



From October 8, 2007

Last week marked the third time this year that Legislators traveled to Tallahassee to hold session. Special Session “C” was called to address two issues: \$1.1 million worth of budget cuts and the reinstatement of Florida’s Personal Injury Protection (PIP) law. By Friday, October 5 both chambers had passed consensus legislation on PIP and most of the budget cuts had been agreed to, with the exception of a small number of items that were bumped up to conference committees. We expect legislators to be back this Friday, October 12 for a final vote on the budget, following the statutorily required 72 hour “cooling off” period.

The Governor’s Action Team on Energy and Climate Change also met last week. A full report on this meeting is included in this week’s report. Other committees of interest to the business community also met last week. These included the House Energy Committee, which discussed the “Farm to Fuel” program, and the House Select Committee to Protect Personal Information, which will be looking at how the state handles personal identification information.

Climate Change

The Governor’s Action Team on Energy and Climate Change met on Friday, October 5 for their third meeting. The Governor’s 21 member team is charged with developing strategies to reduce greenhouse gas emissions and diversify Florida’s energy resources as outlined in the Governor’s Executive Orders issued in July. Friday’s meeting was designed to give electric utilities and the transportation sector an opportunity to address the Commission. The Commission received a surprise visit from Governor Charlie Crist (R) who spoke with them about the importance of their work.

Jeff Lyash, President and CEO of Florida Progress Energy gave the first presentation. Progress Energy has 1.7 million customers in Florida covering 35 counties. He stressed that the industry will need time to reduce CO2 emissions and that energy efficiency can be done quicker. Mr. Lyash also believes that federal action is needed. In his presentation he stated the following key points for greenhouse gas regulations:

- Implement national, economy-wide policy to maximize efficiency and reduce cost
- Policy should promote, but not get ahead of, technology
- Help those who will bear a disproportionate share of the burden
- Provide flexibility

Progress Energy prefers a cap-and-trade system for emissions versus a carbon tax. Customers and citizens will bear the cost and all utilities will need to start on equal footing. With regards to emission allowances, Progress energy prefers an allocation process versus an auction system, and they stressed that a cost control provision would be needed.

Mr. Lyash also told the Commission that with regards to energy efficiency they should create a win-win alignment of stakeholders’ interests and include customer and utility incentives.

Nuclear energy was also discussed and Mr. Lyash stated that nuclear is a vital part of Florida's energy future. Nuclear is cost effective, has zero-carbons and has less timing and technology risk than a carbon capture system.

Randall LaBauve, Vice President of Environmental Services for Florida Power & Light, was the next presenter. FPL is one of the largest investor owned utilities in the nation and is the largest producer of renewable energy in the country. Regarding the Florida Climate Change Initiatives, Mr. LaBauve talked briefly about three of the four different areas: nuclear, renewables, and energy efficiency/greenhouse gas policy. FPL believes that nuclear is a very important part of the climate change solution. They have plans in place for two new units at its Turkey Creek facility. FPL also believes there should be appropriate incentives for all stakeholders when discussing energy efficiency. Most of Mr. LaBauve's presentation focused on the greenhouse gas policy specifically with regards to the Department of Environmental Protection rulemaking and FPL recommendations.

FPL would like for Florida to focus on CO2 emissions as the greenhouse gas that should be regulated and wait for other greenhouse gases regulation after the program matures.

All statistics show that electricity generation produces more CO2 emissions than any other sector (transportation being close behind). FPL believes the baseline for electric sources that should be regulated include all generators used to meet Florida electricity requirements including purchased power from out of state generators since much of Florida's electricity is generated outside of the state. Baselines should be updated every few years to reflect changes in customer loss/growth and adjustments to load requirements through franchise changes and new contracts.

FPL prefers a carbon fee approach since they believe a carbon fee would change behavior. The carbon fee approach would also avoid complexity and would create a revenue source that should go to research and development for technology. If Florida decides to go with a cap-and-trade program, FPL would like to see 100% of the allowances auctioned. If allowances are given away free, they should be limited and phased out quickly.

