

**MINUTES
JOINT INTERIM COMMITTEE ON ENERGY
Room A, MAC
Little Rock, Arkansas
Tuesday, January 30, 2018**

The Joint Interim Committee on Energy met at 10:00 a.m. Tuesday, January 30, 2018, in Room A of the Multi Agency Complex Building in Little Rock, Arkansas.

Committee members present: Senators Bryan King, Co-Chair; Cecile Bledsoe, Stephanie Flowers, Alan Clark, Gary Stubblefield, and Linda Collins-Smith. Representatives Rick Beck, Co-Chair; Ken Henderson, Vice-Chair; Matthew Shepherd, Ken Bragg, Bob Ballinger, Kim Hendren, Grant Hodges, Justin Gonzales, James Sorvillo, Steve Hollowell, and Danny Watson.

Alternate members present: Representatives Charlotte Douglas, Mark McElroy, Ron McNair, and DeAnn Vaught.

Also attending: Senators Larry Teague. Representatives Jack Fortner, Lane Jean, Roger Lynch, Stephen Meeks, Aaron Pilkington, Marcus Richmond, Johnny Rye, and Fred Allen.

Senator King called the meeting to order.

Senator King noted the committee is working on a possible energy trip to either North Carolina or the Oregon area, and asked members to let staff know if interested in the trip.

CONSIDERATION TO APPROVE RESPECTIVE MINUTES

[EXHIBIT C]

Senator Bledsoe made a motion to approve the December 11, 2017, meeting minutes. The motion was seconded by Senator Flowers, and the motion carried.

FEDERAL CORPORATE INCOME TAX RATE CHANGE AND OPEN PUBLIC SERVICE COMMISSION PROCEEDING TO ADDRESS IT

[POWERPOINT]

Mr. John Bethel, Director, Arkansas Public Service Commission (PSC), noted the federal Tax Relief Act, signed December 22, 2017, went into effect January 1, 2018, reducing federal corporate income tax rates from 35% to 21%. The last federal corporate income tax rate change occurred in 1986.

Currently, the PSC is monitoring activities in other states to learn from them. This is affecting utilities across the country.

In January 2018, Governor Hutchinson sent a letter to the PSC requesting action to reflect the lower tax rate on utility bills as soon as possible. In response, the commission opened a docket proceeding [No. 18-006-U] January 12, 2018, and directed the utilities that filings are due by February 12, 2018. They are to quantify the effect of the tax rate change. The amount will be different for each company because of their unique circumstances. There are eight companies that are affected by this proceeding:

- Four investor-owned electric utilities, Entergy Arkansas, Inc., Southwestern Electric Power Co. (SWEPCO), Oklahoma Gas & Electric Co. (OG&E), and The Empire District Electric Co.;
- Three investor-owned gas utilities, CenterPoint Energy Arkansas, Black Hills Energy Arkansas, and Arkansas Oklahoma Gas Corp.;
- One investor-owned water utility, Liberty Utilities in Pine Bluff

There are different ways the effect of the tax rate change can flow to customers' bills:

- A monthly credit to customers for several months going forward (this was used in 1986 with the reduced corporate income tax rate)
- Adjust utilities' base rates (which are approved by the PSC)
- A combination of approaches may also be utilized

Senator King asked about the impact on businesses and residents. Mr. Bethel noted the dollar effect is unknown, but there will be a better understanding of individual customers' rates after the February 12 filings. Each of the utilities will quantify what their dollar value is, and that will be applied to the different customer classes and rate schedules. If the PSC receives the quantifications in February, approximately mid-year the impact will be seen. The PSC will capture the difference in rates from January 1, but it will take time to develop and implement the new rates.

Representative Sorvillo asked if the rate decrease would be retroactive to January and if that will be a credit issued back to the consumers' bills. Mr. Bethel noted when the rate adjustment happens, it will show up over a period of months on the consumers' bills. Part of the process is to ascertain how large a number the PSC is dealing with, how best to apply it and recover it over a reasonable period of time, and that it is a financially manageable adjustment for the utility companies as well.

Representative Rye asked how consumers will recognize a credit on their bill. Mr. Bethel noted it is yet to be determined, but it may appear on the consumers' bills as a line item. It will more likely be a behind-the-scene adjustment to the base rate charges from the gas or electric utility. It will most likely show up as an adjustment to the kilowatt hour rate that the consumer pays for electric utility or 100 cubic feet (Ccf) rate for gas utility.

CORRESPONDENCE REGARDING CLEAN LINE

[HANDOUTS E-1, E-2, E-3]

Representative Charlotte Douglas, spoke about Handout E-1, the Congressional letter, noting the six Arkansas congressional delegates signed the letter. She said occurrences regarding Clean Line have brought about this letter:

- December 2017, Clean Line withdrew its project in from the Tennessee Valley Authority (TVA) interconnect study. Participation of the Department of Energy (DOE) to condemn Arkansas properties was contingent upon completion of the study. TVA declined to purchase any power transmitted by Clean Line.
- December 2017, Clean Line sold the Oklahoma portion of the transmission line, but kept the Arkansas portion of the project.
- January 2018, Clean Line withdrew from the Midcontinent Independent System Operator (MISO) Agreement, a regional transmission organization interconnect study. With this withdrawal, Clean Line no longer met DOE requirements.
- January 23, 2018, the Arkansas federal delegation wrote DOE Secretary, Rick Perry, requesting that the DOE pause or terminate the participation agreement it had with Clean Line under the Obama administration.

She continued that the DOE requirements have not been met, placing Arkansas landowners in debilitating outcomes with indefinite resolution. Easement agreements included Arkansans giving away their homestead tax exemption. Their titles are clouded, and they cannot get the homestead exemption while this predicament is unresolved. When Arkansans sell property, they must include a disclosure to reveal proximity to the transmission line which devalues their property. This affects 8,000 square miles across the state of Arkansas.

Representative Douglas noted Handout E-3, a proposed draft letter to Secretary Perry, emphasizing the need for a pause or termination of this agreement. She stated this is a land rights issue that gave a private utility the rights of eminent domain. Arkansas' congressional delegation quickly recognized this egregious oversight by

the federal government into state's rights to protect their landowners, and she wants Arkansas' voices to be heard.

Representative Beck asked about the changing land value having a negative effect on school districts along the route. Representative Douglas noted Clean Line promised taxes to go to the school districts as a selling point. There was a lack of transparency when Clean Line came back and made an agreement with a company that would allow Clean Line to be tax exempt and not have to pay taxes, therefore there is no infrastructure on which to tax.

Representative Sorvillo asked when the landowners' homestead exemption could be made whole, and does the project have to be dead before the exemptions can be restored? Representative Douglas noted Clean Line would have to go into every courthouse and initiate restoring those. In the past, companies that have failed like this, have been slow and reluctant to come back and take care of the easements.

Representative Douglas made a motion to approve and support this letter as a committee. The motion was seconded by Senator Stubblefield, and the motion carried.

OTHER BUSINESS

With no further business, the meeting adjourned at 10:46 a.m.