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September 5, 2008

Ann Cole, Office of Commission Clerk Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0800



Re: Docket No. 080503-EI

Dear Ms. Cole:

Attached please find the original and two copies of the Comments of the Florida Solar Coalition to be filed in the above styled docket.

Should you have questions or need any additional information, please contact me.

Very truly yours,

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Suzanne Brownless Attorney for The Florida Solar Coalition

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DOCUMENT NUMBER-DATE

FPSC-COMMISSION CLERK



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Establishment of Rule on Renewable Portfolio Standard.

DOCKET NO. 080503-EI Filed: September 5, 2008

COMMENTS OF THE FLORIDA SOLAR COALITION

The Florida Solar Coalition (FSC) files its comments on the Commission's proposed Rules 25-17.400, 25-17.410, and 25-17.420 and states as follows:

The Florida Solar Coalition is comprised of the Florida Solar Energy Industries Association (FlaSEIA), the Vote Solar Initiative and The Solar Alliance. FlaSEIA is a not-for-profit association whose members include Florida university research centers, Florida utilities, Florida manufacturers, distributors, contractors, retailers and consultants providing solar water heating, pool heating and electric systems. The Vote Solar Initiative is a not-for-profit national organization with Florida members whose goal is to increase energy independence by creating the conditions necessary for the widespread development and use of solar energy. The Solar Alliance is an alliance of manufacturers, integrators and installers of solar thermal and photovoltaic equipment working with state legislators and regulators to adopt cost-effective solar policies and programs.

All of the members of the Florida Solar Coalition bring extensive expertise to the establishment of a viable, sustainable solar energy market in Florida that can efficiently provide an alternative to fossil fuel generation and the acceleration of greenhouse gas emissions as the state moves into the twenty-first century. In order to be fully effective, Florida must develop a sustainable market that offers both large and small end-use customers the greatest range of choices which encourage the use of solar energy as a cost-effective alternative to the purchase of traditional energy. If this is done, Florida will also reap the benefits of establishing a green industry adding badly needed, highly paid, technically skilled jobs to the Florida workplace.

In FSC's opinion, the use of RECs is not the best or the most cost-effective means of developing the solar energy market in Florida. A renewable energy payment program which establishes a fixed \$/kWh payment pursuant to a long-term contract available to residential and commercial customers and renewable developers is preferred. Further, performance-based incentives coupled with net metering for photovoltaic systems allows customers to finance their systems by locking in their energy rates and giving much needed assistance with the capital cost of solar renewable systems. Both of these incentive programs provide benefits directly to the electric end-user and, because they are programmatically simpler, are less expensive to establish and administer than a REC market.

That being said, FSC is aware that the Commission's proposed rule responds to the legislature's clear directive to establish a REC market in Florida. Therefore, FSC proposes to incorporate the benefits of a renewable energy payment program within the structure of a REC-based RPS. In the context of the Staff's proposed rules the legislative goals of HB 7135 can't be reached without the following: 1) inclusion of solar thermal as well as photovoltaic systems in the Renewable Portfolio Standard (RPS) which will allow the development of an expanded residential distributed solar market; 2) a standard offer fixed rate (\$/kWh) RPS contract for a term of at least 10 years for Class I renewable energy resources (solar and wind); 3) formal Commission RPS review every two years for the first eight years after the initial IOU goals are set by the Commission; 4) a set aside for solar and wind resources; and 5) a reasonable price cap of 4% which will provide adequate resources for the solar market to get established.

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FPSC-COMMISSION CLERK

To accomplish these ends, FSC proposes the following amendments:

Rule 25-17.400

Rule 17.400(1)(b) should be amended to require that the numerical portfolio standards a. for each investor-owned utility initially be set every 2 years. A shorter time period than proposed is required in order for the Commission to respond more rapidly to the developing renewable energy market. As the Florida renewable energy market matures, numerical portfolio standards can be set at increasing intervals. A shorter time period is supported by the fact that the Legislature deleted §366.92(3)(2006) in HB 7135 which had required that the Commission set renewable energy goals at least every five years.

Proposed amendment:

(b) After approval of the initial renewable portfolio standards, the Commission shall review and set renewable portfolio standards for each investor-owned electric utility at least once every two five years for the first eight years after approval of the initial renewable portfolio standards."

b. Rule 17.400(3)(a) should be amended to require that IOUs meet 20% of their energy needs by renewable energy resources by the year 2020. The Staff has misread Executive Order 07-127. Section 3 of Executive Order 07-127 states that the Commission is requested to initiate rulemaking to "require that utilities produce at least 20% of their electricity from renewable sources (Renewable Portfolio Standard) with a strong focus on solar and wind energy." No year is given in the Executive Order by which this goal must be met. However, Governor Crist has repeatedly stated publically that his Renewable Portfolio Standard goal is that 20% of statewide electric demand be met with renewable sources by the year 2020 with a strong focus on solar and wind energy. See: Governor's Office Press Release dated July 13, 2007; Florida Department of Environmental Protection's The Post, Vol. 7, Issue 29, July 20, 2007 at page 2, attached to these comments. Where, as here, there is a clear directive from the Governor's office to provide 20% of the state's electric energy demand by 2020 with renewable resources, that directive, rather than numbers derived from greenhouse gas emission reduction goals found in Section 1, should be used to set RPS goals.