Barry Moline, Executive Director of the Florida Municipal Electric Association (FMEA), talked about his association's view. FMEA is the third largest electricity provider in the state with 13 of the 34 municipal electric companies generating electricity. There are cons to many of the renewable energy options being discussed: nuclear has waste that is difficult to dispose; wind turbines chop up birds; solar power is only available 25% of the day; and waste-to-energy plants have emissions. He also said that a carbon capture system is not something the industry can do on their own. It is going to take cooperation by industry, research, state, and federal government leaders.

Joe Kahn, the Director of the Division of Air Resources Management for the Department of Environmental Regulation gave a report on the greenhouse gas emissions from Florida's transportation sector and actions taken to date to reduce emissions. His Division is currently involved in rulemaking on the Governor's Executive Order for Florida to adopt California motor vehicle emissions standards and to adopt a statewide diesel engine idle reduction standard. Initial workshops were held in August and public comments were accepted until September 21. You can review public comments at www.dep.state.fl.us/climatechange/rulemaking.htm. The next round of workshops will be in November.

Mr. Kahn gave an overview to the Commission on where Florida gets its current fuel supply noting that Florida has no oil refineries and receives essentially all of its petroleum products by tanker and barge at coastal terminals around the state.

He also noted that the status quo for Florida is single occupancy vehicles (SOV) for most of our passenger trips. Floridians drive more each year and now consume about 10 billion gallons of fuel per year. With this increase in vehicle miles traveled, fuel consumption also increases and carbon dioxide emissions are proportional to the amount of fuel burned. A range of options will be required to reduce carbon dioxide emissions such as reduce the carbon content of the fuel; reduce vehicle fuel consumption; transportation and land use strategies; and strategies for freight transport and commercial traffic.

Steve Adams, the Director of Planning and Strategic Projects for DEP, reviewed the straw findings and recommendations for the Action Team. The recommendations can be found on the website www.dep.state.fl.us/climatechange. Several amendments were offered and many of them were adopted during last Friday's meeting. Secretary Sole announced that additional amendments could be made at the next meeting, which is currently scheduled for October 24 in Tallahassee. The Action Team needs to make its recommendations to the Governor by November 1. The Action Team report will include recommendations regarding Florida's energy policy, including legislative initiatives to enhance energy and conservation by incorporating greenhouse gas emission strategies as well as strategies to diversify fuels used to generate electricity. This first phase of the report will also establish policies for emission reporting and will create a registry to measure and document emission reductions. The action team will evaluate reducing greenhouse gas emissions from motor vehicles and will develop a plan for increasing renewable transportation fuels.

As we mentioned, the next meeting for the Action Team will be October 24 and Secretary Sole told the Commission that they will need two days to complete their work. He would like for the Commission to continue meeting on October 25.

AIF will continue to monitor the Governor's Action Team on Energy and Climate Change.

Energy

The House Energy Committee met this week under the leadership of its new **Chairman, Representative Paige Kreegel (R-Punta Gorda)**. He started the meeting by introducing the committee's new members – **Republicans Representative Don Brown (R-DeFuniak Springs); Representative Larry Cretul (R-Ocala); Representative Andy Gardiner (R-Orlando); Representative Kurt Kelly (R-Ocala); and Representative William Snyder (R-Stuart)** and Democrats **Representative Lorraine Ausley (D-Tallahassee) and Representative Shelley Vana (D-West Palm Beach)**. **Representative Bob Allen (R-Merritt Island) and Representative Marti Coley (R-Marianna)** are no longer serving on this committee. **Representative Steve Precourt (R-Winter Garden)** has been named Vice Chairman of the committee.

The Florida Department of Agriculture and Consumer Services Deputy Commissioner Jay Levenstein briefed the committee on the status of the "Farm to Fuel" program. According to Mr. Levenstein, Florida consumes more than 10 billion gallons of gasoline and diesel fuel per year and we depend almost exclusively on other states and nations for our supply of fuel. There is no ethanol production in Florida and limited bio diesel production.

Florida's farming industry has a total economic impact of \$97.84 billion and we rank number 1 in the United States in the production of many of the fruits and vegetables consumed today and rank 2nd in the sales of greenhouse and nursery products. Florida is one of the top four tree planting states in the nation with approximately 82 million trees planted each year. Most people do not realize that Florida ranks 11th in beef cows and 18th in total cattle. These statistics set the stage for the rest of Levenstein presentation.

