

**DRAFT 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 26, 2016**

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

Alternates Present: Representatives David Branscum and Ken Bragg.

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

Representative Ballinger called the meeting to order and welcomed members and guests. Senators Williams and Rapert also made opening remarks.

CONSIDERATION TO APPROVE MINUTES OF RESPECTIVE COMMITTEES [Exhibits C-1, C-2]

Representative Ladyman made a motion to approve the May 13, 2016, Joint Energy Committee minutes, and with a second by Senator Williams, the motion carried.

Senator Rapert made a motion to approve the August 17, 2016, Senate and House Insurance and Commerce Committees' minutes, and with a second by Representative Baine, the motion carried.

OVERVIEW OF SOUTHERN STATES ENERGY BOARD (SSEB)

Mr. Kenneth Nemeth, Secretary to the Board, Executive Director, SSEB, [PowerPoint Presentation #1] was recognized and stated the SSEB comprises 16 states and 2 territories (Puerto Rico and U.S. Virgin Islands) totaling 18 jurisdictions. Each jurisdiction is represented by the governor, a member of the House and a member of the Senate as well as a federal representative appointed by the President. Associate members are industry partners who contribute to the Board from the non-governmental sector. SSEB's mission is to enhance economic development and quality of life in the south through innovations in energy and environmental programs, policies and technologies. He noted he was excited to have Governor Hutchinson as chairman and looking forward to having him next year as well.

Mr. John Bethel, Executive Director, Public Service Commission (PSC) and Mr. Ted Thomas, Chairman, PSC, were recognized. Mr. Bethel explained the Clean Power Plan (CPP) has been stayed by the U.S. Supreme Court. Due to lower gas prices, Arkansas is currently using more gas and less coal, consequently the emissions are in compliance with the CPP targets.

The PSC is working to implement the provisions of ACT 827 [of 2015] for net-metering. There are 2 phases:

1. Updating the commission's rules to conform to the statute changes on net-metering—PSC will hold an October 4, 2016, hearing to consider the changes, and once approved it then goes before the Legislative Council's Rules and Regulations Subcommittee.

2. Rates - evaluate rates and make sure customers pay their cost of service and also consider alternative rate structures to determine if changes should be made.

The PSC also has a separate proceeding looking at ways to accommodate distributed generation on the system other than net-metering facilities. This is still in the comment phase and is set for hearing in October.

Mr. Bethel concluded that the PSC is researching a 3-year proposal (2019-2021) Entergy filed last week to consider installing automated metering.

Senator Williams stated the amount Arkansans pay for utilities is fragile and could change so quickly. Arkansas is ranked 4th or 5th in cheapest utility rates in the U.S. due to its diversity. A change to renewable energy without co-mingling with fossil fuels would skyrocket rates almost overnight. Natural gas has a 30-60-90 day spot price, but with coal there are 10-20 year contracts. The cost is much more stable with coal, whereas with gas it fluctuates daily.

Mr. Randy Eminger, Executive Director, Energy Policy Network, [PowerPoint Presentation #2] was introduced and explained the Environmental Protection Agency (EPA) has issued a Federal Implementation Plan (FIP) for Arkansas. The plan is intended to improve visibility at national parks and wilderness areas — specifically, the Caney Creek and Upper Buffalo wilderness in Arkansas, both of which are affected by pollution from the White Bluff and Independence Power Plants. The EPA wants scrubbers installed to both plants, with an estimated cost of \$2 billion, and a deadline of 5 years. Arkansas Department of Environmental Quality (ADEQ) models show Arkansas is actually exceeding the visibility goal, yet the EPA has ignored those models. The governor has asked the ADEQ to meet with the Attorney General's Office and look at seeking every legal avenue possible in order to stop the EPA from enforcing these unnecessary issues.

Representative Ballinger concluded that as litigation proceeds between the state and the EPA, it would probably be a good idea for discussion at a future Joint Energy meeting.

There being no further business, the meeting adjourned at 8:13 a.m.