

MINUTES
JOINT INTERIM COMMITTEE ON ENERGY
State Capitol, Room 149, Little Rock, Arkansas
Thursday, June 14, 2012

The Joint Interim Committee on Energy met Thursday, June 14, 2012, at 3:00 P.M. in Room 149 of the State Capitol in Little Rock, Arkansas.

Committee members present: Senators Kim Hendren, Co-Chair; Randy Lavery and Jerry Taylor. Representatives David Branscum, Vice-Chair; John Burriss, Larry Cowling, Jane English, Betty Overbey, David Sanders, Matthew Shepherd, Garry Smith, and Gary Stubblefield.

Alternate members present: Representatives Linda Collins-Smith, Kim Hammer, Andrea Lea, Loy Mauch, and Walls McCrary.

Also attending: Senators Jim Luker and Mike Fletcher and Representatives Duncan Baird and Jon Hubbard.

Senator Hendren called the meeting to order. Representative Branscum presided.

CONSIDERATION TO APPROVE MAY 17, 2012, MEETING MINUTES [EXHIBIT D]

Representative Smith made the motion to approve the May 17, 2012, meeting minutes. Senator Taylor seconded the motion, and the motion carried.

Senator Hendren wants to know the committee's thoughts on meeting in northwest Arkansas, September 13 – 15, 2012. He noted the Arkansas/Alabama football game is on Saturday, September 15. The meetings may include Beaver Dam and Flint Creek Power Plant tours.

WHAT RENEWABLE ENERGY INCENTIVES MAKE SENSE FOR ARKANSAS

Mr. William Ball, President, Natural Environments, Inc. (dba Stellar Sun), presented a PowerPoint entitled, "Renewable Energy Incentives in Arkansas" [ATTACHMENT 1], and said he helped bring net metering to Arkansas with the Renewable Energy Development Act of 2001. It was amended in 2007 to allow net meter customers to carry over excess power from month to month. During the 2013 session, he would like to have the Clean Local Energy Access Now (CLEAN) Energy Act introduced. [HANDOUTS E-1 & E-2]

Mr. Ball said it is important to know how other states address renewable energy incentives and explained several options:

- Grants – Grants rely on extra money and are not long-term ways to develop renewable energy. Puerto Rico (PR) and 15 states offer grants for renewables.
- Public Benefit Fund (PBF) – Allows states to set aside money from utility rates to pay renewable energy incentives. Washington D.C., PR, and 18 states have a PBF. Mr. Ball noted someone must manage and direct the funds to be productive.
- Property Assessed Clean Energy (PACE) Act – PACE widens financing options by allowing individuals to finance for renewable energy installations with property tax. Washington D.C. and 28 states authorize PACE.
- Property Tax Incentives for Renewables – These incentives are attractive to investors, but if Arkansas chooses PACE, wind and solar investments should have limited property tax exemptions. When companies make large investments in small towns, the areas usually need these taxes for improvements. PR and 38 states offer property tax incentives for renewable energy investments.
- Sales Tax Incentives for Renewables – Arkansas could easily offer sales tax incentives for renewables, because there is virtually no renewable energy sold in the state at this time. PR and 29 states offer sales tax incentives for renewables. He noted tax incentives are subject to political whim and budget constraints and often do not address issues in the proper sector.
- Tax Credits for Renewables – Provides tax credits for renewable energy investment costs. Mr. Ball said Arkansas could not afford this option. Currently, 24 states offer tax credits for renewables.