With the large amount of farms and ranches Florida has an abundance of biomass. Examples of biomass include agriculture residues, animal manures, forest debris, leftover materials from the lumber industry, and invasive species. Ethanol is an alcohol-based alternative fuel typically produced by fermenting and distilling starch crops (i.e. corn) that have been converted into simple sugars. Cellulosic ethanol is a blend of ethanol that can be produced from a great diversity of biomass including waste from urban, agricultural, and forestry sources.

Currently there are 128 ethanol plants in the United States with 77 more under constructions and 7 plants are working on expansions. There are no plants in Florida. However, Florida has a potential ethanol feedstock including citrus peel and bagasse. Florida's citrus processing plants produce enough citrus waste annually to produce approximately 60 – 70 million gallons of ethanol. The Florida Sugar Industry use bagasse as boiler fuel for steam and power cogeneration. Its value can be upgraded by converting it to ethanol. Deputy Commissioner Levenstein joked about the line in the new television series "Cane" where the lead character states that "Sugar is the new oil." He said that is not quite true but sugar waste could produce a valuable fuel.

Something that surprised many committee members was that invasive species can be used as a fuel source. Florida has a problem with invasive species such as Melaleuca and Brazilian Pepper and these materials could be burned and used as fuels.

The next area for discussion was bio diesel, which can be blended with diesel to create a blend for use in all diesel powered vehicles. Soybean is the most popular feedstock for bio diesel, but Florida also has natural substances such as algae and Jatropha that could be used as feedstock. Soybean can produce 70 gallons per acre of bio diesel, but Jatropha can produce more than 1,000 gallons bio diesel per acre per year. Jatropha is resistant to drought and thrives on any type of soil. Florida has 2 bio diesel plants. The US currently has 148 plants and has 96 plants under construction and 5 expansions.

Biogas refers to a bio fuels produced by the anaerobic digestion or fermentation of organic matter including manure, sewage sludge, municipal solid waste, biodegradable waste or any other biodegradable feedstock, under anaerobic conditions. Biogas is comprised primarily of methane and carbon dioxide. There are a lot of pros and cons to biogas as it is a production of "green energy" and helps eliminate waste but the initial capital cost and interconnection issues are major barriers.

Deputy Commissioner Levenstein explained the 25 x 25 Vision: *"By the year 2025, America's farms, ranches and forests will provide 25 percent of the total energy consumed in the U.S. while continuing to produce safe, abundant and affordable food, feed and fiber."* He told the committee members that the "Farm-to-Fuel" program in Florida has a grants program for renewable energy matching grants for demonstration, commercialization, research, and development projects relating to bio energy. The deadline for the grant applications is October 26, 2007 and grant winners will be announced in January, 2008. For more information on the grant process go to www.floridafarmtofuel.com/grant.htm

Jeremy Susac, the new Director of the Florida Energy Office in the Department of Environmental Protection, gave the next presentation. He explained that the Florida Energy Office has two program areas: State Energy and Siting Coordination. The State Energy Program includes energy efficiency; bio energy; solar and wind; hydrogen and other renewable energy. His office is also responsible for the coordination of fuel supply and requests by local governments, law enforcement and healthcare facilities across Florida during hurricanes and other natural disasters. According the Mr. Susac, the mission of the Siting Coordination program is to coordinate the review of siting applications submitted to the Department of Environmental Protection.

The Florida Energy Office also coordinates a renewable energy grant program. In 2006-07 the Florida Energy Office received \$15 million for grants. So far 8 grant recipients have been announced. In 2007-

08, the Legislature appropriated \$12.5 million for grants and proposals are due by October 18, 2007. Amounts for the grants range from \$400,000 to a maximum of \$2.5 million.