FSC agrees that a starting point for January 1, 2010 is the current level of renewable capacity. Given this starting point, the goals should be as follows on January 1st of each year: 3% by 2011; 10% by 2015; 12% by 2016; 16% by 2018 and 20% by 2020. FSC will provide the Commission with our estimate of the cost and projected kWh associated with these goals by next week.

Proposed amendment:

"(a) Initially, each investor-owned utility shall submit proposed annual renewable portfolio standards which meet or exceed the following long term standards through the production or purchase of renewable energy credits pursuant to Rule 17.410, F.A.C.:

- 1. by January 1, 2010: 2 percent of the prior year's retail electric sales;
- by January 1, 2011 2017: 3 3.75 percent of the prior year's retail electric sales; 2.
- by January 1, <u>2012</u> 2025: <u>4</u> 6 percent of the prior year's retail electric sales; 3.
- by January 1, <u>2013</u> 2050: <u>6</u> 20 percent of the prior year's retail electric sales; 4.
- <u>5.</u> by January 1, 2014: 8 percent of the prior year's retail electric sales;
- <u>6.</u> <u>7.</u> <u>8.</u> by January 1, 2015: 10 percent of the prior year's retail electric sales;
- by January 1, 2016: 12 percent of the prior year's retail electric sales;
- by January 1, 2017: 14 percent of the prior year's retail electric sales;
- 9. by January 1, 2018: 16 percent of the prior year's retail electric sales;

10. by January 1, 2019: 18 percent of the prior year's retail electric sales;

11. by January 1, 2020: 20 percent of the prior year's retail electric sales.

c. Rule 17.400(b) should use Option II modified to give greater incentives for the development of solar photovoltaic systems whose current upfront capital cost is significantly higher than that of other renewable energy technologies. The track record of state incentives that have attempted to use multipliers for the development of solar resources indicates that this method has not been particularly effective.¹ By contrast, set-asides such as the one Staff proposes in Option II have "despite their nascent state . . . already begun to have a significant impact on the grid-connected PV market."²

Proposed amendment:

"(b) By January 1, 2013, 2017, a minimum of 25% of the renewable portfolio standard shall be provided from Class I renewable energy sources with 10% provided by Class I solar thermal systems, a minimum of 10% provided by Class I solar photovoltaic systems and 5% provided by Class I wind systems. Should Class I wind systems fail to achieve 5% in any given year, solar resources shall be entitled to fill its remaining share. To the extent that the percentage for each Class I energy system is not filled, the remaining percentage can be applied to other Class I systems in the same ratio as originally stated."

d. Rule 17.400 implements the requirement of §366.92(3)(b)2, F.S. (2008) that the RPS rule "provide for appropriate compliance measures and the conditions under which noncompliance shall be excused due to a determination by the commission that the supply of renewable energy or renewable energy credits is not adequate to satisfy the demand for such energy or that the cost of securing renewable energy or renewable energy credits was cost prohibitive." FSC is concerned that there is no language in the rule that specifies the "conditions under which noncompliance shall be excused", i.e., conditions that will ensure that the utilities are making a good faith effort to secure sufficient renewable resources and conditions that will ensure the creation of a viable, predictable market which results in new projects being developed that otherwise would not have been built at the lowest price.

Further, Rule 17.400(4)(a)2 has defined the "prohibitive cost" of a REC as 1% of the IOU's total annual retail revenues (presumably this means the previous year's total annual retail revenues). This value is too low. Of the twenty-six states with an RPS, nineteen have included cost caps; of these nineteen, only three have caps lower than the one percent proposed by Staff. ³ The average is just over four percent.⁴ Based on this nationwide average, and Staff's proposed development schedule, a cap based on 4% of total annual retail revenues is more likely to nurture and sustain the creation of a renewable energy market in Florida. FSC understands that the term "total annual revenues" refers to line 10 of the FERC Form 1, Electric Operating Revenues (Account 400).

 3 Id. at Table 19.

⁴ Id.

¹ Ryan Wiser, Galen Barbose, Lawrence Berkley National Laboratory, *Renewables Portfolio Standards in the U.S.: A Status Report with Data Through 2007*, (April 2008).

² *Id.* at 17.

Proposed amendment:

"(4) Compliance.

(a) In approving the proposed renewable portfolio standards and enforcing compliance with the approved renewable portfolio standards, the Commission shall consider excusing an investor-owned electric utility from compliance with any renewable portfolio standard based upon a showing that:

1. the electric utility has made a good faith effort to acquire sufficient renewable energy or renewable energy credits to comply with the standard. Such good faith efforts shall include, but are not limited to: banking renewable energy credits in advance of obligations and seeking renewable energy credits through competitive solicitations and/or standard offer REC contracts; and

 ± 2 . the supply of renewable energy or renewable energy credits is not adequate to satisfy the demand for such energy; or

23. the cost of securing renewable energy credits was prohibitive such that the total costs for compliance with the renewable portfolio standard exceeded <u>four</u> one percent of the investor-owned electric utility's total annual retail revenues."

