

MINUTES
LEGISLATIVE TASK FORCE ON SUSTAINABLE BUILDING DESIGN AND PRACTICES
OF THE
ARKANSAS GENERAL ASSEMBLY

Monday, May 14, 2012
1:30 P.M.

Room 151, State Capitol
Little Rock, Arkansas

The Legislative Task Force on Sustainable Building Design and Practices met at 1:30 P.M., Monday, May 14, 2012, in Room 151 of the State Capitol in Little Rock, Arkansas. The following members attended:

Legislative Members: Senator David Johnson, Co-Chairman; Senator Jake Files and Representative Greg Leding, Co-Chairman.

Non-Legislative Members: Chris Benson, John Coleman, Richard Davies, Charlie Foster, Mark Kenneday, Anne Laidlaw, Zack Mobley, Martha J. Murray, Barbara Nix, and Kenneth Smith.

Also Attending: Senator Gilbert Baker; Representatives John Burris, David Fielding, Billy Gaskill, Fred Love, Buddy Lovell, Betty Overbey, Mike Patterson, and Bobby Pierce.

Senator Johnson called the meeting to order.

CONSIDERATION TO APPROVE APRIL 9, 2012, MINUTES [EXHIBIT C]

Without objection, the April 9, 2012, minutes were approved.

PRESENTATION AND DISCUSSION: ARKANSAS ALTERNATIVE ENERGY ENTERPRISES

Dr. Stephan Pollard, Chief Executive Officer, and Dr. Terry Tremwel, Chair of the Board, Trem Wel Energy (TWE), presented a PowerPoint entitled, "A Very Brief Presentation on Wind in Arkansas" (**ATTACHMENT 1**), and said small wind turbines produce "small wind," large turbines produce "large wind" [i.e. wind farms].

Utility-scale wind-power companies develop wind farms in areas that have minimal average wind speeds of 7.0 meters per second (m/s) at an 80-meter turbine hub height. Arkansas has very limited areas (northwest Arkansas and the Ouachita Mountain ridge-top) that meet these criteria. Wind speeds increase as the height increases, and the industry continues to implement higher turbine hub heights. The new standard for a meteorological tower is 100 meters. Community-scale wind farms primarily use 50-meter towers, and household towers average 45' - 60'. Many municipalities limit tower heights to 45'.

Four years ago, TWE oversaw installation of the "Trinity Wind Test Project" (TWTP) at Springdale's St. Thomas Episcopal Church near I-540, which began producing power about three years ago, and TWE continues to supervise its administration. Dr. Pollard said 95% of Arkansas's wind comes from the south. Wind production increases in the spring, but decreases significantly during the summer. In April 2012, the 60' tower produced 400 kilowatts per hour (kWh). Dr. Pollard said he uses about 450 kWh/month in his apartment; the average apartment in Arkansas uses 600 – 750 kWh/month; the average single-family house in Arkansas uses 1,500 - 2,000 kWh/month. Including materials, it costs \$10,000 - \$15,000 to install a 60' wind turbine.

Wind-power companies do not include urban and environmentally sensitive zones when calculating the available power in an area. Three species of endangered bats: Ozark Big-Eared, Indiana, and Grey; migratory birds; and the endangered American Burying Beetle inhabit the optimal windy regions in Arkansas. The United States Fish and Wildlife Service (USFWS) studies the effects wind farms have on endangered species, and has a say in any project with a federal nexus. Dr. Pollard said it would be cost prohibitive to meet the USFWS requirements for thorough bat and bird studies in Arkansas, and that is probably why attention to "big wind" in the state has slipped. He noted, Tommy Inebnit, Alternative Energy Biologist, USFWS, Conway, can provide more information on bat, bird, and beetle issues in Arkansas.

Dr. Pollard said there is wind in Arkansas, but it is hard to capture. Large wind farms demonstrate a high economy of scale, but it may be too costly to justify developing a small wind farm.