The Florida Energy Office is also responsible for specific sales tax credit programs:

- The Renewable Energy Corporate Tax Program - will make the sale or use of specific “clean fuels” in Florida sales tax exempt up to a certain threshold. The Department of Revenue has a rule development workshop scheduled for October 8, 2007. It will be the responsibility of the Florida Energy Office to review, evaluate and issue a written certification document to approve expenses that the applicant can submit to DOR for the sales tax exemption.
- The Renewable Energy Corporate Tax Program – provides tax exemptions on 75 percent of all capital cost, operation and maintenance costs, and research and development costs incurred between July 1, 2006 and June 30, 2010, for hydrogen vehicles, fueling infrastructure, stationary hydrogen fuel cells, bio diesel and ethanol a credit on their state tax return. Again, the Florida Energy Office is responsible for evaluating applications and issuing a written certification document that they applicant can file with DOR.
- The Solar Energy Rebate Program - began in July 2006 and is the most successful program to date. Any resident of Florida who purchases and installs a new solar energy system from July 1, 2006, through June 30, 2010, is eligible for a rebate on a portion of the purchase price of that solar energy system. The system must meet certain requirements.

Lisa Edgar, the Chair of the Public Service Commission, talked about the role of the PSC. The mission of the PSC is *“to make sure that Florida’s consumers receive their electric, natural gas, telephone, water and wastewater services in a safe, affordable, and reliable manner.”* Chair Edgar talked about the energy activities the PSC has worked on since the 2007 Legislative Session. They have worked with the state’s utilities to identify ways to improve the durability, resilience, and restoration capabilities of Florida’s transmission and distribution system. The PSC is also continuing its efforts to advance the development of additional renewable energy sources in Florida. Finally she talked about electric generation capacity and how the PSC continues to try to balance the growing demand for energy with the importance of expanding energy security, conservation and diversification.

Cindy Littlejohn, the Director of Governmental Affairs for the University of Florida/Institute of Food and Agricultural Services (IFAS) gave a presentation on the initiatives taking place at UF. Currently UF/IFAS has more than 100 scientists working in bio energy research, teaching and extension. Dr. Lonnie Ingram and his team have 20 patents for cellulosic ethanol. Under a new Center of Excellence for Bio energy at UF, a Bio fuel Pilot Plant is currently under construction to study bio diesel, cellulosic ethanol, and other biogases. The state is building a new Research and Demonstration Cellulosic Ethanol Plant new South Bay in Palm Beach County that should be fully operational by February 2009.

Janice Browning, Director of the Division of Housing and Community Development – Florida Department of Community Affairs talked about the “Green Building” Initiative where they are working on a model ordinance for local governments to use. There have been meetings of stakeholders and they will continue to meet in the fall so they can make recommendations to the Florida Building Commission in January 2008. A report will be delivered to the Legislature in February 2008. The Florida Building Commission is also working on a public awareness campaign. DCA will be spending most of its money for a website in conjunction with the Florida Solar Energy Center to educate the public.

Chair Kreegel announced the next meeting for the Committee on Energy will be in November.

During the meeting, **Chairman Kreegel** asked most of the speakers if Florida has enough land to produce crops for alternative fuels without cutting into our food source. It was an interesting question that none of the presenters had an answer for.

Environmental

AIF was actively involved with the alternative water supply funding issue last week as the House and Senate tried to find ways to make cuts to the budget they approved during the 2007 Legislative Session. AIF helped coordinated efforts for the Florida Water Alliance, a broad based coalition including AIF members, environmental organizations, business associations, local governments, and Water Management Districts. Over 30 different organizations joined together to save vital funding for water programs. Keyna Cory, Chief Lobbyist for AIF, testified before the House Policy and Budget Council and the Senate Committee on General Government Appropriation stressing the importance of the funding for alternative water supply programs. Without water, the economic development needed to help Florida's sluggish economy will not happen.

As Florida's population continues to soar, it is estimated the State will require 26% more gallons of fresh water per day by the year 2020. This staggering statistic is even more relevant at a time when Florida is experiencing one of the driest spells on record. Worsening drought conditions and a lack of adequate water reserves are causing concern among environmentalist, businesses and local governments who urged legislators to continue funding alternative water supply projects. With the state's rising population along with an increasing number of tourist and decreasing useable water resources, the need is critical for Florida to identify environmentally sound and responsible long-term water initiatives.

In 2005, the Water Protection and Sustainability Trust Fund (WPSTF) was established designating \$100 million to go towards developing alternative water supply projects. There is a 5 to 1 return on the state investment of dollars for alternative water supply projects. According to the Department of Environmental Protection the state has invested \$160 million with a collective match by the Water Management District of \$132 million and local sponsor match of \$1.6 billion giving a total estimated construction cost of projects - \$2.5 billion. "New" water created when projects go into operation will be 725 million gallons per day.

