



Governor's Action Team on Energy and Climate Change

State of Florida

MEETING SUMMARY

FLORIDA ENERGY and CLIMATE ACTION TEAM

Energy Supply & Demand (ESD) Technical Work Group (TWG)

Teleconference Meeting, Call #12

July 16, 2008

1:30 p.m. – 3:30 p.m. EDT

Attendance

1. **ESD TWG Members:** Ben Crisp, Progress Energy Florida; Eric Draper, Audubon of Florida; Jack Glenn, Florida Home Builders Association; David Guest, Earthjustice; David McCullough, Gulf Power Company; Eric Silagy, Florida Power & Light; Mark Kaplan.
2. **FL DEP:** Brenda Buchan and Jeremy Susac, Florida Energy Office
3. **Members of the Public:** Robert Armstead, The Climate Group, Bob Krasowski, Lisa Scoles, Brady, Thomas, Yon & Clark
4. **CCS Staff:** Tom Peterson, Jeff Wennberg, and Linda Schade

Background documents

All posted at www.flclimatechange.us

- [Notice and Agenda](#)
- [PowerPoint for Teleconference #12](#)
- [Revised ESD Straw Proposals](#)

Discussion items and key issues:

This was conference call #12 for the Florida ESD TWG.

TOM PETERSON of Center for Climate Strategies (CCS) called the roll, reviewed the agenda, and informed the TWG that he and Linda Schade will be staffing from this point forward. The main task of today's call is a walk-through of the input from the Action Team meeting on the policy options. The Action Team asked for new direction on some of these. We'll also be asking you for revisions to the Inventory and Forecast (I&F). Next week we will not do a full walk-through of options but will focus on the quantitative analysis.

TOM noted that the summary was not yet available for Call #11. He also noted that the Meeting #4 Summary will be important because there was a detailed conversation especially on ESD policies.

The Action Team did receive this work product from the last TWG call, and it was discussed in depth at the meeting. Thus, the Action Team meeting summary will be important because there were substantial revisions. TOM provided an overview of the status of each ESD policy option. ESD-1 and ESD-2 were merged. ESD-5b was merged to be part of ESD-12 (take actions under 5b). ESD-10 has been moved to the Cap-and-Trade TWG. ESD-13 was effectively merged but needs more surgery by the TWG. ESD-15a was moved to the Government Policy TWG. The broad request from the Action Team is that the TWGs categorize the updated list of options into a First and Second Tier. The First Tier should consist of easy-to-quantify items, big-ticket items, and those with significant economic impact in terms of priorities analysis. From this point forward, time and effort must be prioritized on options that will be quantified. The TWG has a significant workload, and sufficient time must be allocated for the priority items to ensure that the Governor's emission reduction goals are met.

Building code option by 2015 50% more efficient by 2019 and additional 10% is recommended. HB 7135 (House Bill 7135) and other existing actions will be integrated into ESD policies but the TWG is tasked with going beyond that benchmark. The Action Team sought tighter descriptions of the policy options and asked that the TWG revisit some of the Policy Designs. TOM PETERSON credited Brenda Buchan and Jeremy Susac of Florida Department of Environmental Protection (DEP) for doing a substantial update on the Related Policies/ Programs in Place section. Policy Descriptions are traditionally short to provide a quick overview of the policy. Some parts of the policy description texts were relocated into other elements of the policy template. Existing actions will also need to be figured into the baseline quantification. This will show up in individual options and as an overarching issue. The Policy Design sections have been rewritten and brought into alignment with the input from the Action Team.

ESD-1&2. Technology Research and Development (R&D) with Commercial Opportunities

Near-term and long-term technologies are brought together here, so that needs to be structured into the document. The option needs to be split into those two scenarios including specifying eligible technologies. Establish scenarios for near- and long-term technologies and determine which technologies fall under each of these. Intended to be additive.

HB 7135 should be part of baseline, though this will not be quantified. Include supply and demand side.

ESD-3. Renewable Energy Incentives and Barrier Removal

ESD-3 covers distributed and central generation.

Currently the design calls for 1% and 2% level of effort and that needs to intersect with the baseline. Run two scenarios against an appropriate baseline. The Executive Order should inform the baseline. Executive Order 7-127 20% requested that Public Service Commission (PSC) initiate workshops to develop a renewable portfolio standard (RPS) of 20% but there is no due date. 2012 was also suggested. Benchmarks such as 20% by 2020, 2030, or 2040 were considered. The Governor's Special Advisor asked DEP if nuclear is in the baseline.

