



www.arclimatechange.us

MEETING SUMMARY
ARKANSAS GOVERNOR'S COMMISSION ON GLOBAL WARMING
Energy Supply (ES) Technical Work Group (TWG)
Call #14, September 16, 2008
9:00 a.m.–11:00 a.m. Central Time

Attendees

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

Governor's Office: Andrew Parker

Advisory Body Member: John Bethel

Arkansas Department of Environmental Quality: Karen Bassett

Center for Climate Strategies (CCS): Bill Dougherty, Tom Peterson, Joan O'Callaghan

Other: Steve Cousins (member of Residential, Commercial, and Industrial Sectors TWG)

Background Documents (All posted at www.arclimatechange.us/ee.cfm)

1. Notice and Agenda
2. PowerPoint for Teleconference
3. Draft ES Policy Option Descriptions
4. Call #13 Meeting Summary

Introductions and Review of Agenda

Tom Peterson initiated the call, welcomed the participants, and completed a roll call. The TWG recommended limiting the agenda to reviewing policy options ES-3A, ES-3B, and ES-7.

Call #13 Meeting Summary

The TWG approved the Call #13 Meeting Summary with the following revisions:

- In the first bullet on page 2, delete "the availability of equipment is questionable."
- On page 3 under ES-7, change "Hempstead hasn't yet received APSC's approval for construction" to "Hempstead hasn't yet received the Arkansas Department of Environmental Quality's approval for an air permit."

Discussion of Analytical Framework

The reference case for ES-3A and ES-3B is now based on Scenario #2 only, which includes both the Plum Point and the Hempstead plants. The numbers have been changed to incorporate the TWG's comments during call #13, including the costs for wind transmission and natural gas combustion turbines, thus yielding new results.

ES-3A: Renewable Energy Portfolio

The TWG members supporting this policy option voted to develop a new hybrid option that integrates both ES-3A and ES-3B, with ES-3A acting as a "safety net" for ES-3B. The policy design for ES-3A will reflect the targets and timelines specified under ES-3B. If the voluntary targets under ES-3B aren't met by the timelines, the mandates specified under the rewritten ES-3A will kick in. Key questions will be when and how the mandate will be triggered. Fisher volunteered to submit to Dougherty a proposed rewrite by COB 9/16, for distribution to the other TWG members for review and comment.

Four TWG members (Brown, Inboden, McDonald, and Voigt) object to this policy option. McDonald cited a 19%–20% increase in the cost to consumers, and noted a mix of 10% wind and 90% biomass might result in a 12%–20% increase in residential customers' bills. Inboden said the policy option could increase the cost of carbon to \$30–\$50 per ton, and if the federal government doesn't institute a cap-and-trade system, the mandatory nature of ES-3A would force Arkansas to build more renewable energy facilities than is practical.

ES-3B: Renewable Energy Feed-In Tariff (REFIT)

This policy option's analysis was constrained so that renewable energy penetration wouldn't lead to more than a 5% rate impact by 2025.

Megawatt targets for 2020 and 2025 will be included in the Timing section of the Policy Design section and will be broken down by resource. The 15% target by 2025 will be prorated over the 10-year period, and all costs will be assumed to rise gradually with inflation.

All of the TWG members support this policy option. However, Voigt suggested including a limitation on retail costs of \$30 million per year, adjusted annually for inflation. McDonald noted that a \$150-million subsidy is too large for other customers to pick up; Brown and Inboden agreed. In contrast, Hobson, Smith, McAfee, and Fisher think having a 5% limitation on the increase in the tax rate is essential. Going forward, these issues will be highlighted in the policy option's Key Uncertainties section.

The TWG will consider changing the title Renewable Energy Feed-In Tariff to something along the lines of Renewable Energy Payment.

ES-7: CO₂ Sequestration From New Fossil Plants

In an effort to narrow down the eight sensitivities, a proposal was made to focus on Scenario #8 to build Hempstead in 2020 as a pulverized coal plant with carbon capture and storage, and to combine the aspects of Scenario #7 to start replacing that generation first with energy efficiency, next with wind energy, and last with natural gas. Four TWG members oppose this option (Brown, Inboden, McDonald, and Voigt), and five support it (Fisher, Hobson, McAfee, Smith, and Webb).

The TWG members will provide recommendations to Dougherty via e-mail regarding how to narrow the scenarios for ES-7. Dougherty will compile the comments, will distribute them to TWG members for review, and will hold off on further analysis until the TWG provides guidance as to how to proceed. Also, language will be added to the Implementation Mechanisms section regarding regulatory and legislative issues.

Date and Time for Final GCGW Meeting

- Meeting #10, Thursday, September 25, 2008, 9:00 am – 4:30 pm CDT

Date, Time, and Agenda for Next ES TWG Meeting

- Meeting #15, Monday, September 22, 2008, 2:00 pm – 4:00 pm CDT

During this call, ES-5 and ES-10 will be discussed, along with additional recommendations provided by TWG members for ES-7.

Public Input and Announcements

There were no announcements. Members of the public commented as follows.

Fran Alexander, Fayetteville

Rather than invest billions of dollars in the Hempstead plant, spend the money on research and providing incentives for energy efficiency and renewable energy. The higher costs to low-income ratepayers can't compare to the higher health costs from increased greenhouse gas emissions.

Joe Bender, Clean Air Arkansas

Don't build the Hempstead plant. Coal-fired technology will harm human health and Arkansas' forests, which provide 1 of 6 jobs in the state. The best option under ES-7 is scenario ES-7B.

Sammie Cox, Southwestern Electric Power Company

Building the Hempstead plant is "ultra-supercritical." It has all of the latest technology and will be as efficient as possible. Renewable energy won't be capable of meeting the expected electricity demand, will impose hardships on low-income ratepayers, and will require large investments of capital to educate consumers on how to realize the energy efficiency goals.

Eddy Moore, Arkansas Public Policy Panel

The price of carbon is essential to the ES-3 and ES-7 policy options. Consider retaining ES-7B and optimizing the cost mix (compare the carbon pricing) of energy efficiency, wind, and natural gas.