learned during the Action Team meetings, to assess the desirability of one system over the other. He did not feel he'd had as good a look at the prospects for a fee structure as he'd had for the cap and trade structure.

Tommy Burroughs stated that he'd studied the issues thoroughly and that he was still uncertain which method worked better. Mr. Burroughs indicated that he felt the choice deserved more study that was specific to Florida, as opposed to Europe or New England or the Western states. He also stated a concern that, under certain scenarios he'd heard discussed; money might "flow out of Florida."

David Guest reminded the Action Team of its charge, to recommend a method for reducing carbon and other GHG emissions and pointed out the admonition of the Stern Report that "early action is more cost effective than later action."

Tommy Burroughs reiterated that he did not feel prepared by the presentations to the Action Team to choose one emissions reduction method over another. He also reiterated that he would like to see more Florida-specific modeling.

The Chair mentioned that the findings that the Action Team was considering merely indicated that these methods required study. The Chair also pointed out that a fee based structure was considered by many to be nothing more than a tax. Moreover, there had been a number of successful efforts around the world that relied on a cap and trade system and the results of those efforts seemed to indicate the ability of that particular process to reduce emissions.

Dr. Fenton agreed with the Chair's assessment and added that we needed to keep our options open during the early trial period. That's the purpose of the trial period.

The Chair asked that staff look at Recommendation (d) of Item 4 to see if it was necessary. Stephen Adams responded to the Chair by saying that Recommendation d. of Item 4 was, stepwise, where Recommendation (d) requires the making of a choice and Recommendation (e) incorporates the steps in (d) and moves into a set of design and analytical endeavors down the chosen path.

Vice Chair Baker suggested that the Action Team would need to address both Recommendation (d) and Recommendation (e). The Vice Chair also noted to Tommy Burroughs that these findings and recommendations do not adopt one method over another but only suggest the study of these methods over the next year.

Armando Olivera pointed out that whatever the costs or benefits of the chosen method, the consumers would pay or derive them. Mr. Olivera also reiterated that in the EU experience, during the allocation of allowances, the German utilities made billions of dollars in windfall profits.

Tommy Burroughs indicated that he felt the adoption of Recommendation (d) of Item 4 would cut off any possibility of the stakeholder group being able to examine a fee-based system during the facilitated process in the year ahead.

Jerry Karnas commented that Florida should keep abreast of the direction of the federal government with regard to the method used to reduce GHGs. The Congress is now entertaining several bills that have a possibility of passage and all of those involve a cap and trade program. Florida needs to keep the federal direction in mind as these programs may eventually merge.

Manley Fuller stated that a fee based system could still have a role even if the cap and trade program was chosen. The two systems are not mutually exclusive.

Not hearing further comments from the Action Team, the Chair asked for public comment.

The Chair recognized Mr. Lane Stephens. Mr. Stephens, representing Agcert of Melbourne Florida, spoke of his company's interest in the process.

The Chair recognized Robert Krasowski. Mr. Krasowski offered comments on the options as he saw them.

The Chair recognized Dave Bruderly. Mr. Bruderly offered comments on the options as he saw them.

Kathleen Shanahan moved to accept Recommendations (d) and (e) of Item 4 as written.

The motion was seconded. A vote was taken and the motion passed with objections from Tommy Burroughs and Armando Olivera.

The Vice-Chair suggested that the Action Team skip the rest of the recommendations until after the remaining presentations.

Mr. Karnas questioned whether there was a need to have a discussion pertaining to the “safety valve” issue before moving off the recommendations. The Chair indicated that these were concept positions and there would be another opportunity to address them at a later point or in the last meeting.

The Chair suggested that the Vice-Chair’s recommendation to leave the findings and recommendations for the time and move to the presentations was advised. Hearing no objections, the Chair thanked Mr. Adams and introduced Joe Kahn, Director of DEP’s Division of Air Resource Management.