Distributed generation (DG) and the rewrite of 7133 FEECA (Florida Energy Efficiency and Conservation Act) defines DG as 2 megawatts (MW) or less—consistent with the PSC's net

metering rule—which will go toward investor-owned utilities achieving this goal. Once every 5 years the PSC reviews this under FEECA.

TOM PETERSON summarized that there is some detail on the RPS under ESD-5 and on an analytical linkage between ESD-3 and ESD-5a which becomes ESD-5. As ESD-5 is clarified, that will clear up baseline information for the 1% and 2% analyses for ESD-3 and any other existing actions which factor into it. He recommended returning to this discussion after the TWG discusses the RPS.

The TWG also discussed whether to create benchmark years or carve out percentages for particular energy sources. None were decided upon at this point. Include DG in rewrite.

It was agreed to run 2010 and 2025 and give the TWG a chance to look at those results and go from there.

ESD-4. Electricity Transmission and Distribution Improvements

There was discussion of merging ESD-4 with ESD-9 at the Action Team meeting, but that was put on hold pending analysis. The Action Team was concerned about the feasibility of the goal of 5%.

ESD-5. Renewable Portfolio Standard (RPS)

Run 20% in 2020 and 20% in 2025. Eligible classes of renewable energy must be established. CCS will bring cost curves for renewables for RPSs and other options.

The TWG considered whether to create benchmark years or carve out percentages for particular energy sources, i.e., X% for biomass, X% for solar, etc. Then the least cost option is pursued. That analysis can inform the carve-outs and the TWG can evaluate whether carve-outs make sense or not. None were decided upon at this point.

There was a public comment at the Action Team meeting asking for confirmation that there would be a market for solar in Florida. With costs changing so rapidly, carve-out may not make sense. The role of carve-outs is to support certain sources, i.e., biomass, to help them scale up to the marketplace. TWG should be prepped for later data requests on costs. Cost curves, supply curves, technology classes, will help get a handle on this. Inputs are needed for the supply curve.

JEREMY SUSAC informed the TWG that the PSC sent out a data request last week because they are tasked with creating an RPS for implementation in January 2009. They don't have the greenhouse gas (GHG) reductions, but they did have the levelized costs per kilowatt-hour (kWh) until 2020. Jeremy Susac will contact PSC in this regard.

One TWG member said his organization was one of the recipients of that data request which was received just last week. He expressed concern that the data would be difficult to pull together in a timely manner in what was correctly characterized as a dynamic marketplace. This data issue should be noted in Key Uncertainties and Additional Benefits and Costs. TOM PETERSON asked for information on other studies but none were identified.

ESD-6. Nuclear Power

Four new 1,100-MW nuclear plants operating at 92% capacity factor (including two approved for Florida Power & Light [FPL] and two others approved). Two plants/four units assumed to be 1,100 MW are part of baseline (Scenario 1). Add two additional 1,100-MW plants to baseline (Scenario 2).

Run two scenarios—one with and one without four new 1,100-MW plants.

ESD-7. Integrated Resource Planning (IRP)

This is designated as a Tier 2 option. During the Action Team meeting SECRETARY SOLE was comfortable that this was covered in existing law and that it could be Tier 2. PSC does 2-year site plans under the Power Plant Siting Act.

ESD-8. Combined Heat and Power (CHP)

Goal number was a placeholder. CCS will set up for sensitivity analysis. Keep linearity. Note that it is a mature technology.

ESD-9. Power Plant Efficiency Improvements

Include cost of HB 7135 in baseline.

ESD-11. Waste-to-Energy

No change.

ESD-12. Demand-Side Management (DSM)/Energy Efficiency Programs, Funds, or Goals for Electricity

ESD-5b is now included here. No change.

ESD-13. Incentives for Improved Building Design, Construction, and Operation in the Private Sector

The Action Team requested that the TWG look at existing and new, so that distinction was eliminated in this draft of the option. That would require splitting out for analysis.

The Action Team discussion noted that new residential was sufficiently addressed in HB 7135 in building code standards. However, the TWG should proceed with work on existing residential.

PIERCE JONES comment via e-mail: Option 13 general principles are intact. I want to promote it as a Tier 1 concept that should be relatively easy to quantify because of ready access to consumption data. It should also be fairly simple to monitor progress, also because of access to data.

The Action Team also requested attention to affordability issues and funding mechanisms.

ACTION: 13a goes into Tier 1. 13b and 13c go into Tier 2.

ESD-14. Improved Building Codes for Energy Efficiency in Existing Buildings

Under Policy Design, move bullet to Implementation Mechanisms.

Goals are to go beyond HB 7135.

