

MINUTES

JOINT INTERIM COMMITTEE ON ENERGY
State Capitol, Room 171, Little Rock, Arkansas
Wednesday, June 19, 2013

The Joint Interim Committee on Energy met Wednesday, June 19, 2013, at 1:00 p.m. in Room 171 of the State Capitol in Little Rock, Arkansas.

Committee members present: Senators Linda Chesterfield, Chair, Missy Irvin, Vice Chair; Paul Bookout, Eddie Joe Williams, Bobby Pierce, and Gary Stubblefield. Representatives David Branscum, Chair; Walls McCrary, Betty Overbey, Nate Bell and Micah Neal.

Alternate members present: Representatives Andrea Lea, Mark McElroy, Joe Jett, Bob Ballinger, Andy Davis, John Hutchison and John Payton.

Also attending: Senator Jane English, Representatives Jonathan Barnett, Warwick Sabin, Stephen Meeks, Homer Lenderman, Kelley Linck and Charlotte Douglas.

Senator Chesterfield called the meeting to order.

CONSIDERATION TO APPROVE AUGUST 3, 2012, MINUTES [EXHIBIT D]

Senator Pierce made a motion to approve the August 3, 2012, meeting minutes. Senator Williams seconded the motion, and the motion carried.

CONSIDERATION TO ADOPT FOR INTERIM STUDY

Representative Warwick Sabin requested the committee adopt Interim Study Proposal (ISP) 2013-042 "TO CREATE THE ARKANSAS DISTRIBUTED GENERATION ACT" for interim study. [EXHIBIT E]

Senator Williams made a motion to adopt ISP 2013-042 for interim study. The motion was seconded by Senator Pierce, and the motion carried.

ARKANSAS ADVANCED ENERGY ASSOCIATION'S (AAEA) GOALS FOR ARKANSAS

PowerPoint presentation titled, "Arkansas Advanced Energy Association", was shown. (Attachment 1)

Mr. Gary McChesney, Chairman, AAEA, stated it was an honor to be selected as the first AAEA chairman. It is a non-profit, Section 501(c)6 trade association made-up primarily of Arkansas-based employers. The association is striving to be the voice of advanced energy issues across the state. He is chief technology officer at Future Fuels Chemical Company in Batesville and has spent a lot of time evaluating technologies and strategies for implementing new commercial technology for advanced energy. At Future Fuels, millions of gallons of bio-diesel and several advanced energy-related chemicals are produced each year.

Mr. McChesney said he can attest to the impact that public policy has on the number of high-skilled, high-paying jobs created and the magnitude of investments made in Independence County. Since 2006, Future Fuels' employment has increased 25% from 400 to over 500 employees and over \$100 million has been invested in the facility.

Arkansas is competing against producers in neighboring states that offer tax credits and other incentives for their producers. Arkansas has not had a bio-fuel production incentive since 2009. Advanced energy is one of the fastest growing sectors in the United States economy. Mr. McChesney believes that with the right policies, Arkansas can realize a significant share of the growth.

Mr. Ron Bell, Chairman, Arkansas Advanced Energy Foundation (AAEF) stated that the big difference between the Association and the Foundation is that the Foundation consists of the individuals with the

funding which allows the Foundation to conduct research and outreach. Mr. Bell informed the committee the Foundation would be available to assist the committee in research and independent impartial evaluations.

Mr. Bell stated when considering an energy source, the question should be who benefits from the construction, production, ownership and consumption of that energy. Does the state benefit or does much of that benefit flow out of the state? This leads to the larger question of the net economic benefit to local and state economies of energy consumed. He recommends that in the future these questions are posed to individuals proposing legislation.

Mr. Steve Patterson, Executive Director, AAEA and AAEF, recognized the following board of directors of the association and foundation in attendance: Mark Robertson (Little Rock), Elizabeth Hood (Jonesboro), Naomi Lovinger (Jonesboro), Jim Wimberly (Fayetteville), Jim Guy Tucker (Little Rock) and Keaton Smith (Fayetteville).

Mr. Patterson stated advanced energy can be defined as any service or technology that makes America's energy supply more secure, clean and affordable. The AAEA was formed in 2012 to grow Arkansas' economy by expanding our energy workforce and manufacturing base. The AAEA's membership is a unique blend of manufacturers, energy providers, entrepreneurs, large and small businesses, educators, researchers and public institutions, totaling 74 members. They conducted a study across 22 industry sectors and identified 11,337 jobs in the Arkansas advanced energy sector as of 2010. They plan to do a reassessment in 2014. They also did an energy survey in 2012, and 85% of respondents believed their public officials should do more to further advanced energy.

Mr. Ken Smith, Policy Director, AAEA, stated the association convened over 70 individuals and organizations in 2012 to look at what the association's primary energy priorities would be for the legislative session and work in 2013. Some of AAEA's legislative priorities are energy financing, alternative fuels and renewable energy development. The AAEA was successful with the following legislation:

- Act 1074 - Property Assessed Clean Energy (PACE)
- Act 554 - Amending the Guaranteed Energy Cost Savings Act
- Act 1252 - Energy Revolving Loan Fund
- Act 532 - Clean Burning Motor Fuel Development Act
- Act 1221 - Expanding Net Metering Law

Mr. Smith also noted the following failed legislation:

- SB 933 - Bio Fuels Tax Credit
- HB 1390 - Distributed Generation Act

Senator Chesterfield asked that if information is available concerning Representative Bell's interest in dual-fuel vehicles, please provide it to committee staff for distribution.

Mr. Smith stated Arkansas is not producing enough of its own energy, particularly in the area of renewables. Collaboration with utilities is needed to develop policies, which may be difficult. Policies should allow the utilities to prosper, but also allow more entities to get into the business of providing renewable energy which will create jobs.

Mr. Smith noted the proposals AAEA would present to the committee over the next two years:

- Limited tax credit to help Arkansas's four bio refineries to be more competitive.
- Demonstrate how a renewable electric energy strategy can work for both utilities and rate payers and thus enhance Arkansas's energy diversity and independence and lead to economic development and job growth.
- Revision of the state's residential energy code from IECC 2003 to IECC 2009.

There being no further business, the meeting adjourned at 2:20 p.m.