Joe Kahn gave his presentation on the sources of Florida’s emissions of greenhouse gases, projected future trends, sources of transportation fuels, and actions underway as a result of the Governor’s Executive Order 07-127

Charles Pattison asked why we don’t see diesel hybrids; we only see gasoline/electrics. Joe Kahn responded to the question by noting that the expense of a diesel engine was a factor but also that actions by the U.S. Environmental Protection Agency (EPA) regarding emissions requirements have driven passenger diesel engine vehicles out of the market. Recently, diesel engines have made great strides and are already beginning to reenter the market again.

Armando Olivera noted that many people had wondered how electric vehicles could provide a savings when the electric generators were burning oil to generate the electricity to charge the vehicles. Mr. Olivera noted that during the night time hours, electric utilities were generally dependent on nuclear and other very efficient plants; consequently, there is a huge benefit netted by charging electric cars at night for use during the daytime.

Dr. Fenton noted that the numbers regarding petroleum resources in Joe Kahn’s presentation can change easily and should not always be relied on. Dr. Fenton also noted that we tend to forget that natural gas is a viable alternative fuel. Dr. Fenton added that conservation measures, such as sustaining proper air pressure in tires and other such

efficiencies are often more affordable ways of reducing carbon emissions for vehicle miles traveled (VMT) than simply buying a new car. Dr. Fenton added that other recommendations might be made for legislation or other codification concerning conservation measures, such as a requirement that the movement of freight further than 100 miles be done by rail rather than trucks.

Mr. Burroughs noted that no new rail lines were being built and he questioned whether the railroads could absorb the additional freight.

Dr. Ingram wondered about the comparative efficiencies of moving people by aircraft instead of automobiles. Joe Kahn responded to say that he didn't have that data but that he felt the assumptions necessary in any attempt to derive those comparative efficiencies would be many and would be debatable. Dr. Ingram also noted that, although we talk about planning "walking communities" we seem to site our schools at some distance from the residential neighborhoods they serve.

Mr. Karnas asked how the size of vehicles was considered in state by state comparative VMT data. Mr. Karnas noted that Floridians frequently have large vehicles for year round uses such as towing boats and off road recreation such as hunting where a hybrid vehicle would not be adequate.

Dr. Fenton suggested that what the Action Team needed was data on miles per gallon per person as opposed to just miles per gallon; although, he doubted that data would be easy to get.

The Chair recognized Charlie Gauthier, Director of Community Planning, Department of Community Affairs and Robert Romig, Director of Policy Planning, Department of Transportation for a presentation on the Land Use/Transportation Connection and Transportation Emission Reduction Strategies including incident management, traffic signal synchronization, congestion-pricing, open-road tolling, etc. that improve traffic flow and reduce emissions

Vice Chair Baker noted that, with the utility sector, you can easily identify the wedges, but that is not the case with the transportation and land use sectors. Mayor Baker asked how the state would address the transportation and land use sectors to reach the Governor's target goals. The Chair responded initially to the Vice-Chair's question by noting that the DEP has already begun moving toward those goals through the efforts of its Air Resource Management Division. The presentations given by Joe Kahn, Robert Romig and Charles Gauthier have indicated that the wedges are there but are much smaller and more numerous than the wedges in the utility sector.

Robert Romig noted that, not long ago, Florida was in an Air Quality Non-Attainment Area and that has changed over the last few years. Mr. Romig noted that the measures are the same in all the sectors. Mr. Romig also noted that changes to the transportation and land use sectors come through the process administered by the Metropolitan Planning

Organizations (MPOs), and that process could be improved by putting GHGs into their process as a part of their planning strategy.

Tommy Burroughs noted that one of the more important facts he'd noted in the presentation was the "Person Hours of Delay" which has risen an average rate of 6.1 percent annually. Mr. Burroughs also noted that the goal was to get that statistic down to 5 percent and that this was sort of a reverse wedge.

Robert Romig agreed and stated that this was a highly optimistic goal.