Rule 25-17.410

e. Rule 17.410(1) requires that the IOUs establish a REC market subject to Commission approval. Rule 17.410(1)(a) "encourages" the IOUs to contract with an independent not-for-profit corporation for the development, administration and maintenance of the Florida REC market. FSC strongly believes that the Commission should develop the parameters of the Florida REC market itself by issuing a request for proposals (RFP) to select a not-for-profit corporation to develop, administer and maintain the REC market subject to Commission oversight and approval. Putting the IOUs in charge of establishing and running the market that certifies, buys, sells and trades RECs, while allowing the IOUs to develop and own renewable energy resources that produce RECs themselves, is institutionalizing a conflict of interest from the very moment of the REC market's inception.

During the rule workshops, the Commission staff raised the practical ability of the Commission to fund a REC RFP absent specific statutory language or a line item budget authorization to do so. In the cases of the Western Renewable Energy Generation Information System (WREGIS), the Midwest Renewable Energy Tracking System (M-RETS) and the Generation Attributes Tracking System (GATS) of the PJM states, APX and Clean power Markets, private corporations, have responded to RFPs for the development of REC trading markets. Compensation for the time and expertise used to develop the REC market structure was provided to these companies as part of the administrative costs of operating the market. In this way the Commission could receive the benefit of outside expertise in this area without the prior authorization of funds by the legislature.

Proposed amendment:

"(1) Investor-owned electric utilities The Commission shall establish and administer through a nationally-advertised request for proposals subject to Commission approval pursuant to subsection (4), an electronic renewable energy credit market. The renewable energy credit market shall allow for the transparent production, buying, selling and trading of renewable energy credits used to comply with the renewable portfolio standards of Rule 25-17.400, FAC. All records associated with the production of and the buying, selling, price reporting, or trading of renewable energy credits shall be available to the Commission for audit purposes.

(a) Investor-owned electric utilities <u>shall</u> are encouraged to collectively establish and contract with <u>the independent not-for-profit corporation selected by the Commission to</u> for developement, administeration, and maintainenance of a Florida Energy Credit Market. <u>The Florida Energy Credit</u> <u>Market administrator/not-for-profit corporation selected by the Commission shall not be engaged directly</u>

or indirectly in the construction and or ownership of renewable energy systems.

(4) Within 90 days from the effective date of this rule, the <u>Commission</u> investor-owned electric utilities shall prepare and issue a request for proposals regarding the development of file for Commission approval of the structure, governance, and procedures for administering the renewable energy credit market...."

. . . .

f. Rule 17.410(3) proposes a "price cap" of the equivalent of \$16 per ton of net greenhouse gas emissions (GHG) otherwise emitted by the IOU. This price cap shall be reevaluated and/or phasedout upon the adoption of a federal or state cap and trade system. FSC believes that this "price cap" is unnecessary because of the "cost prohibitive" exemption from the purchase of RECs granted by Rule 17.400(4)(a)2 discussed above. In essence it acts as a "second bite" at funds available to develop renewable resources and addresses the limitation of GHG emissions, an area beyond the Commission's regulatory expertise or specific statutory authority.

As discussed at the rule workshops, the purpose of the renewable initiative is not tied exclusively to the reduction of greenhouse gas emissions. Rather, it is to "**promote the development of renewable energy**; protect the economic viability of Florida's existing renewable energy facilities; diversify the type of fuel used to generate electricity in Florida; lessen Florida's dependence on natural gas and fuel oil for the production of electricity; minimize the volatility of fuel costs; **encourage investment within the state**; improve environmental conditions; and, at the same time, minimize the costs of power supply to electric utilities and their customers." §366.92(1), F.S. (2008)(emphasis added.) With this extensive list of benefits to be expected from the renewable initiative, it is clearly not the legislature's intent to tie spending on renewable energy projects to greenhouse gas emissions savings alone.

The 2007 Florida legislature has addressed the issue of greenhouse gas (GHG) emissions by directing the Department of Environmental Regulation (DEP) to develop a greenhouse gas allowance cap and trade regulatory program for Florida with the goal of reducing GHG emissions in the state. §§ 403.44(1), (5), (6), (7) and (8), F.S. (2008). It is not the Commission's legislative directive, nor does the Commission have the expertise, to develop rules to reduce GHG emissions. DEP has been given this task and given until January 1, 2010 to do so. § 403.44(5), F.S. (2008). It is the Commission's specific directive to promote the development of renewable energy as a way to diversify the fuels used to produce electricity and lessen Florida's dependence on fossil fuels in meeting the state's electric energy needs. For these reasons, proposed section 17.410(3) should be completely stricken.

