



2017 Policy Agenda

Our mission

As the business voice for advanced energy in Arkansas, AAEA is dedicated to growing Arkansas's economy through expanded utilization of advanced energy technologies that make our energy supply more secure, clean and affordable.

2017 Legislative and Regulatory Priorities

I. Arkansas Public Service Commission Docket 16-027-R

- The Arkansas Public Service Commission (APSC) opened two pivotal dockets in 2016 that will have major impacts on the renewable energy market place in Arkansas. AAEA sought and received intervening party status on Dockets 16-027-R and 16-028-U.
- In 16-027-R, the Commission is exercising its authority under ACT 827 to establish certain guidelines for net metering facilities to exceed current generating capacity limits and to establish a revised rate structure for net metering customers. The revised rate structure issue has been assigned to a Net Metering Working Group consisting of all interested parties.
- **AAEA is arguing strongly, along with others in the industry, that existing customers should be grandfathered permanently under current rates. As one AAEA solar company states, changing the rules for existing customers after they have already invested in a net metering facility would severely depress the PV market in Arkansas.**

II. Arkansas Public Service Commission Docket 16-028-U

- The APSC went beyond the requirements of Act 827 to open the second docket, 16-028-U, which represents an historic attempt by the Commission to more broadly consider the full range of issues in order to "consider whether any change is warranted in the Commission's policies related to renewable DG, beyond those policy changes

contemplated in Docket 16-027-R.” AAEA used the opportunity to suggest several policy changes. See below. However, their individual success depends largely on the support and action of the Commission.

- **Third-Party Generation:** Many companies wish to procure power from onsite resources such as solar, storage, fuel cells, or small-scale wind, while still remaining connected to the utility grid. **AAEA supports third-party generation and considers this option as priority one.**
- **Utility Renewable Energy Tariffs:** **AAEA supports** the ability of commercial, industrial, and residential electric consumers to procure renewable energy through their utility, avoiding the additional work and due diligence required to pursue onsite generation or contract with an offsite project. The use of such tariffs is common in other states. These tariffs can be structured to minimize rate impacts on other utility customers.
- **Utility-enabled Power Purchase Agreements:** Utility-enabled Power Purchase Agreements (“UPPAs”) allow companies in regulated markets to contract with a renewable energy project, with the utility agreeing to act as an intermediary to deliver the power from the renewable energy project to the customer. **AAEA supports this third option to expand renewable energy use by commercial and industrial companies operating in Arkansas.**
- **Direct Access Tariffs:** Several traditionally regulated states offer some degree of retail choice, often termed Direct Access, allowing certain customers, usually large energy users, to purchase power from an energy supplier rather than the local distribution utility. **AAEA supports direct access tariffs.**
- **Integrated Resource Plans:** Integrated Resource Plans (“IRPs”) explain how an electric utility company proposes to meet energy requirements of its customers. **AAEA urges the Commission to require regulated electric utilities to incorporate Distributed Generation in IRPs.**

III. Property Assessed Clean Energy (PACE) program

- Access to PACE financing expanded to more customers in 2015-16. Pulaski County launched a program and issued program rules in July while Energy Improvement District Number 1 in Northwest Arkansas doubled in size when Springdale joined the district’s originator, the City of Fayetteville, in August 2016. Arkansas Advanced Energy Equity (A2E2), which is an LLC formed by AAEA, won administrator contracts in both jurisdictions and entered the third quarter of 2016 with several potential projects underway.

- Signed into law by Governor Beebe in April 2013, the Arkansas local-option PACE program authorizes the voluntary creation of energy improvement districts to fund loans for 100% of the cost of energy savings projects by interested property owners. The loans are repaid via a special assessment on the owner's property. Loan payments are generally less than the amount of energy savings achieved, so most business owners experience an increase in cash flow. Without access to low-cost financing opportunities, Arkansas property owners must typically bear the upfront costs of energy-saving projects, an obstacle that has stymied many energy-saving projects in Arkansas.
- **PACE has demonstrated its value with several projects currently in development but technical corrections are needed to ensure the program reaches its full potential as a robust engine of economic development. AAEA will advocate for these needed changes in partnership with other stakeholders.**