Dr. Fenton stated that non-driving behavior was important too, particularly in parking lots. Employers will purchase a large piece of land dedicated to allowing their employees free parking. This acts as an encouragement for employees to bring their personal vehicle to work. At the airport, whether a car has 1 person in it or it has 4 people in it, the driver pays the same price for parking. Dr. Fenton asked if there were efforts engaged to address these areas as well?

Robert Romig replied that this was a big issue. He stated that his experience showed that, many times, parking lots were required by financial institutions and that this provided a disincentive for other less polluting transit for employees. These are both policy and market forces that conspire to allow wasteful practices.

Armando Olivera noted that the electric utility industry had factored carbon into all their decision-making for a more complete societal cost. Was there a concerted effort among transportation related decision-makers to recognize the carbon footprint of their decisions?

Robert Romig responded to say that in transportation planning, there were two political processes in play: the land use process administered largely by city and county administrations which largely considers these factors; but there is also the MPO process that DOT is involved more directly in, and that deals with the larger, federal dollars. Mr. Romig felt there were disconnects between those two processes. Although some of the same people might even be involved in both processes, there were often a completely different set of considerations. DOT and DCA have both made efforts to better coordinate the two processes.

Armando Olivera asked a followup question about how Florida balances environmental decisions in transportation and land use planning against transportation needs.

Robert Romig noted that there were a number of sometimes conflicting impacts in any of these decisions and that, although all known impacts were typically recognized, they have often been weighted differently, sometimes to the detriment of the environmental impacts.

Charles Gauthier indicated that we were at a nexus where bodies such as the Action Team must set direction for the state, and then move ahead within the administrating

processes on pinning down the details for addressing climate change concerns in a more comprehensive way. Mr. Gauthier also noted that, beyond the system changes, Florida also needed to address the types of individual developments that were good for Florida from a climate change perspective. Truly “green” development needed to be expedited through the system, for instance. One of the major problems with the planning process is that it is very “procedure-bound,” and there were so many exceptions in the processes that even planners have difficulty keeping up with them. Many of these exceptions allow more deleterious impacts in an environmental sense, in order to encourage economic growth, convenience or other considerations. There are things on project-specific levels that can be done to reward and encourage green development, but on a broader framework/policy level, there needs to be some direction-setting done.

Kathleen Shanahan suggested that we needed to drive people’s behavior and asked the presenters if they had looked at the “sun passes” where a fuel cell detected the number of people in a car. Ms. Shanahan also noted some states had toll reductions for cars that held more than one person. Ms. Shanahan suggested that the state look into what California had done in that regard to incent positive behaviors.

Jerry Karnas asked what local governments were doing in order to help with the problems, and what tools they would need to help reach targets. Mr. Karnas also suggested that we look at land use planning from the perspective of carbon sinks and that working out deals with large landowners along those lines could be a good tool for our planning sector.

Charles Gauthier noted that the rezoning process was often an obstacle to addressing urban sprawl in order to achieve higher densities. One solution might be to consider minimum density requirements as well as maximum density requirements. Local governments need direction from the state about “must address” considerations that would impact sprawl, transportation and land use planning generally.

Mayor Baker noted that there were three areas where local governments could use direction on transportation issues, those areas are transit, fuel consumption of vehicles and how those vehicles are used.

The Chair noted that there was a fourth area, that being the types of fuel used.

Vice-Chair Rick Baker asked about the transit portion of this issue. Mayor Baker noted that when Florida looked at construction of transit systems we calculate on a “per-mile” basis as well as the amount of any government subsidy, but for building roads we didn’t seem to look at it that way. Mayor Baker asked if there was a way we could look at road building and maintenance and get a comparable measure of the cost per passenger mile so that it could better be compared to transit.

Robert Romig indicated that there had been some efforts to look at that, and he would try to pull together some of that information and get back to the Action Team with it. The issue really depended on measures and metrics and there were a variety of those in the

transportation sector and Florida needs to look at how those measures are related to emissions.

Charles Pattison asked Mr. Romig if the DOT policy recognized that Florida cannot build its way out of congestion. Can Florida shift its resources and funding toward transit?