Proposed amendment:

"(3) Initially, the price of each renewable energy credit shall be capped at the equivalent of \$16 per ton of net greenhouse gas emissions (GHG) reduced by Florida renewable energy resources relative to the GHG emissions otherwise emitted by the utility. The price cap shall be reevaluated or phased out upon adoption of a state or federal cap and trade system."

g. Rule 17.410(2)(a) lists the types of entities that can generate RECs counted toward the RPS. At the August 26, 2008 workshop several parties noted that §366.92(2)(d), F.S. (2008) defined a "renewable energy credit" as the "unbundled, separable, renewable attribute of **renewable energy produced in Florida** and is equivalent to 1 megawatt-hour of electricity generated by a **source of renewable energy located in Florida**." Further, §366.92(2)(a), F.S. (2008) defines "Florida renewable energy resources" as "renewable energy ... that is **produced in Florida**." Given these definitions it is

clear that only RECs generated by renewable facilities actually located in Florida can be counted toward Florida's IOU standards/goals whether owned by an IOU or by a third party. To clarify this point, FSC would modify the language of Rule 17.410(2)(a)1 as follows:

Proposed amendment:

"1. Investor-owned electric utility Florida owned renewable energy resources located in Florida;"

h. Rule 17.410(4)(a)-(e) lists the provisions that must be included in the REC market design. The FSC acknowledges the Commission's desire to minimize ratepayer impacts through competitive incentive levels. However, this must be balanced with the need to provide a transparent, investable, financeable climate for capital-intensive smaller systems and for smaller developers who may lack the means to participate in a dynamic REC market. In order to stimulate the development of capital intensive solar photovoltaic systems, the REC market must provide a REC standard offer contract of at least 10 years duration at a set kWh price for renewable energy with Class I renewable energy resources given preference for those contracts.

Proposed amendment:

(f) a standard offer power or REC purchase contract stating a set kWh price of at least 10 years term for Class I and Class II renewable energy resources with preference given to Class I renewable energy resources.

Policy Comments

At the August 26, 2008 workshop the Staff asked all participants to comment on several issues. FSC's comments follow.

a. <u>Use of bi-lateral contracts</u>:

Section 366.92(3), F.S. (2008) allows IOUs to supply renewable energy to its customers "directly, by procuring, or through renewable energy credits." Section 366.92(3)(b)1, F.S. (2008) also reiterates that an IOU can meet its RPS goals by "procurement of renewable power". Thus, it is clear that IOUs have the legislative authority to enter into bi-lateral contracts with renewable energy facilities to meet their renewable energy goals. FSC sees these contracts as being similar to the current power purchase agreements with renewable energy facilities pursuant to §366.91(3), F.S. (2008) and Rules 25-17.250-17.310, F.A.C. These contracts would contain provisions for the sale of capacity, energy and RECs as defined in §366.92(2)(d), F.S. (2008). The number of RECs associated with a Florida renewable energy resource would be set by the REC market administrator through a certification process. The price of the RECs would be totally independent of the avoided unit used to set the price of renewable energy and capacity pursuant to Rules 25-17.250-17.310, F.A.C. In this way, the dollar amount associated with the REC could be tracked by the REC administrator and audited by the utility and the Commission for compliance with yearly utility goals.

b. <u>Hourly trading of RECs:</u>

To the FSC's knowledge, within the United States to date, there is no solar REC market which trades or settles hourly. RECs are not the same as energy, which is a volatile commodity. In fact, since RECs serve primarily to support long-term, capital-intensive project financing, there would be no advantage in designing such a market. An hourly trading market would create market volatility and complicate the financing of renewable energy systems resulting in higher REC costs, ultimately imposing an increased, unnecessary burden on ratepayers. RECs need to be established for a term that corresponds with the IOU's annual goals, not traded on an hourly basis.

c. <u>Rewards and penalties for compliance or non-compliance</u>

Every IOU has the statutory mandate to fully comply with all Commission rules and regulations. With the adoption of RPS goals for each utility, should a utility fail to comply with its goals, the Commission may: (1) seek appropriate relief in circuit court pursuant to \$366.05(10), F.S. (2008) and/or (2) fine the utility for each day that it does not comply with the rule \$5,000 pursuant to \$366.095, F.S. (2008). The Commission would also have the ability to decrease the IOU's return on equity in its next rate case pursuant to \$366.06, F.S. (2008). Conversely, the Commission has the authority to increase the IOU's return on equity pursuant to \$366.06 and 366.92(3)(b)1, F.S. (2008).

d. <u>Cost recovery</u>

The IOUs have argued that the cost of all RECs should be recovered either through the creation of a separate cost recovery clause or through the environmental cost recovery clause established by §366.8255, F.S. (2008). The IOUs point to the fact that §366.92(4), F.S. (2008) uses the environmental cost recovery clause to recover the costs associated with the state's 110 MW renewable energy "demonstration projects", i.e., Florida Power & Light Company's Martin, DeSoto and Space Coast solar energy projects (Docket No. 080281-EI) approved by the Commission on July 15, 2008.

