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**MEETING SUMMARY**  
**ARKANSAS GOVERNOR'S COMMISSION ON GLOBAL WARMING**  
**Energy Supply (ES) Technical Work Group (TWG)**  
**Call #13, August 28, 2008**  
**1:00 p.m.–3:00 p.m. Central Time**

**Attendees**

**ES TWG Members:** Nick Brown; Joan Cash; Rob Fisher; Art Hobson, PhD; Kevan Inboden; Robert McAfee, PhD; Hugh McDonald; Kevin Smith; Gary Voigt

**Governor's Office:** Jillian Hicks

**Advisory Body Member:** John Bethel

**Arkansas Department of Environmental Quality:** Karen Bassett

**Arkansas Energy Office:** Jenny Ahlen

**Center for Climate Strategies (CCS):** Bill Dougherty, Randy Strait, Tom Peterson (last hour), Joan O'Callaghan

**Other:** Steve Cousins (member of Residential, Commercial, and Industrial Sectors TWG); Eddy Moore (member of the public)

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

1. Notice and Agenda
2. PowerPoint for Teleconference
3. Draft ES Policy Option Descriptions
4. Call #12 Meeting Summary

**Introductions and Review of Agenda**

Randy Strait initiated the call, welcomed the participants, and completed a roll call of the members of the ES TWG, GCGW Advisory Body, and others. Bill Dougherty outlined the agenda for teleconference #13 as being to review ES policy options 3A, 3B, 6, 7, and 9. The quantification for all of the ES policy options needs to be completed within 3 weeks of September 18.

**Discussion of Analytical Framework**

ES-3A: Renewable Energy Portfolio

Four TWG members objected to this policy option:

- Gary Voigt objected to further analysis of this option and recommended removing it from the GCGW's consideration. He believes it duplicates the REFIT option, it will drive up energy costs without any reliable benefits, and its expense to consumers isn't properly costed.

- Hugh McDonald also objected to ES-3A because the cost analysis is incomplete. For example, its capital costs are lower than current capital costs, it doesn't take into account the impact on consumers, and the necessary transmission capacity won't exist by 2015.
- Kevan Inboden and Nick Brown objected to the mandatory nature of ES-3A.

The TWG agreed to send Dougherty their specific objections in writing to this policy option and recommendations for new data for revising the analysis. As of 16 September 2008, no such objections have been received in writing. Also, CCS clarified that because the GCGW has approved this policy option as a priority for analysis, the TWG is obligated to analyze the option and to present the results to the GCGW. While only the GCGW is authorized to reverse its decisions on priorities for analysis, the TWG can recommend that the GCGW delete this option.

The TWG agreed that the numbers used for the assumed cost and performance characteristics of new renewable capacity in Arkansas are acceptable for the current analysis.

Regarding the levelized costs for new renewable electric capacity:

- The vast majority of wind energy will come from out of state and will have some accompanying costs. Dougherty proposed using \$80/kW year for wind, which is the number the Energy Information Administration is using. Central station solar will bear the same cost. There were no objections to this recommendation.
- NGCT units are included in the analysis for reliability to account for intermittency of wind and solar. At present, the levelized costs did not include fuel costs. The TWG recommended that 25% of the levelized fuel costs be included in the analysis.
- Dougherty will also add a footnote in the policy option document that the subsidized capital cost for transmission, which isn't currently included in the analysis, could affect yield and cost.

Regarding the capacity credit assumptions for renewable technologies, 1% should be changed to 100% under geothermal; the percentages for wind and solar were approved for analysis.

Some TWG members thought the assumption that coal and natural gas will be equally backed down (i.e., 50-50) as new renewable capacity comes on line is unrealistic, given the current low cost of coal and high cost of natural gas. Other members noted that these variables might change as the cost of carbon increases. A more realistic current scenario would be backing down 90% of natural gas and 10% of coal.

The TWG approved the cost and performance assumptions.

The TWG formally approved the results for ES-3A, conditional on the modifications described above. Dougherty will update the policy option document and analyze the overall rate impacts on consumers, but won't differentiate between types of customers (industrial, commercial, residential)

Cleansafeenergy.org was recommended as a Web site with good information about nuclear energy.

#### ES-7: CO<sub>2</sub> Sequestration From New Fossil Plants

Voigt objected to this policy option and recommended removing it along with ES-3A. He also objected to the TWG's decisions noted in the Meeting #12 summary regarding scenarios #5 and

#9 under this option, because no representatives from the utilities were present during the call to represent alternative views. Specifically, he noted that (1) the Arkansas Public Service Commission has already mandated that SWEPCO invest in carbon sequestration, (2) sequestration and research cost billions of dollars, and (3) the presumption that Hempstead won't be built ignores the significant investment to date toward building the plant. Hobson noted that Hempstead hasn't yet received Arkansas Department of Environmental Quality's approval for an air permit. The TWG approved proceeding with the analysis of this option, to be subject to further TWG review and revision.

#### **Dates and Times for Next GCGW Meetings**

- Meeting #9, Tuesday, September 9, 2008, 9:30 am – 4:30 pm CDT
- Meeting #10, Thursday, September 25, 2008, 9:30 am – 4:30 pm CDT

#### **Dates and Times for Next ES TWG Meetings**

- Meeting #14, Tuesday, September 16, 2008, 9:00 am – 11:00 pm CDT
- Meeting #15, Monday, September 22, 2008, 2:00 pm – 4:00 pm CDT

#### **Public Input and Announcements**

None.