Robert Romig replied that DOT does recognize that, but that they are trying to address needs that have accrued over the last 50 years or more and that unmet needs are in excess of 50 billion dollars. The current policy of the DOT is to provide choices and absent radical behavior change in Floridians with regard to vehicle miles traveled (VMTs), this will continue to be an overwhelming problem. Fifteen percent of DOT funds are earmarked for public transportation and DOT typically exceeds that by one or two percent.

Charles Pattison asked a followup of whether DOT or the MPOs have coordinated with DCA where they can help local governments willing to go ahead with emission reduction programs by offering money or expertise. Is there such an effort?

Robert Romig replied that DOT and DCA work with local governments and MPOs to address those issues, particularly within the growth management statutory requirements, but there is no program, per se, to do so.

Charles Gauthier added that what the state does now in this area tends to be very general and not as specific as Mr. Pattison suggested. There are programs, such as a new multi-government effort in Pinellas County that is a transportation planning system. This is a pilot project established by the legislature that may do some of the things suggested by Mr. Pattison. It works with 5 local governments to coordinate transportation and land use planning. Mr. Gauthier agreed that we may need to do more of that in the state. The problem would be the resources to conduct that sort of outreach generally around the state.

The Chair noted Mr. Romig's comment that there is a requirement to use 15 percent of DOT funding for public transit, and asked if it would be reasonable for the Action Team to address that by increasing the funding for public transit.

Mr. Romig responded by saying he thought that was a reasonable direction for the Action Team to look at.

David Guest asked if there was a tension between the DOT's need to build 50 billion dollars of new roads over the next 25 years and the need to reduce passenger miles.

Mr. Romig replied that there is a tension between the need to reduce passenger miles and the fact that there were a thousand people a day moving into Florida as well as the huge number of tourists in the state. Mr. Romig indicated that reducing the growth in VMTs was something Florida needed to work toward. The 50 billion dollar number does include some alternatives to highways, but Mr. Romig agreed that it is predominately a

highway building number. Mr. Romig stated that the state's approach to reducing VMTs must be a complete package of many different approaches.

Dr. James Fenton asked if the Action Team could see a tutorial of where the resources come from and how they are restricted as to expenditures on roads and rails. That would help greatly with regard to the Action Team's recommendations on land use and transportation planning.

Robert Romig stated that it was very complex, but that he would try to put something together for the Action Team to look at before the next meeting.

The Chair thanked the presenters and moved to public comment.

The Chair recognized Charlene Walker, representing the League of Women Voters of Florida. Ms. Walker offered commentary on the League's perspective on climate change issues with regard to transportation and land use policy and the transport of nuclear waste.

The Chair recognized Mr. Howard Glassman, Executive Director of the Florida MPO Advisory Council, representing Florida's 26 MPOs. Mr. Glassman offered commentary on the MPOs input into and view of the transportation and land use policy of the state, as well as urban sprawl.

The Chair recognized Wade Hopping, representing the Alliance of Automobile manufacturers. Mr. Hopping spoke on the perspective of the Alliance of Automobile Manufacturers with regard to the adoption of California's GHG standards in Florida and the Alliance's renewed efforts to examine the effects of increases on corporate average fuel economy (CAFÉ) standards. The Chair noted that the DEP was developing rules for adoption of the California GHG standard pursuant to Executive Order 07-127 and that the DEP would be dealing with those issues apart from the efforts of the Action Team.

Mayor Baker commented that the Governor had set some goals for the Action Team and that it would be helpful if Mr. Hopping's clients had some suggestions for meeting those goals. Jerry Karnas and Tommy Burroughs both indicated a need for the automobile manufacturers, and others, to work with the appropriate state and federal agencies to advance efforts to reduce GHGs. Wade Hopping indicated that his clients were willing to work in that direction.