For all RECs associated with non-utility renewable energy facilities the costs should be recovered through a separate cost recovery clause so that the cost of RECs charged to the ratepayer is completely transparent. For all RECs associated with utility-constructed renewable energy facilities, the cost should be rate-based. Given the relatively small capital and operational costs of renewable facilities when compared to traditional generation, the IOUs can easily fund them from general revenues without suffering any adverse economic effects, i.e., under-earning. Further, limiting cost recovery to a separate clause for non-utility renewable energy facilities themselves thereby strengthening the REC market.

e. <u>IOU self-build option</u>

Developing renewable energy resources in Florida will help diversify the industrial sector in Florida, create high paying technical jobs and recruit renewable energy manufacturers to the state as well as increase distributed electric generation. In order to meet these important policy goals, while also enabling cost-effective renewable energy within the state, the rule should encourage IOUs to explore all available options to ensure a competitive marketplace. At a minimum all IOUs should be required to issue an RFP pursuant to Rule 25-22.082, F.A.C., for proposed renewable energy facilities. Should an IOU's project be determined to be the most cost-effective pursuant to the RFP process, that project should be assigned RECs by the REC third-party administrator on the same basis as if a non-utility was constructing the facility. Those RECs could be used to meet the IOU's RPS goals or, if sold, the revenues generated should be given back to the ratepayers who provided the money to develop the renewable energy project.

f. <u>REC standard offer contracts</u>

FSC believes that there should be a standard offer REC contract which would be modeled after the currently available standard offer renewable energy contracts. The price of the REC would be a set rate (\$/kWh) for a term not less than 10 years with preference given to Class I wind and solar renewable energy resources. This contract will should be available for both small and large thermal and photovoltaic systems and contain provisions allowing for an up-front payment to defray the capital cost of the renewable energy system.

g. <u>Revenue requirement cap</u>

FSC supports a revenue requirement cap of 4% of each IOU's annual retail revenues as reported on FERC Form 1, line 10. FSC will provide the Staff with calculations of the rate impact of this revenue cap requirement as well as kWh projections associated with this cap within the week.

h. <u>Ratepayer protections</u>

Use of a 4% revenue cap and a competitive REC market coupled with the frequent review of RPS goals should provide ratepayers with adequate protection. FSC would remind the Commission that use of renewable energy decreases each IOU's total cost of fuel and the state's increasing reliance on higher capital cost nuclear power.

Respectfully submitted this ______ day of September, 2008 by:

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Suzatule Brownless, Esq. Fla. Bar No. 309591 Suzanne Brownless, PA 1975 Buford Blvd. Tallahassee, Florida 32308 Phone: (850) 877-5200 FAX: (850) 878-0090 E-mail: <u>sbrownless@comcast.net</u>

Attorney for Florida Solar Coalition

c: FSC Comments-7

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GOVERNOR CRIST SIGNS EXECUTIVE ORDERS TO REDUCE GREENHOUSE GASES

July 13, 2007

Contact:

ERIN ISAAC 850-488-5394

MIAMI – Governor Charlie Crist today signed three Executive Orders initiating Florida's energy policy. The Governor also signed partnership agreements with Germany and the United Kingdom outlining an agreement that focuses on climate policies and mutual economic benefits. The signing ceremony concluded the Serve to Preserve Florida Summit on Global Climate Change held at the Intercontinental Miami Hotel in Miami on July 12-13, 2007.

"Florida is providing the moral leadership needed to preserve our state's beautiful natural environment, and state government is leading by example by taking immediate action to reduce greenhouse-gas emissions," Governor Crist said. "However, our actions do not stop here. During the next few months, Florida's Action Team on Energy and Climate Change will develop further recommendations for our state's long-term climate-friendly efforts."

The Executive Orders carry out Governor Crist's commitment to reducing Florida's greenhouse gases and increasing energy efficiency. As a result, Florida will pursue renewable energy sources such as solar and wind energy, as well as alternative energy such as ethanol and hydrogen.

Governor Crist signed Executive Order 07-126, titled "Leadership by Example: Immediate Actions to Reduce Greenhouse Gas Emissions from Florida State Government"; Executive Order 07-127, "Immediate Actions to Reduce Greenhouse Gas Emissions within Florida"; and Executive Order 07-128, "Florida Governor's Action Team on Energy and Climate Change."

"Germany and the United Kingdom are recognized as worldwide leaders in actively addressing global climate change," said Governor Crist. "Florida is honored to join these great nations in calling for a post-Kyoto Protocol that protects the planet's climate systems by reducing emissions of greenhouse gasses beyond 2012."

Governor Crist signed two partnerships agreements, "Partnership on Global Climate Change, Action between the United Kingdom and the State of Florida," and "Partnership on Global Climate Change, Action with the Federal Republic of Germany and the State of Florida." ^QLeadership by Example: Immediate Actions to Reduce Greenhouse Gas Emissions from Florida State Government

State government will first measure greenhouse gas emissions and develop a Governmental Carbon Scorecard. State government will then work to reduce emissions 10 percent by 2012, 25 percent by 2017, and 40 percent by 2025. To achieve that goal, state buildings constructed in the future will be energy efficient and include solar panels whenever possible. Office space leased in the future must be in energy-efficient buildings as well. Any purchased state vehicles should be fuel efficient and use ethanol and biodiesel fuels when available. State government will also seek to partner with an energy-efficient rental-car company for the 2009 contract.

