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**MEETING SUMMARY**  
**ARKANSAS GOVERNOR'S COMMISSION ON GLOBAL WARMING**  
**Residential, Commercial, Industrial (RCI), Technical Working Group (TWG)**  
**Call #9, July 11, 2008**  
**10:00 a.m. – 12:00 p.m. CST**

**Attendees:**

**GCGW:** Stephen Cousins; Christopher Ladner; Robert MacAfee, PhD; Jeffrey Short; Kathy Webb

**Governor's Office:** Andrew Parker

**Advisory Body Members:** John Bethel

**Center for Climate Strategies:** Hal Nelson, Tom Peterson, Joan O'Callaghan

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

1. Notice and Agenda
2. Call #8 Meeting Summary
3. PowerPoint for Teleconference
4. Draft Policy Option Descriptions
5. Energy Efficiency Acquisition Briefing Memo

**Introductions and Review of Agenda**

Hal Nelson 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 #8, on July 1, 2008. The draft summary from call #8 and #9 will be reviewed during the next call. There were no comments.

Arkansas I&F BTU and Growth Factor Data

Nelson first presented the Arkansas Inventory and Forecast (I&F) British thermal unit (BTU) and growth data, to give the TWG an idea of the numbers being used in the I&F. The I&F will be revised as better data are obtained.

Nelson noted that although the U.S. Department of Energy's (DOE's) Energy Information Administration (EIA) published the BTU data in February 2008, the data are already very outdated, because fuel prices are currently much higher than the EIA projections. None of the TWG members have delivered fuel price forecasts for Arkansas. At the next TWG meeting on July 16, if TWG members have better sources of data, Nelson will use them to quantify the

emission reductions from and cost-effectiveness of the policy options. He suggested taking the difference in levels between the reference case (the EIA February 2008) data and high fuel prices in Arkansas and bringing that information to the next TWG meeting.

Nelson noted that natural gas dominates other fuels used for energy consumption in the residential and commercial sectors. Opportunities for fuel switching in the residential sector are few, compared to the industrial sector. Cousins noted that the rising price of natural gas has had a significant effect on the percentage decline in the overall use of natural gas, but added that a national cap-and-trade system will force power generators to switch to natural gas.

Short asked why Arkansas' average of 30 metric tons of carbon dioxide (tCO<sub>2</sub>) emissions per capita is much higher than the national average of 20 tCO<sub>2</sub>. Nelson explained that the differences can be driven by a state's weather, fuel mix used for electricity, and housing stock. States that have had stringent energy efficiency codes over the past 15 years will have lower emissions per capita. Also, rural states tend to have higher emissions because people drive longer distances.

Regarding the Arkansas I&F growth factor data, Nelson noted a steady increase in petroleum and renewable energy, including wood waste, and pointed to that the opportunities for biomass and combined heat and power in the wood products industry.

#### Recent Energy Efficiency Resource Assessments

The TWG next looked at results from a study conducted by Quantec for the state of Iowa. A chart showed a range of no energy savings from demand-side management (DSM) to more than 2% savings as a percentage of first-year sales. States with the highest cost per kilowatt-hour have the highest savings from DSM and realize those savings quickly. There are economies of scale, with DSM being cheaper if it is applied to a large number of businesses.

Also, utilities that have been implementing energy efficiency measures over the past 20 years have already captured the low-hanging fruit opportunities for energy savings, so will have to pay more to implement additional measures. It was noted that Arkansas has relatively low electricity rates compared to the rest of the nation. Nelson pointed out that, the state has significant low-hanging fruit opportunities for implementing energy efficiency measures, so a goal of 1.4%/year reduction in energy consumption is feasible.

A discussion followed regarding what is and isn't achievable. McDonald pointing out that 11 studies showed that 1% is the highest savings achieved thus far. Bethel added that the most aggressive states haven't achieved zero growth, but energy use per capita has fallen in these states. Ladner commented that the fact that zero growth hasn't been achieved in the past shouldn't drive the TWG's recommendations for what the state should strive to achieve. McDonald mentioned that a National Action Plan for Energy Efficiency produced by DOE, the Environmental Protection Agency and others is projecting a 61% energy savings by 2015—that is, the percentage of growth saved will be 61%.

A TWG member commented that usually in states undertaking similar efforts, the first thing recommended is that the state contract with an organization to study what is feasible for that state. He recommended that Arkansas undertake such a study to determine what's achievable technically, economically, and programmatically.

### RCI-2b (Utility and Non-Utility Energy Efficiency and DSM Programs)

Nelson asked the TWG members how aggressive they want to be regarding the goals under RCI-2b(1) and RCI-2b(2). There is plenty of supply of energy efficiency opportunities for the state, so a 2% annual reduction in energy use is feasible. A TWG member suggested extending the goal beyond 2015. Another member noted that growth should be halted first, and then use reduced.

Hugh noted that this policy option only applies to 60% of energy customers in Arkansas, and recommended that 100% of customers in the state should bear the cost of reducing GHG emissions. The TWG agreed to delete the fourth and fifth paragraphs from the RCI-2b Policy Description.

Hal noted that he needs information on avoided costs for Arkansas. John Bethel noted that utilities file form 81-071-10 annually. He'll send the most recent filing to Hal, and Hal will forward it to the rest of the TWG members.

It was confirmed that the TWG still wants RCI-2b(1) and RCI-2b(2) modeled. CCS will be analyzing both, ultimately getting to zero growth by 2015. Hugh McDonough suggested analyzing a third alternative—a sensitivity analysis based on what other states have achieved, assuming an annual growth rate of 2%, and reducing the growth by 1/2%–1% per year. The baseline growth rate for Arkansas is 1.4%/year, so the reduction modeled will be 0.35%–0.7%. Short suggested directing the savings toward investment in additional energy efficiency programs to achieve higher levels of energy efficiency.

### RCI-4a (Promotion and Incentives for Improved New Building Design and Construction)

Nelson noted the policy option was intended to apply to private-sector building codes, not state codes. Ladner made some edits to the text in this option, including deleting state-owned references, and will provide them to the other TWG members. He made additional edits to RCI-3 and RCI-4, trying to develop a goal that wouldn't subject Arkansas to an enormous amount of oversight using a third party.

Short noted the Implementation Mechanisms language from another TWG can be used under this option. Also, Randy Strait has some good language on energy audits that could be incorporated into local government programs. Webb will send Nelson information on an EPA grant to get started on these audits for incorporation into the Related Policies in Place section.

### **Agenda, Date and Time for Next Meetings**

The next RCI TWG meeting is scheduled for:

- Meeting #10, Wednesday, July 16, 1:00 p.m. – 3:00 p.m. CST

At this meeting, Nelson will present the quantification results for RCI-2, and the TWG will review Ladner's edits of RCI-3 and RCI-4.

## **Public Input and Announcements**

### Eddie Moore, Arkansas Public Policy Panel

It sounds like the TWG disagrees about what's possible regarding energy efficiency savings in Arkansas. There are states and utility territories with populations larger than Arkansas that are achieving levels above 2%. This recurring theme is dependent partly on building a history of people on the ground who can implement the energy efficiency programs. A phase-in period is necessary. Once the programs and personnel are in place, even in states using half of the energy Arkansas uses, a 2% reduction is achievable.