

DRAFT MINUTES
ARKANSAS ALTERNATIVE ENERGY COMMISSION
[Established by ACT 1301 of 2009]
State Capitol, Room 151, Little Rock, Arkansas
Thursday, April 19, 2012

The Arkansas Alternative Energy Commission (AAEC) met Thursday, April 19, 2012, at 10:00 a.m. in Room 151 of the State Capitol in Little Rock, Arkansas.

Commission members present: Leo Hauser, Chairman; Warren Allen, Jessica DeLoach, Audrey House, Mikel Lolley, Debbie Moreland, Rita Potts, and Richard Smith.

Mr. Hauser called the meeting to order.

CONSIDERATION TO APPROVE FEBRUARY 2, 2012, MINUTES [EXHIBIT B]

Mr. Lolley made a motion to approve the February 2, 2012, meeting minutes. Ms. Moreland seconded the motion, and the motion carried.

Mr. Hauser introduced Audrey House, the newest member of the commission. Ms. House owns Chateau aux Arc Vineyards and Winery in Altus.

STATE ENERGY PLAN (SEP) UPDATE [HANDOUT 1]

Mr. Chris Benson, Energy Policy Advisor, Arkansas Economic Development Commission (AEDC), said an advisory group is taking two to three weeks to review a working draft of the SEP, and then they will seek a second round of input from selected stakeholders. Mr. Benson called the SEP a strategic energy framework and a structure to develop a more detailed plan. AEDC plans to submit a draft of the SEP to the governor's office early this summer.

The agency identified four pathways to achieve the plan's goals: energy efficiency technology and practices, clean energy resources, green jobs and policies, and alternative fuels and vehicles. Mr. Benson addressed "energy efficiency technology and practices", and said Arkansas has been an energy inefficient state for most of its history. It is a rural state with high transportation costs and low energy prices; but the barriers that have caused inefficiencies create challenges and opportunities. In 2011, the Arkansas Energy Office (AEO) asked the American Council for the Energy Efficient Economy (ACEEE) to identify energy saving opportunities in Arkansas. Mr. Benson will share the report with the commission via e-mail. He noted that Arkansas should build on past energy successes such as the Sustainable Energy-Efficient Buildings Program.

In response to a question from Ms. Moreland, Mr. Benson said Walmart is a leader in energy efficient and renewable technologies, and the private sector offers good examples of sustainable practices. Mr. Lolley said Arkansas needs a strategic plan that addresses clean secure energy, job potential, and investments. Mr. Benson said he believes the strategic economic development plan is the right approach, and AEDC partners with the Arkansas Public Service Commission (APSC) and the Arkansas Department of Environmental Quality (ADEQ) to develop a structure that is implementable for years to come.

ENERGY EFFICIENCY

Ms. Michele Halsell, Managing Director, University of Arkansas, Applied Sustainability Center (ASC), presented a Powerpoint via SKYPE entitled, "Un-encumbered Wealth: Liberating Money to Stimulate the Economy and Create Jobs" [ATTACHMENT 1]. She said the ASC views sustainability as a pathway to enhance economic prosperity while simultaneously safeguarding the environment and promoting the health and well-being of all Arkansans. The ASC uses Walmart as a prototype to study economic prosperity and believes that when you save energy you save money. Ms. Halsell said invisible energy is leaking out of homes and businesses every day. In 2008, the U.S. spent \$363.6 billion on energy; Arkansas spent \$3.5 billion. If energy efficient measures had reduced that expense by 10%, the state would have saved \$350 million; residents would have saved a combined \$160 million.

Ms. Halsell said the ASC believes energy conservation and efficiency will liberate money and create a positive impact on the economy. When businesses save energy, it reduces foreclosures, prevents equity loss in residential real estate markets, creates and saves jobs, and increases disposable income and sales tax collections. The U.S. Department of Energy estimates that energy-efficiency practices can meet up to 50% of future energy needs, and the U.S. can reduce energy use 23% by 2020. The ACEEE ranks Arkansas the 41st most energy efficient state and the 11th highest consumer of energy consumption/real dollar of gross domestic product. U.S. residences use an average of 920 kWh/month; the average Arkansas home uses 1107 kWh/month.

Energy efficiency is an alternative form of energy and mining the resource creates jobs, saves money, insulates the economy, and hedges against energy price increases. The U.S. Department of Defense is serious about reducing energy consumption. Ms. Halsell said, "What gets measured gets managed," and gave examples of how energy-efficiency upgrades created significant savings for four entities. She said energy efficiency is an engine of economic growth and creates green jobs that cannot be outsourced.

In December 2010, the APSC established an energy efficiency standard (EES), and utility companies began to offer incentive programs to complete energy efficient retrofits. Arkansas was the 27th state, and the only southern state to have an EES. Ms. Halsell noted the standard is not very aggressive and needs upgrades.

