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MEETING SUMMARY
ARKANSAS GOVERNOR'S COMMISSION ON GLOBAL WARMING
Residential, Commercial, Industrial (RCI), Technical Working Group (TWG)
Call #6, June 6, 2008
10:00 a.m. – 12:00 p.m. CST

Attendees:

GCGW: Stephen Cousins; Kevan Inboden; Christopher Ladner; Robert MacAfee, PhD; Jeffery Short, Kathy Webb, John Bethel

Governor's Office: Jillian Hicks

Advisory Body Members:

Center for Climate Strategies: Donna Boysen, Hal Nelson, Judith Barry

Background Documents: *(all posted at www.arclimatechange.us/RCI.cfm)*

1. Notice and Agenda
2. Meeting Summary for Call #5
3. PowerPoint for Meeting
4. RCI Straw Proposal Template, revised
5. RCI Quantification Memo
6. Draft Quantification for AR RCI-1
7. Draft Quantification for AR RCI-2
8. AR Appendix B – RCI
9. AR Appendix D – Industrial Processes

Introductions and Review of Agenda

Donna Boysen initiated the call and welcomed the TWG members, completed a roll call of the members of the Technical Work Group and personnel from the governor's office, and briefly reviewed the items from Call #5 and 5a, on May 7 and 8, 2008. There were no comments.

Donna asked for questions regarding previous input received from the Governor's Commission on priority policy options. Comments included:

- Natural gas needs to be explicitly addressed in many policy options.

Donna reviewed the RCI Quantification Memorandum, which is CCS's working document to help understand approach to quantification. She solicited input for improvements and stated that every subsequent call will be an opportunity to review and comment on this document. She also introduced the relevant appendices (provided on website) and mentioned the Inventory and Forecast workbook, which is a repository of source data used in quantifications. Based on TWG members' requests, Donna will circulate the Inventory and Forecast workbook.

TWG members requested more recent cost data than 2007 because of much higher fuel prices this year. Hal Nelson explained that the model used for forecasting underestimates price increases and reverts to mean levels. The AEO forecast for 2008 has come out, but prices are not that different.

TWG members had concern and questions regarding quantifications and if net energy efficiency will be considered (life-cycle analyses). The quantification memorandum states that if significant, cradle-to-grave costs will be considered; otherwise, costs within the borders of Arkansas are considered only. This was a recurring issue throughout the call. Hal discussed that life-cycle analyses are not usually performed, but if the TWG wants it, we can try it. Donna suggested that this issue be brought up with the Governor's Commission to determine if this is an over-arching issue to be addressed, or if it's a TWG-specific issue for energy supply and RCI.

Jeffrey Short requested a sensitivity analysis for electric generation prices and fuel prices. Hal agreed that could be done.

Donna led the group through the workbook for option RCI-1. She explained the significance of each tab and noted that the Assumptions tab contained the most pliable data where the TWG needs to make decisions that are reflected in the policy design. Comments on RCI-1 included:

- Concern regarding ability to achieve 30% more efficiency in manufactured homes, which are governed by HUD. Donna suggested that issues like this may be addressed in implementation issues further down the road.
- Note that Line 98 on Assumptions tab should be 2030, not 2020.
- Note that hidden rows on Assumptions tab were not relevant for this option.
- Question whether consumer costs are captured in workbook. Donna noted that consumer costs (such as higher manufactured home prices because of higher energy efficiency) are not captured at this time, but can be if data is available. This can be listed as a Key Assumption in the POD.

Donna led the group through the workbook for option RCI-2. Comments on RCI-2 included:

- Concern that only peak demand is addressed. Currently, this is what the policy description and design outline specify.
- Concern that coal reductions are not addressed. Discussions ensued regarding if reductions would affect peak loads (natural gas) or base loads (coal and nuclear). This will be dependent on many factors.

Donna noted that at the Governor's Commission meeting, the title for RCI-6 was changed to "Incentives and Funds to Promote Renewable Energy and Energy Efficiency." She also noted that the current design includes metrics that are not quantifiable.

Kathy Webb stated that weatherization for low income homes is a possible target. Others agreed that a reduction (50%) in homes with air conditioning could be targeted. This legislation could be passed in 2009, with a phased implementation from 2010 to 2012. Efficiency improvements could be significant.

Donna stated that the POD, with modifications to RCI-6 noted during this call, will be submitted to the Governor's Commission on June 17.

TWG members agreed to add an additional call to their schedule for next Friday, June 13. This call will be focused on providing more input on quantifications of different options.

Agenda, Date and Time for Next Meetings

The next TWG meeting is scheduled for:

- Meeting #7, Friday, June 13, 10:00 a.m. – 12:00 p.m. CST

Public Input and Announcements

Eddie Moore, AR Public Policy Panel:

- a. RCI-6: there are a lot of federal analyses of weatherization programs. Energy impacts should be translated in terms of carbon reductions. There is currently a public benefits fund, which includes funding for low income programs. He suggested that low income aid is not best served through loans, because low income earners often do not qualify for loans. Other incentive mechanisms should be considered. Currently, \$3 million was spent to weatherize 1,200 low income homes in AR. There are 178,000 homes, so the potential is huge.
- b. RCI-2: energy efficiency reductions will be from natural gas generation in initially, then will start to hit base load in outyears. AZ has an approach that may be a good example.
- c. DSM reduction can provide 3 times savings (carbon) over other options.
- d. Encouraged life cycle analyses to enable even comparisons. Fortunately, coal for AR coming from one source, so it may make the analysis easier.

Mike Callan, AR/OK Gas:

- a. Stated that gas utilities can provide data to TWG regarding energy efficiency impacts on base load units.

- b. Life-cycle analysis re: coal vs. gas – while coal is responsible for about 50% of the electricity supply, it generates about 90% of the CO₂ emissions.