Amended Policy Design text as follows:

Both HB 697 and HB 7135 require that the energy efficiency requirements of the Florida Energy Efficiency Code be incrementally scaled up to 50% higher than the 2007 Code by 2019. The goal of ESD-14 is to extend the timeframe of HB 697 and HB 7135 beyond 2019 such that energy consumption per square foot of floor space is reduced by 100% from what it was in 2007.

Goals: “review the code every three years” should read “... as part of the tri-annual review.”

ESD-15. Training and Education for Building Operators and Community Association Managers

This was not discussed at the Action Team meeting since it is not going to be quantified.

ESD-16. More Stringent Appliance/Equipment Efficiency Standards

Move bullets to Implementation Mechanisms section. Percentage figures here can be used for analysis.

ESD-17. Consumer Education Programs

No amendments. Not to be quantified.

ESD-18. Incentives to Promote Implementation of Customer-Sited Renewable Energy System

No amendments. Sent back to TWG for clarification on implementation mechanisms—bullets can be moved to that section.

We do have benchmarks for quantification which we can move forward with.

ESD-19. Energy Efficiency Financing and Alternative Business Models

There was concern about goal level of 5%. The TWG will need to determine what is the % and what is the baseline in order to run numbers.

This may be one of the most important options. What we heard from Germany is that all of their solar is on people’s houses. **Deal with some sensitivity. Include German net metering and tax credits ideas.**

This option will be Tier 1. There is a need to fill in eligible technologies.

Move to ESD-13 as an implementation mechanism.

ESD-21. Rate Structures and Technologies to Promote Reduced Greenhouse Gas (GHG) Emissions

Discussion about whether the two options (Option 1, Time-of-use and Option 2, Tiered [increasing block] rates) are compatible. They are compatible.

Conservation rate structure that the Conservation Law Foundation of Boston sold to the Northeast has been successful. Option 1 and Option 2 are not mutually exclusive.

There can be specific recognition that it is mostly industrial users who can use baseload more effectively. Mostly industrial use at night during off peak hours. Pay more as you use more.

ACTION: Run two scenarios—Option 1 is “Pay more when the cost of generation is more” and Option 2 is to “pay more when you use more.” TWG Member DAVID will provide more guidance.

ESD-22. Demand-Side Management/Energy Efficiency Programs, Funds, or Goals for Natural Gas

No amendments. Not to be quantified.

ESD-23. Decoupling

No amendments. Not to be quantified.

The PSC will be developing a study on decoupling. BRENDA BUCHAN submitted text to LINDA SCHADE to add to existing actions: “During the 2008 Legislative session, the Legislature passed and Governor Crist signed HB 7135, which ordered the Florida Public Service Commission to analyze utility revenue decoupling and provide a report and recommendation to the Governor, the President of the Senate, and the Speaker of the House of Representatives by January 1, 2009. The PSC will begin holding workshops on this in early August.”

Summary Discussion

The next step is to prioritize the list of policies into Tier 1 and Tier 2. One way to do that is to decide which policies are easiest to get data for, which create large emission reductions, and which are already substantially in play in some other venue. CCS will bring back a straw set of Tiered Options that includes what has been effective in other places as criteria.

Public Comment

BOB KRASOWSKI, Florida Alliance for a Clean Environment, made the following points:

This TWG should go beyond what the PSC has done. For example, the new net metering rule does not come close to what Germany is doing. In Florida, it allows for a credit for energy generated up to 2 MW, which rolls over to the next month’s bill. In Germany, you get a higher rate than it costs the utility normally, and it’s a rate high enough to be an incentive. MR. SCHERR of Germany said that it was important that people got paid more and that there be no limit on what people can set up (i.e., the 2 MW). Mr. Scherr recommended setting aside the interests of the utilities and letting the free market do its job.

MR. KRASOWSKI also gave comments on ESD-6 nuclear power. The two nuclear sites have been approved by the PSC. There is a long way to go on the permitting; we should not assume they are done deals. And the concerns of the environmental community and Florida residents about nuclear are significant and must be given the weight they deserve.

ROBERT ARMSTRONG of The Climate Group commented on ESD-4. There is a curve that we like to use which was done by the McKinsey Foundation for low-hanging fruit. Tom Peterson was familiar with that curve and presented with McKinsey at the recent Florida climate summit. Mr. Armstrong suggested that another way to assess the options could be on a low-hanging fruit basis.

Next Steps

1. Continue reviewing draft policy option descriptions on the next call.
2. The date for call #13 is Wednesday, July 23, 2008, from 1:30 p.m. to 3:30 p.m. EDT.