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MEETING SUMMARY
ARKANSAS GOVERNOR'S COMMISSION ON GLOBAL WARMING
Residential, Commercial, Industrial (RCI), Technical Working Group (TWG)
Call #11, August 19, 2008
10:00 a.m. – 12:00 p.m. CDT

Attendees:

GCGW: Stephen Cousins, Annette Hagan, Christopher Ladner, Cindy Sagers

Governor's Office: Jillian Hicks

Arkansas Energy Office: Susan Nelson

Advisory Body Members: Jenny Allen for Maria Haley

Center for Climate Strategies: Hal Nelson, Tom Peterson, Katie Pasko

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

1. Notice and Agenda
2. Call #10 Meeting Summary
3. PowerPoint for Teleconference
4. Draft Policy Option Document
5. RCI Quantification Spreadsheets
 - a. Cumulative RCI Options
 - b. RCI-2a Peak DSM
 - c. RCI-2b
 - d. RCI-8b CHP
 - e. RCI-10

Introductions and Review of Agenda

Katie Pasko welcomed the RCI TWG members, and completed a roll call of the attendees. The meeting's goal was to continue review of policy option quantification and language.

The summary for Call 10 was approved without change.

Review of July 31 GCGW meeting

Minor changes were made by the GCGW at its meeting July 31st as shown in the POD. One change regarding a four-day workweek and telecommuting will be added for the next meeting.

Discussion of RCI Assumptions Memo

Quantification Process: The three step quantification process was reviewed, which includes development of stand-alone cost estimates for each option; adjusting the estimates for existing actions; eliminating overlaps with other policies, including other sectors. There is significant overlap of policy options with the Energy Supply TWG. Coordination is occurring to ensure consistency in treatment of the options.

Natural gas price projections were discussed. Concerns were expressed that existing EIA projections are outdated and that other projections are needed. Members will forward any other projections, such as regional projections, to Nelson.

Methodology for Avoided Carbon Dioxide (CO₂) Calculations: Nelson reviewed the formula to be used for the calculation. Average CO₂ intensity has traditionally been used as the default. Nelson proposed, as detailed in the Memo, to use a 50/50 coal/gas mix for fuel-based electricity sources up to 2012, equating to 0.69 tCO₂e/MWh. From 2013-2025, the mix would be 100% natural gas, equating to 0.40 tCO₂e/MWh.

The members agreed to use this assumption for the initial analysis, since the numbers are inherently uncertain.

Cost Assumptions: Nelson reviewed this formula and its assumptions and data sources. He will examine the need to update the electricity prices to reflect multi-year data from Entergy.

Avoided cost value include primarily energy costs, with avoided T&D new build costs are also included.

Members discussed the question of addressing the cost impact to customers. These values do include the total participant cost of energy, which contains optional costs borne by customers to make homes more energy-efficient, etc.

Members agreed to use the assumptions as presented.

Real Escalation Rate Value for energy efficiency costs: Nelson presented the sensitivity analysis of the impact of assumed values ranging from -2% to +2%. After considerable discussion, the members agreed to use an initial value of 0.5% per year for the real increase in the cost of energy efficiency measures.

The T&D losses are assumed to be 8.1% for both peak and off-peak values. There were no objections to this assumption.

Review of Draft Policy Option Document

Cost estimates will change based on the agreed changes to the assumptions.

RCI-1 Improved Building Codes – Approved to present to GCGW as amended

This applies only to new buildings, with residential at 1.4% and commercial at 1.5% growth rates per year, so the impact of the policy option takes some time to be seen. Energy Star data is used in the calculations for mobile homes.

The TWG agreed to change the standard for Energy Star mobile homes to incentives for Energy Star rated mobile homes. The TWG also agreed to move this language to RCI-6 as it is an incentive rather than a code or standard.

RCI-2a Utility and Non-Utility DSM for Peak Use Electricity - Approved to present to GCGW as amended

Nelson reviewed the changes made to the policy option. Assumptions have been changed to encompass only price of electricity versus usage levels, including smart metering, time-of-day programs, etc. This change eliminates the overlap with RCI-2b.

Change the second bullet under Key Assumptions to read “2% of customers’ total sales...to 60%”.

RCI-2b Utility and Non-Utility DSM and Energy Efficiency for Electricity - Approved to present to GCGW at July 16th meeting.

RCI-3a Reduced Energy Use in New and Retrofitted State-Owned Buildings: Government “Lead by Example”

These options include both energy efficiency and renewable energy. Since the state has a significant area in its buildings, the GHG reductions that will occur are predicted to be large. There was a question about the inclusion of leased school building space which has been directed to Robert McAfee for resolution.

A member raised the question of inclusion of Energy Star appliances and other goods in this policy. The TWG agreed to add language to the Policy Design and Implementation sections, such as “Procurement accounting should include full life-cycle costing, for energy efficient appliances and other equipment.”

RCI-3b Reduced Energy Use in Existing State-Owned Buildings: Government “Lead by Example”

The TWG agreed to include a third party to maintain options and strategies, such as LEED. The goal will start with a target of 20% of state buildings and increase to 100% in 2020.

This policy will be revisited at the next meeting.

RCI-6 Incentives and Funds to Promote Renewable Energy and Energy Efficiency

New language had been added to the Policy Description section as shown in the POD.

The TWG discussed changing the goal of 1000 home included in the loan program, since the resulting GHG reductions are very low. The TWG agreed that the quantification is accurate, and the goal itself needs to be adjusted. Chris Ladner will provide additional research and language for the next meeting.

RCI-7 Green Power Purchasing for Consumers – Approved to present to GCGW as amended

This option can result in over 9 MMtCO₂e by 2025, but with a high cost/ton. Currently, many customers do not opt to purchase much, if any, available renewable energy. The TWG agreed to

change the goal to “25% of residential customers will purchase 25% of their power from green sources.”

Next Steps

Comments will be incorporated into the POD for the next meeting. All policy options need to be presented to the GCGW if possible.

Agenda, Date, and Time for Next Meetings

The two August meetings have not yet been scheduled. The agenda for the first August meeting will be to work on the comments from the GCGW July 31 meeting.

Public Input and Announcements

Paul Mies had no comment.

William Green, with the Arkansas Community Action Agencies Association, supports weatherization programs. He stated that the figures used by the TWG are accurate. In 2007, 1400 homes were weatherized at a cost of \$2800 each. Limited funding is the primary restriction to the program. There is a significant portion of the Arkansas population that is low-income. Loan programs do not benefit these families, as they do not have funds for loans. Grant programs are needed. Mr. Green can be reached at 372-0807 or wagreen@acaaa.org. He will submit comments for RCI-6.