Dr. Tremwel noted wind turbines can have a power capacity of about one gigawatt (GW), almost the same as one nuclear power plant. There are ten GWs of wind power installed and spinning in Texas. It costs about \$2 billion to install 1 GW of wind power capacity. A 600-megawatt (MW) coal-fired power plant requires one trainload of coal every day.

Utility-scale wind projects in Oklahoma are paid 4.8 ¢/kWh (2.6¢ from Power Purchase Agreements and 2.2¢ from a federal production tax credit that expires at the end of 2012). Dr. Pollard noted that in the right locations and under the right conditions, wind is cost competitive; but solar power costs are decreasing and compared to residential wind power, solar is the better choice.

DRAFT BILL

Ms. Joi Leonard, Attorney, Bureau of Legislative Research, provided details of proposed changes to a draft bill addressing energy savings performance contracting (ESPC). **[EXHIBIT D]**

- Section 2 – Moves away from the bid process. Allows state agencies to evaluate proposals and choose the qualified provider that offers the best solution for their energy efficiency needs.
- Section 3 – Explains that the state agency is required to do the things stated in the contract, so they will receive the guaranteed energy efficiency savings. The qualified provider is required to guarantee cost savings. If the state agency meets the requirements in the contract and does not receive the guaranteed cost savings, the provider must make up the difference.
- Section 4 – States that the Arkansas Energy Office (AEO) will administer the program and allows state agencies that enter into an ESPC to pay debt service from Maintenance & Operation funds. Ms. Leonard noted the statement is general, but specific to ESPCs.

Mr. Smith said it makes sense to put an enabling provision in the bill that authorizes the AEO to develop a standard ESPC for agencies to use as a template. He said this would create a standard that brings simplicity, consistency, understanding, and continuity to the process.

Mr. Kenneday said there is a strong need to standardize measurements and verify savings in ESPCs, and the AEO could do this with a simple rules document. Ms. Leonard noted in Section 4, with the AEO administering this, that could include promulgating rules and part of that, if AEO so chooses, could be forms. It is general and could be revised to include specific things if you want to make sure the AEO does certain things. Ms. Laidlaw said the advisory committee considered requiring the state to enter into a separate third-party contract to monitor and verify provisions. Ms. Benton said the advisory committee discussed having the third party measure and verify savings for two years. After that, the energy service company (ESCO) would measure and verify the savings.

Mr. Benson said state agencies need incentives, and the draft bill is a major step forward. Although he does not foresee any problems from the AEO perspective, Scott Hamilton would be the one to offer an official statement from the office.

In response to a question from Ms. Nix, Senator Johnson said he does not anticipate any trouble with the legislation, but there could be budgeting concerns if the AEO needs additional staff to administer the program, etc.

Ms. Benton said the advisory committee might make changes to Section 2(b), line 22, dealing with investment grade audits. The advisory committee is trying to overcome obstacles state agencies face with the high cost of an investment grade audit. They are exploring several options outside of ESCO agreements for agencies, if the agency chooses and can afford to do so. Ms. Murray said if the agency defines the audit as an investment grade, it could add years to the performance contract and take a long time to recover costs.

Senator Johnson said he and Representative Leding are the contacts for this issue and asked members to send comments to him and Joi Leonard.

OTHER BUSINESS

Senator Johnson asked members of the Task Force to review Mr. Lolley's recommendations to the State Energy Plan Survey (**HANDOUT G**) and e-mail suggestions for the Task Force's main response to him by Friday, May 25, 2012.

Ms. Murray said it might be a good time to revisit legislation that limits investor-owned utilities from designating energy-efficiency programs based on income eligibility. Ohio has a program that mitigates the impact of a drastic reduction in federal weatherization dollars, which has caused many people to lose jobs. Senator Johnson said the Task Force would address this issue at the August 13 meeting. Legislative staff will contact the Attorney General's Office, utility companies, and the Public Service Commission for people to speak. Ms. Murray will provide an overview and history of this topic.

Senator Johnson said the next meeting is Monday, June 11.

With no further business, the meeting adjourned at 2:45 P.M.