Immediate Actions to Reduce Greenhouse Gas Emissions within Florida

Governor Crist directed the adoption of maximum emission levels of greenhouse gases for electric utilities. The standard will require a reduction of emissions to 2000 levels by 2017, to 1990 levels by 2025, and by 80 percent of 1990 levels by 2050. Florida will also adopt the California motor vehicle emission standards, pending approval of the U.S. Environmental Protection Agency waiver. The standard is a 22-percent reduction in vehicle emissions by 2012 and a 30-percent reduction by 2016.

Florida will also require energy-efficient consumer appliances to increase efficiency by 15 percent of current standards. Governor Crist also requested that the Public Service Commission adopt a 20 percent Renewable Portfolio Standard by 2020, with a strong focus on solar and wind energy.

Partnerships with Germany and the United Kingdom

Governor Crist committed to partnering with Germany and the United Kingdom to discuss and promote initiatives that broaden the Kyoto Protocol and reduce the emission of greenhouse gases beyond 2012.

The State of Florida will exchange delegations with Germany and with the United Kingdom to create a forum for sharing public policy experience and exchanging science and technology, placing a particular emphasis on the sharing of ideas and policies related to energy efficiency and renewable energy sources. The individual partnership agreements will increase climate-friendly trade between the State of Florida and the Federal Republic of Germany and between the State of Florida and the United Kingdom.

Florida Governor's Action Team on Energy and Climate Change

Governor Crist will appoint diverse stakeholders to a Governor's Action Team on Energy and Climate Change. Team members will create a Florida Climate Change Action Plan that will include strategies beyond today's Executive Orders to reduce emissions, including recommendations for proposed legislation for consideration during the 2008 Legislative Session and beyond.

"Florida's economy, the health of our people, and the quality of our environment will be shaped by the bold action steps taken by Governor Crist today," said Secretary Michael W. Sole of the Florida Department of Environmental Protection. "This summit is a watershed event in Florida's history, and I applaud Governor Crist for his leadership on this important issue."

Governor Crist was joined at the signing ceremony by California Governor Arnold Schwarzenegger. Governor Schwarzenegger, who was also the luncheon keynote speaker, is a national leader in reducing greenhouse gas emissions. He has helped reduce traffic congestion and clean the air by establishing the California Hydrogen Highway.

"Governor Schwarzenegger is truly a national and international leader on the issue of global climate change," Governor Crist said. "I am honored that he has taken time out of his busy schedule to join us and share his expertise with us."

About the Serve to Preserve Florida Summit on Global Climate Change

The summit brought together policy makers, academics, scientists, environmentalists and the business community to discuss the impact of climate change in Florida. These experts helped develop best practices related to alternative fuels and emission standards. The group's strongest recommendations helped shape procedures for state agencies and future legislation. For more information, visit www.MyFloridaClimate.com or www.flgov.com.

To offset the energy used for the summit, the State of Florida has worked with the non-profit CarbonFund.org to estimate the carbon emissions created by summit participants through their use of transportation, hotel operations and food preparation. Because carbon emissions have global impact, supporting renewable energy anywhere can compensate for the environmental impact of the summit. The State of Florida's financial support of renewable wind energy in New Mexico will counterbalance the carbon emissions generated by the summit.

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Governor Crist Signs Executive Orders to Reduce Greenhouse Gases



MIAMI – Governor Charlie Crist recently signed three Executive Orders initiating Florida's energy policy. The Governor also signed partnership agreements with Germany and the United Kingdom outlining an agreement that focuses on climate policies and mutual economic benefits. The signing ceremony concluded the Serve to Preserve Florida Summit on Global Climate Change held at the Intercontinental Miami Hotel in Miami on July 12-13, 2007.

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Governor Crist signed Executive Order 07-126, titled "Leadership by Example: Immediate Actions to Reduce Greenhouse Gas Emissions from Florida State Government"; Executive Order 07-127, "Immediate Actions to Reduce Greenhouse Gas Emissions within Florida"; and Executive Order 07-128, "Florida Governor's Action Team on Energy and Climate Change."

"Germany and the United Kingdom are recognized as worldwide leaders in actively addressing global climate change," said Governor Crist. "Florida is honored to join these great nations in calling for a post-Kyoto Protocol that protects the planet's climate systems by reducing emissions of greenhouse gasses beyond 2012."

Governor Crist signed two partnerships agreements, "Partnership on Global Climate Change, Action between the United Kingdom and the State of Florida," and "Partnership on Global Climate Change, Action with the Federal Republic of Germany and the State of Florida."

Leadership by Example: Immediate Actions to Reduce Greenhouse Gas Emissions from Florida State Government

State government will first measure greenhouse gas emissions and develop a Governmental Carbon Scorecard. State government will then work to reduce emissions 10 percent by 2012, 25 percent by 2017, and 40 percent by 2025. To achieve that goal, state buildings constructed in the future will be energy efficient and include solar panels whenever possible. Office space leased in the future must be in energy-efficient buildings as well. Any purchased state vehicles should be fuel efficient and use ethanol and biodiesel fuels when available. State government will also seek to partner with an energy-efficient rental-car company for the 2009 contract.

