

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

Monday, September 10, 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, September 10, 2012, in Room 151 of the State Capitol in Little Rock, Arkansas. The following members attended:

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

Non-Legislative Members: Richard Davies, Charlie Foster, Anne Laidlaw, Zack Mobley, Mark Robertson, and Ken Smith.

Also attending: Senator Bill Sample, Representatives David Fielding, Billy Gaskill, and Buddy Lovell.

Senator Johnson called the meeting to order.

CONSIDERATION TO APPROVE AUGUST 13, 2012, MINUTES

[EXHIBIT C]

Without objection, the August 13, 2012, minutes were approved.

NET METERING

[EXHIBITS Da & Db]

Mr. John Bethel, Executive Director, Arkansas Public Service Commission (PSC), explained net metering is a result of Act 1781 of 2001; amended by Act 1026 of 2007. Net metering allows customers to own facilities that generate all or part of their electricity needs and send unused electricity back to the utility. Arkansas's net metering law stipulates the maximum capacity for residential installations is 25 kilowatts (kW); the amendment in 2007 increased the state's maximum commercial installation from 100 kW to 300 kW. Most facilities use a single-meter system that offsets billed kilowatt hours (kWh) with credit for generated kWh. In Arkansas, net meter customers receive full retail credit for electricity they send back to the utility, many states only pay an avoided-cost rate. Arkansas law requires every utility to offer net metering and standard interconnection agreements mandate technical and safety standards.

As of December 2011, Arkansas had 214 net metering facilities:

- 188 with 10 kW capacity or less
- 23 with 10 - 25 kW capacity
- 2 with 25 - 75 kW capacity
- 1 with 75 - 100 kW capacity

Mr. Bethel said concern from various state entities caused the PSC to look at requiring an indemnification provision for net meter customers. As a result, they eliminated the indemnification requirements for government entities; enabling at least two government-owned net metering facilities in Arkansas to come into service. A hearing will take place on October 31 to determine if net meter customers can aggregate multiple-meter-use to utilize a given facility's maximum capacity.

Mr. Paul Means, Manager, Government Affairs, Entergy Arkansas, Inc. (Entergy), said Entergy is Arkansas's largest utility, but the company does not have a large demand for net metering; currently, 13 commercial and 54 residential net metering installations.

Mr. Bill Ball, Owner, Stellar Sun, presented a PowerPoint about net metering [ATTACHMENT 1] and said in some states utilities pay net meter customers less than retail value for electricity. In Arkansas, net meter customers receive a little more than retail value for electricity; but the state has a significantly fewer number of net meter installations than its neighboring states.

Mr. Ball founded the Arkansas Renewable Energy Association, and in 1999 advocated a Renewable Portfolio Standard (RPS) for Arkansas. As of today, 36 states have set goals to generate specific amounts of renewable energy. Because Arkansas considers net metering a subsidy, a RPS does not guarantee that any renewable energy would be generated in the state. He believes net metering is an incentive rather than a subsidy; and increasing

evidence shows distributed generation net metering systems do a good job of generating power when demand and cost are highest.

To increase net metering facilities' dependability as a power source, utilities use special tools that predict output in increments of hour(s), day(s), and longer. Utilities say solar energy is not a good investment for them because it costs 40¢ - 60¢/kWh. Over the lifetime of a warranted net metering system, customers can produce energy for about 10¢/kWh. He said Arkansas should seek competition and choices for clean energy options, and expanding net metering will help accomplish this goal.

Mr. Frank Kelly, Owner, Solar Source Consulting (SSC), presented a PowerPoint entitled, "The Triple Bottom Line", [ATTACHMENT 2] and said reaching a sustainable decision that is bearable, equitable, and viable, requires decision makers to consider people, the planet, and profit equally. It is important to implement the newest building codes quickly, because almost half of the energy the U.S. uses is for making buildings comfortable. He noted saving energy is easier than creating it, regardless of the source, and distributed generation reduces transmission losses along with inefficient means of generating electricity. The renewable energy sector will create at least 350,000 new jobs by 2050. Pilot feed-in rebate programs are successful and have created a 400% increase in net metering facilities.