Manley Fuller recalled an earlier conversation with Mr. Hopping where a concern was expressed about "leakage" with regard to state automobile standards, particularly from automobile dealers in border states like Alabama and Georgia. That conversation had also included concerns about towing vehicles. Mr. Fuller asked Mr. Hopping if he felt California had had enough experience now so that Florida could gain some insight from how they had dealt with this potential problem. Mr. Hopping noted that the California standards had not yet been approved by EPA, and consequently that state had no

experience yet that would be helpful to Florida in planning similar changes to state automobile standards.

The Chair recognized David Peebles, representing ETH Bioenergy. Mr. Peebles discussed flex fuel vehicles and port storage of petroleum and biofuels.

The Chair recognized Robert Krasowski for a comment. Mr. Krasowski discussed a letter his organization had written to the Governor, DEP, PSC, and others.

The Chair Recognized Beth Hollister. Ms. Hollister discussed mixed use developments, LEEDS standards and regulatory barriers for the construction industry.

The Chair looked for additional public comments, and seeing none, moved to giving staff direction as to tasks to be accomplished prior to the next Action Team meeting. The Chair directed Action Team staff to prepare the report due to the Governor on November 1. The Chair also asked for additional tasks for the staff from other Action Team members.

Kathleen Shanahan asked when we might get to the remaining findings and recommendations. The Chair asked the Action Team members if they would agree to remain for an additional 15 minutes to discuss one or more of the remaining findings/recommendations.

A voice tally was taken and a motion was passed to remain for an additional 15 minutes to discuss one or more of the remaining findings/recommendations in the Action Team's charge.

Stephen Adams read the text of the findings and recommendations in Item 5.

Lisa Edgar asked for an explanation of Finding (b) of Item 5. The finding seemed to be saying to her that "increasing diversity would increase diversity." Stephen Adams replied that the Finding b. intent was to indicate that the proportion of renewables to the total generation portfolio now is small, and that a move by the PSC to increase that to a 20 percent standard would increase to a broader diversity. The Chair agreed with Lisa Edwards and suggested an amendment to say that increasing renewables would increase diversity.

Tommy Burroughs suggested that everything after the word "beneficial" should be stricken in Finding (b) of Item 5.

Dr. Ingram expressed a concern about the encouragement of nuclear power in Florida that he felt was included in the Finding (c) of Item 5. Dr. Ingram was particularly concerned about the carbon footprint of nuclear plant construction as opposed to the benefits of plant operation.

Kathleen Shanahan mentioned a New York Times article that discussed the whole cost of building a nuclear plant but she did not recall if the carbon footprint of that construction was examined.

Tommy Burroughs suggested that the Action Team may want to skip over Finding c. of Item 5 and deal with the remainder of the item. This would give staff an opportunity to find information to answer Dr. Ingram's question regarding the carbon footprint of nuclear plant construction that could compare to the plant's operational reduction of carbon during its lifetime.

Manley Fuller suggested that the Action Team needed to look at the net reduction in carbon as compared to a fossil fuel plant supplying the same power to the same customers.

Dr. Fenton noted that the next nuclear power plant would not be built in time to meet the reduction goals envisioned by the Governor's order by the year 2017.

Tommy Burroughs made a motion to remove Finding c. from the rest of Item 5 for the Action Team's consideration. Action Team staff could research answers to the questions regarding the carbon footprint of nuclear plant construction and the Finding could be revisited at the Action Team's next meeting.

The motion was seconded by Lisa Edgar, a vote was taken and Finding (c) of Item 5 was tabled until the next meeting.

Jerry Karnas indicated that the Action Team needed much additional information on Finding (c), in addition to answering Dr. Ingram's previously stated concern. Mr. Karnas mentioned that there were numerous other costs that had not been considered pertaining to plant operation as well as construction. Mr. Karnas suggested that lowered water tables might also impact nuclear plant operation, as it had in one instance in France, for instance. Mr. Karnas suggested there were many unresolved costs and competing analyses of costs associated with the building and operation of a nuclear plant that must be considered before the Action Team could consider encouraging nuclear power within its charge.