Immediate Actions to Reduce Greenhouse Gas Emissions within Florida

Governor Crist directed the adoption of maximum emission levels of greenhouse gases for electric utilities. The standard will require a reduction of emissions to 2000 levels by 2017, to 1990 levels by 2025, and by 80 percent of 1990 levels by 2050. Florida will also adopt the California motor vehicle emission standards, pending approval of the U.S. Environmental Protection Agency waiver. The standard is a 22-percent reduction in vehicle emissions by 2012 and a 30-percent reduction by 2016.

Florida will also require energy-efficient consumer appliances to increase efficiency by 15

percent of current standards. Governor Crist also requested that the Public Service Commission adopt a 20 percent Renewable Portfolio Standard by 2020, with a strong focus on solar and wind energy.

Partnerships with Germany and the United Kingdom

Governor Crist committed to partnering with Germany and the United Kingdom to discuss and promote initiatives that broaden the Kyoto Protocol and reduce the emission of greenhouse gases beyond 2012.

The State of Florida will exchange delegations with Germany and with the United Kingdom to create a forum for sharing public policy experience and exchanging science and technology, placing a particular emphasis on the sharing of ideas and policies related to energy efficiency and renewable energy sources. The individual partnership agreements will increase climate-friendly trade between the State of Florida and the Federal Republic of Germany and between the State of Florida and the United Kingdom.

Florida Governor's Action Team on Energy and Climate Change

Governor Crist will appoint diverse stakeholders to a Governor's Action Team on Energy and Climate Change. Team members will create a Florida Climate Change Action Plan that will include strategies beyond today's Executive Orders to reduce emissions, including recommendations for proposed legislation for consideration during the 2008 Legislative Session and beyond.

"Florida's economy, the health of our people, and the quality of our environment will be shaped by the bold action steps taken by Governor Crist today," said Secretary Sole. "This summit is a watershed event in Florida's history, and I applaud Governor Crist for his leadership on this important issue."

Governor Crist was joined at the signing ceremony by California Governor Arnold Schwarzenegger. Governor Schwarzenegger, who was also the luncheon keynote speaker, is a national leader in reducing greenhouse gas emissions. He has helped reduce traffic congestion and clean the air by establishing the California Hydrogen Highway.

"Governor Schwarzenegger is truly a national and international leader on the issue of global climate change," Governor Crist said. "I am honored that he has taken time out of his busy schedule to join us and share his expertise with us."

About the Serve to Preserve Florida Summit on Global Climate Change

The summit brought together policy makers, academics, scientists, environmentalists and the business community to discuss the impact of climate change in Florida. These experts helped develop best practices related to alternative fuels and emission standards. The group's strongest recommendations helped shape procedures for state agencies and future legislation. For more information, visit <u>www.MyFloridaClimate.com</u> <u>exit bactamer</u> or <u>www.flgov.com</u> <u>Exit bactamer</u>.

To offset the energy used for the summit, the State of Florida has worked with the non-profit CarbonFund.org to estimate the carbon emissions created by summit participants through their use of transportation, hotel operations and food preparation. Because carbon emissions have global impact, supporting renewable energy anywhere can compensate for the environmental impact of the summit. The State of Florida's financial support of renewable wind energy in New Mexico will counterbalance the carbon emissions generated by the summit.

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DEP Secretary Announces Strengthened Penalty Guidelines at Keynote Speech to Major Environmental Gathering



TALLAHASSEE – During his keynote address at the Florida Chamber's 21st Annual Environmental Permitting Summer School, before more than 800 attendees, Secretary Sole announced significant changes to the <u>agency's penalty guidelines</u> [PDF - 1.29 MB]. The new guidelines will result in stiffer penalties by taking a tougher stance on the most serious environmental violations statewide. In 2006, Department enforcement cases with monetary penalties assessed numbered more than 1,300.

"The changes to DEP's guidelines provide a stronger deterrent for the most egregious violations, ultimately reducing the number of significant infractions that occur," said Secretary Sole. "I want to change the idea that 'penalties are a cost of doing business' by emphasizing the agency's tough stance against violators."

The Department has maintained penalty guidelines since the mid-1980s that provide direction to staff on how to calculate penalties for enforcement cases. In 2001, the Florida Legislature passed the Environmental Litigation Reform Act (ELRA) to provide a clear, efficient process to address less significant violations, which amount to approximately 90 percent of the Department's enforcement cases annually. ELRA has been successful by decreasing the average time it takes the Department to resolve litigation in the less significant cases – reducing the average length of time from two years to four months – and providing a more efficient basis for negotiating settlements in cases involving penalties of \$10,000 or less.

"With this major step forward, DEP is emphasizing that compliance with environmental regulations is, bottom line, better for business. It's not only better for the state, but for private industry as well," said Secretary Sole.

The deterrent value of penalties for significant violations has not kept pace with Florida's economy and has therefore diminished over time. Updates to the penalty guidelines also address violations not covered under ELRA. The stiffer penalties would apply to approximately 10 percent of enforcement actions taken by the agency, affecting 50 to 75 percent of the total penalty amounts assessed by the Department for major violations. The Department will take a tougher stance by increasing penalties and providing clearer guidance on pursuing enforcement for significant infractions that:

- Involve hazardous waste and/or hazardous substance violations;
- Result in economic benefit to a company or individual;
- Are intentional and/or habitual;
- Cause significant harm to the environment; or
- Continue over an extended period of time.