- Renewable Portfolio Standard (RPS) Policies – Require states to obtain a certain percentage of electricity from renewable energy sources by a given date. An RPS puts purchase control in utility companies' hands, so ratepayer dollars often go out of state. Thirty-six states have RPS; many use performance-based contracts, feed-in tariffs, and power purchase agreements to meet the policies' goals.
- RPS Policies with Solar/Distributed Generation Provisions – Require a certain percentage of electricity to come from renewable distributed generation sources (small businesses, homeowners, farmers, etc.) by a given date.
- Third-Party Solar PV Power Purchase Agreement – A financial arrangement in which a third-party developer owns, operates, and maintains a photovoltaic system; and a host customer agrees to site the system on their property and purchase its electricity for a predetermined period. Mr. Ball said developers rarely approach Arkansas property owners to make these agreements, because the investment return here is poor.
- Rebate Programs for Renewables – Rebates that reimburse investors a percentage of the purchase price for renewable energy investments. Mr. Ball said rebates are very effective if structured correctly, but are not a long-term development approach.
- Loan Programs for Renewables – Offer special loans for investments in renewable energy. Arkansas is one of 38 states offering loan programs for renewables, budgeting \$10,000 for these programs.
- Net metering – Allows customers to generate their own power and send excess power to the grid. PR and Washington D.C. allow net metering. Arkansas is the thirty-third of 43 states to adopt a net metering policy.
- Interconnection Policies – Allow net metering facilities to connect with the grid and is required if a state allows net metering.

Mr. Ball said Arkansas has an ineffective renewable energy loan program; a net metering program that scores a "D" on the national scale; and an interconnection agreement that prevents governmental and institutional net-metering facilities from turning on their systems. He believes Arkansas should establish a long-term renewable energy plan and pay for it over a long period. Requiring energy-saving specifications in new construction is the key to making the long-term approach successful. Requiring Power Purchase Agreements and considering avoided costs would provide a valuable tool to the PSC that allows involved parties to discuss ways to set up these contracts. Mr. Ball wants Arkansas to adopt his proposed CLEAN Energy Act of 2013 which would allow the PSC to set up rules and procedures and require utilities to purchase at least 600 megawatts of renewable energy at various standard-offered contracts. This amounts to about 4.5% of Arkansas's annual energy use.

Mr. Ball said generating renewable energy in Arkansas benefits the state's electricity ratepayers because it:

- Hedges against inflation of conventional fuel prices
- Minimizes the effects of price volatility
- Reduces conventional energy generation purchases
- Avoids transmission and distribution investments

Mr. Ball said his proposed CLEAN Energy Act of 2013 would:

- Develop renewable energy in a safe and efficient manner
- Generate renewable energy in Arkansas
- Create thousands of in-state jobs
- Keep federal tax credit dollars in Arkansas
- Generate sales and income tax dollars
- Benefit ratepayers
- Benefit all forms of renewable energy
- Improve Arkansas's natural environment

Representative Burris said if responsibility for CLEAN lies with the PSC, Arkansas should consider a cooling-off requirement for former commission regulators before they can work for a utility.

Senator Hendren introduced Dan Douglas. He will be representing House District 91 next session.

Senator Laverty was recognized to announce the Energy Council's Annual Meeting will be in Little Rock, September 20-23, 2012. He encouraged members to attend. Representative Branscum noted Senator Laverty is currently Chairman of the Council.

CONSIDERATION TO ADOPT INTERIM RESOLUTION 2011-008, "REQUESTING THAT THE INTERIM JOINT COMMITTEE ON ENERGY URGE QUICK CONGRESSIONAL ACTION ON THE RECOMMENDATIONS OF THE BLUE RIBBON COMMISSION ON AMERICA'S NUCLEAR FUTURE." (EXHIBITS F & F-1; HANDOUTS F-1, F-2, F-3, F-4, F-5, & F-6)

Representatives Burris and Lea were recognized to present Interim Resolution 2011-008. The Nuclear Waste Policy Act of 1982 created a procedure for storing radioactive waste by the mid-1990s. Representative Lea said this has not happened. Yucca Mountain is closed, and the U.S. has no place to store nuclear waste in one location.

The Act established a Nuclear Waste Fund with fees levied against electric utilities to pay for constructing and operating a permanent repository. Representative Lea said several states are interested in storing the waste, but no one is pursuing the issue. IR 2011-008 encourages Congress to use the fund as intended and address the nuclear waste storage issue.

Representative Smith made a motion to adopt IR 2011-008. The motion was seconded by Senator Taylor, and the motion carried.

Senator Hendren said with committee approval, he wants staff to poll them (via email) to assess interest in a northwest Arkansas September meeting. Rep. Branscum said it would be appropriate, and asked staff to poll the committee.

With no further business, the meeting adjourned at 4:20 P.M.