Water projects currently underway as a result of these funds include the development of reclaimed water projects; desalination efforts; reused water for watering lawns/golf courses; and rain water reservation.

With an expected 21.8 million residents consuming 9.1 billion gallons of water per day in 2020, a water shortage presents an imminent threat to all Floridians. Not enough water resources means residential, school and commercial developments would stall, tourism would suffer and farming communities face lost crops and jobs.

Agriculture is Florida's second largest industry and the state's largest user of water, accounting for approximately 50% of all freshwater used. Cutting the funding for alternative water supplies puts Florida's agriculture industry and our state economy at too great a risk. Lake Okeechobee is at an all time low and is below 10 feet and without alternative water supply programs in place; South Florida will not have a back up water supply.

Currently the alternative water supply program has received a reduction but not as much as originally outlined in the House budget proposal. AIF and the Florida Water Alliance realizes that with the bad economic situation in Florida cuts were inevitable but are happy that cuts are not as much as originally proposed.

Transportation

The Senate Transportation Committee met on Tuesday, October 2. Florida Department of Transportation Secretary (FDOT), Stephanie Kopelousos, gave a presentation regarding major transportation project in Florida, transportation financing, public-private partnerships and aggregates.

Currently, there are nine projects across Florida being proposed for public private partnerships. These projects are located in Duval, Volusia, Palm Beach, Broward, Dade, Lee and Hillsborough counties where several have already been awarded to private groups to begin construction. Secretary Kopelousos reported that there were some concerns with the local public financing component of one particular project however, the Port of Miami tunnel which could endanger the integrity of the project and completion dates.

Secretary Kopelousos also spoke about the current transportation project in central Florida known as the CSX/Central Florida Commuter Rail. This project is a partnership between CSX, Federal, State and local authorities to convert a central Florida transit railway to commuter lines. The project will be funded 50% by the Federal government, 25% by the state and 25% by local governments. The project will need legislative approval however in Tallahassee and several members of the Transportation Committee expressed their desire to have a separate committee hearing on the project.

Lastly, the Secretary touched on the declining supply of aggregates in the state, and particularly the effect of the recent ruling that stops mining in the Lake Belt region, a region in South Florida where over 30% of Florida's domestic aggregate supply is delivered. Due to this and local government's recent propensity to halt mining, the state expects a rise in aggregate costs and believes Florida is in for more cost increases. Secretary Kopelousos also suggested that the FDOT was going to await the result of the Aggregate Strategic Task force before asking the Legislature to consider legislation for 2008.

Privacy

The House Select Committee to Protect Personal Information met on Thursday, October 4 for the first time this year. This Select Committee was created by **House Speaker Marco Rubio (R-Miami)** to examine the various state and federal laws governing the dissemination of private information held by state and local governments, for-profit businesses and not-for-profit charitable organizations. The committee will also develop, vet and recommend legislation to protect Floridians from the inappropriate distribution of private information to third parties.

AIF's Nick Iarossi met with the **Chairman Representative Bill Proctor (R-St. Augustine)** before the meeting and according to Chairman Proctor it would be best to limit what the committee considers to information collected by the government before looking at the private sector. That is exactly what Representative Proctor recommended to the committee during the committee meeting and seemed to have support for that narrow initial approach from the members.

The committee heard a thorough presentation from staff person, Heather Williamson about existing state and federal laws governing the use and collection of personal information and then Representative Proctor decided to have the committee study the following regarding government collection of personal information:

1. What personal information does government solicit and why?
2. How does government secure such personal information?
3. How does government dispose of such personal information?

These issues will be discussed at their next committee meeting, that date of which is yet to be announced.

Healthcare

Both the House and Senate proposed a 3% reduction for Medicaid providers, including nursing homes, hospitals, and HMOs. Both the House and Senate proposals contain language that assesses penalties for clients of the Nursing Home diversion program who leave the program and are admitted into a nursing home. They also add 1000 new slots for the diversion program; the program currently has an 800 person waiting list. Additionally, the cuts included a \$2.2 million reduction in the Alzheimer's Dementia Specific Waiver as well as cuts to the Johnnie Byrd Alzheimer's Center.