The ASC is currently collecting energy consumption data on Arkansas's 30 highest energy-use cities and developing sustainability scorecards for them and attempting to identify and plug leaks in their local economies. The goal is to empower data-driven decision-making. The center also offers workshops to prospective state legislators focusing on energy efficiency, renewable energy, alternative fuels and policies that help Arkansas leverage these opportunities. This goal is to build bi-partisan support for energy efficiency and renewable energy measures.

REVOLVING LOAN FUND AND ENERGY CODE

Mr. Scott Hamilton, Director, Arkansas Energy Office (AEO), AEDC, gave a Powerpoint presentation entitled, "Energy Program & Codes Update" [ATTACHMENT 2] and said the Arkansas Energy Code (AEC) has three components:

- Commercial - upgrade to American Society of Heating, Refrigeration, and Air-Conditioner Engineers (ASHRAE) 90.1-2007 update will be effective January 1, 2013.
- Residential - currently based on International Energy Conservation Code (IECC) 2003, but revising to IECC 2009 and the plan is to also have it in effect January 1, 2013. The upgrade applies to new construction and major renovations.
- Supplements and Amendments - specific details for Arkansas.

Mr. Hamilton said several differences between the residential code upgrade involve needed and straightforward ways to save energy. Simple inexpensive treatments create some savings, but larger investments need long-term strategies. AEDC is working with Arkansas Development Finance Authority to develop rebates and low-interest, extended-term loan programs with Qualified Energy Conservation Bonds. The goal is to offset any new expenses for energy efficiency improvements with energy savings.

Mr. Hamilton said the AEO needs advocates and he is asking for support. Public education and marketing efforts will be important components of the program, and they hope to develop partnerships with utilities and co-ops. In response to a question from Ms. Moreland, Mr. Hamilton said the AEO is looking at ways to include agriculture, irrigation, and natural gas in the loan and rebate programs.

Ms. House said Arkansas does not offer net metering tax incentives and federal credits expire at the end of 2012. As a business owner, she does not see a reason to invest in wind or solar power if she will not receive a nine-year payout for returning energy to the grid. She noted that the only way to interest builders in alternative "green building" is to lift permit restrictions on alternative housing. Mr. Hamilton agreed and said the AEO is addressing net metering at this time. Discussions are in place with builders to seek new ways to implement recyclables as construction stock. He said the AEO's objective is to move codes in the right direction and adopt the ones that make sense. Mr. Hamilton noted that the 2009 code is a good start.

Mr. John Bethel, Director, APSC, said the APSC is currently reviewing net-metering rules. Arkansas law does not permit net-meter customers to carry forward excess electricity balances from year to year, but so far, every customer has consumed 100% of output within a 12-month period. Arkansas law does allow net-meter customers to carry a balance forward from month to month. Net-meter customers in Arkansas receive full retail-rate credit for electricity they return to the grid (i.e. 5¢ - 9¢); most states only pay the utility's avoided cost (i.e. 2¢). The maximum size for a commercial net-metering facility in Arkansas is 300 kW, whereas most facilities are less than 10 kW, and the largest one in Arkansas is 50 kW.

Mr. Richard Smith, President of Wholesale Commodity Business, Entergy, said utility companies implement energy efficiency with a "cost effective" strategy, which means they support energy efficiency if improvements cost less than supply-side options. The objective is to reduce the need to build future capacity. He noted that utility commissions base savings targets on a net to gross value rather than gross savings; and the actual gross numbers are much higher.

PROPERTY ASSESSED CLEAN ENERGY (PACE)

Mr. Mark Robertson presented a PowerPoint overview of the PACE program [ATTACHMENT 3], and noted it's a local government/community voluntary initiative that allows property owners to finance energy-efficiency and renewable energy projects for homes and commercial buildings. Property owners opt in to receive financing; an assessment on their property taxes repays the loan. PACE provides long-term funding from private capital markets at low costs and does not need government subsidies or taxes. As of December 2011, 27 states had enabling PACE legislation.

PACE solves two key barriers: high up-front costs and fear that future sale of the property will hinder repayment of project costs. It spreads the cost of financing over the life of improvements and the expenses are transferred to the next homeowner, who also benefits from utility cost savings.

In 2011, federal issues with Fannie Mae and Freddie Mac stopped progress on PACE legislation, but federal HR 2599 has 52 co-sponsors now, and Mr. Robertson said it is gaining support. The legislation would allow states to use PACE bonds. Mr. Robertson said he is hopeful that PACE will pass in 2013.

Mr. Allen said he and Ms. Moreland are developing a program that addresses renewable energy and renewable portfolio standards for the next meeting on June 2, 2012.

With no further business, the meeting adjourned at 12:00 P.M.