The Chair recommended that Item 5 be tabled in its entirety and brought back during the next meeting, with the addition of recommendations as well as a closer examination of Finding (b) and Finding (c) by staff.

The Chair's motion was seconded, a vote was taken and the motion passed. Item 5 was tabled until the next meeting.

Stephen Adams read the findings and recommendations of Item 6, concerning policies for emission reporting and registry that measure and document emission reductions.

Mark Kaplan asked if the DEP staff had information on the fiscal impact of Recommendation d. of Item 6 to the utilities/ratepayers and to the DEP who would be collecting the information from the utilities. Stephen Adams responded by saying that the Climate Change Registry (Registry) would be the entity reported to, and consequently the DEP would have no fiscal impact from the recommendation. The Registry does charge a fee to the entities reporting data and so there would be some impact to the utilities based on a sliding scale of emissions.

Charles Pattison asked what the definition of “large emitter” as contained in Recommendation (d) of Item 6, was. Stephen Adams suggested that the Action Team may want to quantify the amount of emissions that would qualify the term “large emitter.” The Chair suggested that 25 megawatts was a figure discussed during some of the earlier presentations. However, the Chair suggested that the Action Team may not want to limit this figure at this point.

Mayor Baker asked if the staff had determined the cost for operations that must comply with the reporting requirement, not just for the aforementioned fee but also the cost of gathering the information. Stephen Adams responded that utilities have been reporting a lot of this data; but that all large emitters reporting may not be utilities and that there probably would be additional costs to a reporter in some cases. Mr. Adams indicated that an average fee would be in the neighborhood of 2000 dollars.

Kathleen Shanahan asked what would be the penalty for not reporting, and if was there an enforcement mechanism. Ms. Shanahan also asked if there was a transition time available for those large emitters that did not presently have the reporting infrastructure in place.

The Chair responded, saying that moving this recommendation forward is in the best interest of the emitters due to the fact that, at some point, they will be required to do so by the federal government and there would likely be penalties or an enforcement mechanism to encourage reporting at that stage. Also, at least as far as utilities were concerned, the Chair believed this information was already being reported. Armando Olivera said that the reporting impact for utilities would be minimal as they were already doing so.

Kathleen Shanahan asked what would be a large emitter other than utilities. The Chair responded that cement kilns may be a large emitter, but that may point up the difficulty with using wattage as a cutoff since that’s not the way that a non-utility emitter might qualify. The Chair then asked if the 25 megawatt figure should be defined for utilities as the cutoff for a large emitter.

Tommy Burroughs asked if the Action Team was ready today to deal with these questions since there seemed to be so many unknowns involved. Dr. James Fenton suggested that the Action Team needed to define “large emitter” in the units of what the emissions are, tons of carbon or GHGs, for instance.

Tommy Burroughs suggested that the Action Team was trying to do too much too fast. Mr. Burroughs suggested that this sort of definition should be decided within one of the stakeholder groups within the facilitated process after November 1. Mr. Burroughs suggested that we may be able to define the term with regard to utilities today, but the other groups would have to be included later when we had a workable definition for them. The Chair responded that we did not want to rush into decisions, particularly with regard to these emissions. The lesson learned from previous presentations was that we needed to have a stable reliable registry and reporting mechanisms.

Jerry Karnas suggested that we just needed to recommend the concept of emissions reporting, but we may need to work some of the details out in the period beyond November 1.

Dr. Ingram suggested we might want to get guidance from the Registry itself on these questions. The Chair agreed. The Item 6 should be tabled and staff can look at these questions prior to the next meeting and get more information for us to fashion a recommendation, if possible, at that time.

Vice-Chair Baker indicated that the Action Team also needed to know the cost of compliance for industries other than the electric industry so that those costs could be examined also. Kathleen Shanahan suggested that staff should also look at an appropriate transition time for the other large emitters to pull together the information and infrastructure to comply, as well as their cost of compliance.

The Chair entertained a motion to table Item 6, the motion was seconded, a vote taken and the motion passed tabling Item 6.

The Action Team adjourned at the call of the Chair.