The Department's penalty guidelines are easily accessible to the public through the internet. To view the guidelines, visit www.dep.state.fl.us/legal/penalty/default.htm. To learn more about our innovative pollution prevention programs, please see www.floridap2.org.

Additional information: Changes to the penalty guidelines

There are six major changes to the guidelines that will complement the penalties pursued under ELRA and provide a greater deterrent for the most significant violations:

1. Hazardous waste violations

The 'penalty matrix' currently used to calculate penalties for violations of the storage, treatment or disposal of hazardous waste range from \$100 per day (minor violations) to \$25,000 per day (major violations). The penalties for hazardous waste violations will be significantly increased to match the recent increases adopted by EPA, which range from \$500 per day (minor violations) to \$32,500 per day (major violations). Additional instructions will be added to the 'penalty matrix' to help identify circumstances in which the maximum amount allowed by law, \$50,000 per day per violation, should be pursued.

Based on an analysis of Department enforcement actions between 2002 and 2005, hazardous waste violations account for approximately 18 percent of the total enforcement actions. The total assessed penalties during this same time period for hazardous waste violations was \$4.75 million (17 percent) of the Department's assessed penalties. The proposed increase in the penalty matrix is expected to result in an increase of the assessed value for significant violations (those in which penalties exceed \$10,000) by approximately 30 percent.

2. Hazardous substance violations

A 'penalty matrix' for violations involving the release of hazardous substances (as defined in Florida law) is now part of the Department's penalty guidelines. The matrix currently used to calculate penalties for violations involving hazardous

substances includes a maximum penalty of \$10,000 per day, which is the same amount used for violations that do not involve hazardous substances. With these changes, the Department will pursue penalties up to a maximum of \$25,000 per day, the highest penalty allowed by law, for this type of violation. The proposed change would result in higher penalties for violations involving hazardous substances, consistent with the intent of Florida law.

3. Multi-day violations

Although the current guidelines allow for assessment of the full penalty matrix amount for each day violations occur, that option is rarely used. Most multi-day penalties are calculated by using the penalty matrix amount for the first day of the violation and a much smaller amount for each day the violation continues. The change will provide guidance so that in certain circumstances the full penalty matrix amount will be used for at least the first 30 days the violation continues.

Multi-day penalties will be pursued in all cases in which:

- Daily economic benefit is gained;
- Daily adverse impacts to the environment are occurring; or
- Prompt action to stop or mitigate the violations was not taken.
- 4. Recovery of economic benefit obtained from violations

Although the current guidelines allow the Department to calculate and factor in the economic benefit for any violation, that option is rarely used. This change will require the Department to include economic benefit in all penalty calculations when it can be practically determined, and to establish guidance to help in that determination.

For example, if a developer conducted dredging and filling of a wetland without a permit so that a shopping center could open sooner than it would have had a permit been obtained, the cost savings generated by the early opening of the shopping center would be an economic benefit to the developer. Without factoring in the economic benefit, the penalty calculated for three days of illegal dredging and filling might be \$2,000 per day for a total of \$6,000. If the developer saved \$24,000 by opening the shopping center early due to the dredging and filling without a permit, a penalty that factored in the economic benefit gained by the developer would be \$6,000 for three days of illegal dredging and filling plus \$24,000 for the economic benefit, for a total of \$30,000.

5. Deliberate or chronic violations

The current guidelines provide a range of penalties in each matrix box. This change will provide additional guidance on when to calculate penalties based upon the top of the range in the matrix box (or the highest amount). Examples include violations that are deliberate or chronic, which should result in consistently higher penalties to deter these major infractions.

6. Penalty matrices vs. ELRA penalty schedules

This change will update the penalty guidelines to provide guidance on which penalty matrices or schedules should be used to calculate penalty amounts. With this change, the most appropriate penalty matrix, and not the ELRA penalty schedules, will be used for cases that involve penalties that exceed \$10,000.

The penalty amounts provided in the ELRA penalty schedules are typically lower than the penalty amounts provided in the Department's penalty matrices. This proposed change would only affect cases in which the total calculated penalty using the ELRA penalty schedules exceeds \$10,000. This proposed change would result in higher penalties being pursued for many violations.

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Governor Crist Upgrades Energy Efficiency at the People's House



TALLAHASSEE – Governor Charlie Crist this week announced the installation of a hydrogen fuel cell and a solar pool heating system at the Florida Governor's Mansion. The renewable energy sources will reduce carbon emissions and energy costs, making the mansion more energy efficient and climate friendly.

"Installing a solar power system at the People's House is part of an ongoing effort to reduce harmful emissions and make the mansion more energy and cost efficient," said Governor Crist. "As a public servant, I have a responsibility to lead by example and to do what is right for our environment and our economy."



"Under the leadership of Governor Charlie Crist, Lt. Governor Jeff Kottkamp and the Florida Legislature, nature-based tourism is growing in Florida and our state parks provide an unmatched recreational experience for all types of visitors," said Secretary Sole. "With each visitor, the parks are able to be a positive contributor to the local economy, helping large cities and small towns improve their quality of life."