Mr. Forest Kessinger, Arkansas Electric Co-op Corporation, Inc. (AECC), said 17 distribution cooperatives own AECC; the company serves about 62% of Arkansas's landmass, and has about 150 net metering customers. Without government mandates, electric co-ops have been national frontrunners in advancing sustainable renewable resources.

AECC:

- owns three hydro-facilities that provide just under 600 million kwh/year
- purchased 189 megawatts (mW) of hydro-electric generation from the Southwestern Power Administration
- signed a wind contract that should generate many millions of kWh/year
- has a methane-gas landfill facility in northwest Arkansas that provides about 4 mW/year
- has an on-campus solar panel research project

Mr. Mark Mobley, PE, American Electric Power – Southwestern Electric Power Company (AEP-SWEPCO), Fayetteville Office, said AEP-SWEPCO:

- serves most of western Arkansas (about 100,000 customers)
- has eight commercial and 11 residential net meter customers in Arkansas
- offers energy-efficiency programs to all customers
- pays incentives to commercial customers for installing solar or wind power-generating facilities
- serves about 200,000 customers in Louisiana with 350 net metering customers

Mr. Mobley said Louisiana offers a state income tax-incentive credit (up to \$12,500) for 50% of the installation cost of solar or wind power-generating facilities. He said power cost and reliability are two primary focuses at AEP-SWEPCO.

In response to a question by Senator Johnson, Mr. Ball said other states use RPS; long-term purchase contracts; feed-in tariffs and/or grants to incentivize renewable energy. He noted the solar industry prefers long-term contracts or feed-in tariffs, because they are the most effective and efficient ways to use ratepayer dollars.

Senator Johnson asked if net metering creates any administration challenges for utilities.

- Mr. Mobley said one employee at AEP-SWEPCO administers net meter accounts, and that works well. Billing for the accounts is complex, because customers can carry credits over from month to month, so the company handles billing for the accounts manually. With only 19 accounts, it is not overly burdensome.
- Mr. Means said Entergy only has a few net meter installations, so they have one employee who handles net meter accounts.
- Mr. Kessinger explained AECC's net meter billing process is a little more complicated, because their installations are divided among 17 districts. The co-op also manually figures billing rates and has encountered a few complications with administering the accounts, but they were able to handle the problems.

Mr. Mobley said in Louisiana, net meter kWh never expire, and customers can carry kWh over from month to month. When a customer finalizes an account or it changes hands, the utility pays the leaving customer the avoided cost of unused kWh.

In response to a question from Senator Sample, Mr. Bethel said the indemnification-provision modification is effective in Arkansas now.

Mr. Smith asked, “At what tipping-point does net meter expansion impact ratepayers?”

Mr. Bethel explained utilities intend for net metering to provide the customer’s electricity needs - not to generate power for other people. Electricity’s wholesale price is down; choices for generating renewable energy are up, so right now there is more concern for how net metering affects utilities than customers. Ultimately, the “tipping point” depends on each company and their pricing system. Right now utilities do not have enough experience with net metering to answer Mr. Smith’s question.

Mr. Bethel explained Act 1026 of 2007 requires every electric utility to consider clean or renewable resources as part of their integrated resource planning. Under that law, utilities can implement a new facility and bring it into rates with a surcharge to recover costs. Oklahoma Gas & Electric Company brought a facility online and did impose a surcharge; the company currently has a pending request to install a wind-generating facility under the provisions of that act. AECC and SWEPCO both use wind to generate a portion of their needs, and hydroelectric facilities meet about 8% of Arkansas’s electricity needs.

Mr. Ball noted, utilities are obligated to provide reliable electricity 24 hours/day, seven days/week, at a price affordable to all. He believes government-supported tax incentives and grants are better ways to promote renewable energy than working through the utility.

Senator Johnson said the current Task Force’s term ends December 31, 2012, and it is important to encourage members to continue attending the meetings. The next Task Force meeting is Monday, October 8, 2012.

With no further business, the meeting adjourned at 2:55 P.M.