

**MINUTES
JOINT INTERIM COMMITTEE ON ENERGY
Room 171, State Capitol
Little Rock, Arkansas
Monday, December 11, 2017**

The Joint Interim Committee on Energy met at 1:30 p.m. Monday, December 11, 2017, in Room 171 at the State Capitol in Little Rock, Arkansas.

Committee members present: Senators Bryan King, Co-Chair; Cecile Bledsoe, Stephanie Flowers, Jonathan Dismang, and Linda Collins-Smith. Representatives Rick Beck, Co-Chair; Ken Henderson, Vice-Chair; Matthew Shepherd, Ken Bragg, , Kim Hendren, Robin Lundstrum, Grant Hodges, Justin Gonzales, James Sorvillo, and Steve Hollowell.

Alternate members present: Representatives Charlotte Douglas, and DeAnn Vaught.

Also attending: Senators Linda Chesterfield and Trent Garner. Representatives Jim Dotson, Trevor Drown, Vivian Flowers, Kenneth Ferguson, David Hillman, Stephen Meeks, Austin McCollum, Laurie Rushing, Reginald Murdock, Aaron Pilkington, Brandt Smith and Johnny Rye.

Senator King called the meeting to order.

Senator King noted focus is on renewable energy and some members are thinking about a possible trip out west this summer to look at renewable energy use with solar and wind.

CONSIDERATION TO APPROVE RESPECTIVE MINUTES [EXHIBITS C-1, C-2]

Representative Henderson made a motion to approve the August 28 and August 29, 2017, meeting minutes. The motion was seconded by Representative Beck, and the motion carried.

ADVANCED ENERGY IN ARKANSAS [POWERPOINT 1 and HANDOUT 1]

Ms. Katie Niebaum, Executive Director, Arkansas Advanced Energy Association (AAEA), noted the Department of Labor released studies that the U.S. economy is projected to add 11.5 million jobs over the next decade. It showed solar installers and wind technicians as the two most in-demand jobs for the energy sector. U.S. solar output increased 47% in 2017 from 2016.

Ms. Niebaum highlighted Arkansas policies fostering energy job growth: Arkansas Energy Performance Contracting, launched in 2014, has been a key economic development success story. The Arkansas Energy Office estimates the total value of projects is over \$75 million. This method of finance provides tax-payer-funded entities the opportunity to complete a comprehensive set of energy efficiency, capital infrastructure, and renewable energy measures at no up-front cost. U of A, ASU, the Department of Corrections and Pulaski and Sebastian Counties are using this. Several energy service companies have made investments in Arkansas, and local companies are participating as well. The energy office estimates the impact of these projects equals three times the total dollar amount of a project for an Arkansas community.

Property Assessed Clean Energy financing (PACE) in 2013 was seen as an answer to the financing barrier but it was determined this policy was better for private property owners than for commercial. The program has promise for property owners to make energy-saving investments in their properties. There are two active PACE districts in the state, combined districts of Fayetteville and Springdale, and Pulaski County.

Net metering hearing – Public Service Commission (PSC) proceedings – The Arkansas PSC just completed this hearing, and the AAEA is an intervening party in that docket. There is potential to expand renewable energy

generation and other technologies which would benefit the state's economy by creating jobs and lowering costs. AAEA urges the Commission to allow the market to continue without policy barriers that would stunt growth.

Representative Beck asked about general policy changes for net metering. Ms. Niebaum noted AAEA supports net metering in Arkansas, and she stated the Joint Energy Committee should look at the future definition expansion of 'what is an owner', to include tenant, and third party ownership.

