

MINUTES
JOINT INTERIM COMMITTEE ON ENERGY
SENATE AND HOUSE INTERIM COMMITTEES ON INSURANCE AND COMMERCE
SENATE INTERIM COMMITTEE ON
STATE AGENCIES AND GOVERNMENTAL AFFAIRS
Pinnacle V-VIII, Embassy Suites Northwest Arkansas, 3303 Pinnacle Hills Parkway
Rogers, Arkansas
September 27, 2016

Committee Members Present: Senators Eddie Joe Williams, Vice Chairman; Jason Rapert, Chairman; Representatives Bob Ballinger, Co-Chairman; Rick Beck, Vice Chairman; John Baine, Jack Ladyman, Robin Lundstrum, and Ken Henderson.

Alternates Present: Representative Ken Bragg.

Also attending: Representatives Ron McNair, Stephen Meeks, Sue Scott, and Jim Dotson.

Representative Ballinger welcomed members and guests and noted the meeting would need to conclude by 8:00 a.m.

SOUTHWEST POWER POOL (SPP) OVERVIEW

Mr. Sam Ellis, Director, Systems Operations, SPP, **[Power Point Presentation]**
was recognized and stated SPP is 75 years old this year and its mission is helping members work together to keep the lights on... today and in the future. In 2004, the Federal Energy Regulatory Commission recognized SPP as a regional transmission organization. The Board of Directors is independent; therefore they do not have a financial stake in any of the members. SPP's headquarters is in Little Rock and another site in Maumelle, with about 600 employees, and serving 14 states. Coal is the major fuel source followed by natural gas, and wind usage is currently 13%. SPP has over 61,000 miles of transmission lines in its footprint. The cost to residential customers is typically 60¢/month, and they are provided a \$600 annual benefit.

SPP operates two types of markets: 1.) Transmission – where participants buy and sell use of regional transmission lines owned by different parties, and 2.) Market Place – where participants buy and sell wholesale electricity in day-ahead and real-time with over 700 generation resources.

Senator Rapert asked about the most expensive form of energy generation. Mr. Ellis replied that wind and hydroelectric are the cheapest forms of energy (after infrastructure installation) followed by natural gas and coal, which are currently neck and neck.

Mr. Ellis stated the way the market is designed the only discriminatory factor is cost. SPP uses the cheapest resources available.

Senator Williams commented the cost to the customer to produce a kilowatt of renewable is about 27¢/kilowatt hour. If mixing coal, gas, and water it averages about 4¢/kilowatt hour. The base load that is required by consumers is constant no matter what. When there is no wind and no sun, a base load is still needed to survive. Until there is the ability to store energy, the cost of renewables will be astronomical to consumers.

MIDCONTINENT INDEPENDENT SYSTEM OPERATOR (MISO) OVERVIEW

Mr. Todd Hillman, Vice President, MISO, was introduced and explained MISO is a regional transmission organization. With the addition of wind and more renewables being added to the system there is more disruption, such as more natural gas usage and less coal which affects dispatch and outage coordination. The amount of compliance and oversight cost has increased dramatically. MISO, SPP and others are still working on what the Clean Power Plan and the National Ambient Air Quality Standards will mean in the market.

Low energy prices are both good and bad news, as it helps consumers but doesn't attract emerging technologies to the state. Distributed generation, storage and building infrastructure are essential to meeting demand and have disrupted the energy market. MISO continues to work with the utilities and regulators to make sure value is created and preserved.

There being no further business, the meeting adjourned at 8:02 a.m.