AMERICAN ELECTRIC POWER SOUTHWESTERN ELECTRIC POWER COMPANY'S (SWEPCO) WIND ENERGY PROJECT [POWERPOINT 2 and HANDOUT 2]

Mr. Bradley Hardin, State Government Affairs Manager, SWEPCO, noted members of the Energy Committee received an email in late July announcing that SWEPCO and its sister company, Public Service of Oklahoma (PSO), are undertaking a new wind energy project known as, Wind Catcher, which will be a 2,000 megawatt wind farm located on 300,000 acres with 800 turbines in the western two counties of the Oklahoma panhandle. Comparatively, SWEPCO's Flint Creek Power Plant in northwest Arkansas and Turk Power Plant in southwest Arkansas each have a generating capacity of approximately 600 megawatts. It is a \$4.5 billion project of which SWEPCO's share is \$3.2 billion or 70%. A wind facility is built where the wind is greatest, and via a transmission system, the energy is sent to its destination, as it cannot be stored.

Mr. Hardin noted most of the energy consumed by SWEPCO customers is generated by SWEPCO power plants, however, as part of the regional transmission organization, Southwest Power Pool (SPP), there are times when SWEPCO can purchase power for less than generating it. The regulator compact provides the next kilowatt sold will be the lowest cost kilowatt hour, so there are times when the energy consumed by SWEPCO customers is coming from elsewhere, because it is cheaper than generating from one of its particular plants at that specific time. Conversely, there are times when SWEPCO customers are consuming all SWEPCO can generate and selling elsewhere too because at that specific time the lowest priced energy is coming from SWEPCO generating plants.

The Wind Catcher Project is targeted to be completed before 2020 and to go into commercial operation in January 2021. The proposed dedicated, 350 mile, 765-kV alternating current transmission line will interconnect with the PSO system, and American Electric Power System and then on to transmission systems managed by the SPP. It is a dedicated line that does not interconnect with anything else; a straight shot without exits or feeder ramps, which cause congestion to the line. Mr. Hardin stated that once the generation-tie line interconnects north of Tulsa, there is an existing transmission grid to deliver energy to customers in Louisiana, Arkansas, and Texas.

The tower heights include the turbine hub at 290 feet, and the tip of the blade will extend 500 feet vertically. General Electric will produce the turbine hubs. As much as possible, manufacturing will be done in the states that SWEPCO and PSO serve; it is anticipated 30% of the wind turbine blades will be manufactured in Arkansas, 30% of the towers will be manufactured in Oklahoma, Texas or Louisiana, and 30% of the generator frames will be manufactured in Louisiana. This is utility-scale wind generation.

Senator Bledsoe asked for clarification of how coal and lignite would be reduced approximately 36% to 45% between 2017 and 2022 and not appreciably hurt the energy production in Arkansas. Mr. Hardin replied that over a five-year period, generation from wind will increase from 8% to 26%, gas will decrease from 45% to 33%, and coal and lignite power generation will reduce from 45% to 36%. It is anticipated there will be a reduction in the dispatch of coal, lignite, and natural gas plants over the 25-year period. However, existing Arkansas units, Turk and Flint Creek, are forecasted to have a reduction of 0.9%, so there will not be measurable impact to the operation or employment at those plants.

Representative Hendren asked what happens if the people of Oklahoma block the new line like Arkansas blocked Clean Line. Mr. Hardin stated there are no problems in Oklahoma regarding the new line, and

construction is underway by a company called Invenergy. Upon completion of the project, SWEPCO and PSO will acquire ownership of the facility. SWEPCO has filed applications for approvals and hearings and has requested expedited review and hearing in an effort to have a decision by the end of April. There are no assurances of approval, and if it does not get approval, the project may not go forward. If SWEPCO does not receive regulatory approvals then it would withdraw from the project for failure to having received regulatory approval which means it would become an Invenergy issue, not SWEPCO or PSO.

Representative Hendren asked about residential and commercial costs; and when SWEPCO and PSO have ownership, will it have eminent domain authority. Mr. Hardin noted SWEPCO Arkansas customers' rate per kilowatt hour for a residence is about 7.8¢ - 8.1¢; commercial rate for kilowatt per hour is 5.5¢ - 6¢. Mr. Hardin stated that the PSO as a regulated utility in the state of Oklahoma has eminent domain authority.

OTHER BUSINESS

With no further business, the meeting adjourned at 2:52 p.m.