IV. Arkansas Energy Performance Contracting (AEPC) program

- After two years in operation, the Arkansas Energy Performance Contracting Program is in full stride. Energy service providers joined representatives of Arkansas state agencies, colleges and universities and cities and counties in June 2016 for the Arkansas Energy Performance Contracting (AEPC) Summit hosted by AAEA and the Arkansas Economic Development Commission – Arkansas Energy Office.
- Since it was first launched in November 2014 as one of AAEA's top priority policy initiatives, the program has undergone several important legislative and administrative changes, including adoption of the Local Government Energy Efficiency Project Bond Act by the Arkansas legislature in 2015 enabling cities and counties to issue tax exempt bonds for energy efficiency projects that can be certified through the AEPC program.
- The AEPC program enables taxpayer-funded public entities to reduce costs, improve the comfort and quality of public buildings and address pressing deferred maintenance issues at no upfront cost. A jobs study commissioned by the Arkansas Advanced Energy Foundation found that nearly 700 companies that employ more than 16,000 Arkansans are in the advanced energy economy. About 60 percent of those jobs are tied to energy savings equipment and services and will be directly affected by a vibrant AEPC program.
- Several large Energy Service Companies have made significant investments in Arkansas while home-grown ESCOs are also growing exponentially in response to the AEPC program. Qualified providers under the program that participated in the 2016 AEPC Summit include Willdan/360 Energy Engineers; Clear Energy, Inc. and Performance Services; Harrison Energy Partners; Johnson Controls, Inc.; Entegri Energy Partners; Powers of Arkansas; Schneider Electric and Siemens.

- **AAEA will continue to advocate for AEPC's future success and monitor legislative proposals that would weaken the program.**

V. Public Utility Energy Efficiency Programs

- Under the Energy Efficiency Resource Standard adopted by the Arkansas Public Service Commission in December 2010, utility energy efficiency programs have proven to be an important economic driver for Arkansas and advanced energy technologies.
- AAEA has participated for four years in the Parties Working Collaboratively (PWC) with the state's seven public utilities and other interested parties to develop a plan to extend programs through 2019. In testimony filed before the APSC on August 1, 2016, Dr. Katherine Johnson, Independent Evaluation Monitor for the Utility programs; the Commission professional staff and all parties including the seven investor-owned utilities (IOU) and AAEA stated that "the energy efficiency (EE) programs continue to make excellent progress towards achieving their energy savings and participation goals."
- The EM&V (Evaluation, Measurement, and Verification) findings confirmed "that customer satisfaction remains high across the entire Arkansas EE program portfolio of measures. Most of the IOU programs exceeded their energy savings goals. The four electric utilities achieved 108 percent of their 2015 savings goals while the three natural gas IOUs achieved 102 percent of their targets. SWEPCO lead the utilities by achieving 119% of its target. A total of 282, 558,338 kwhs and 4,891,135 therms were saved by the IOUs.
- **AAEA will continue its participation on the PWC and its support of the utility-operated energy efficiency programs for 2017.**

VI. Integrated Resource Plans

- Each electric utility that operates in Arkansas is required every three years to provide an updated integrated resource plan (IRP) that encompasses a 10-year forecast. SWEPCO, OG&E, Entergy, and the Arkansas Electric Cooperatives submitted their IRPs in 2015 for the years 2016-2019. An IRP explains how a utility plans to meet the projected capacity and energy requirements of its customers. Utilities in their IRPs must consider the impact of environmental rules, commodity prices, generation resources, energy efficiency, etc.
- AAEA along with other stakeholders in 2015 engaged Entergy and SWEPCO in the preparation of those utilities' IRPs. The IRP process is an important opportunity to engage a utility on energy efficiency, renewable energy resources, and other advanced energy technologies. The next IRP process will take place in 2018.

VII. Clean Power Plan

- The EPA's "Clean Power Plan" (CPP) rule requires states to reduce carbon emissions from existing power plants. On February 9, 2016, the Supreme Court stayed implementation of CPP pending judicial review. The U.S. Court of Appeals for the D.C. Circuit, sitting en banc on September 27th, heard oral argument in *West Virginia v. EPA*. It is uncertain when the D.C. Circuit will rule and what it will rule.
- AAEA's national partner, Advanced Energy Economy (AEE), intervened in the case on behalf of the advanced energy industry. AEE is committed to working with the new Administration on meeting the nation's energy challenges by scaling advanced energy, including through continued work on the CPP. **AAEA as one of AEE's state partners will coordinate closely with AEE in advocating support of CPP and cost-effective carbon reduction energy strategies.**

VII. Arkansas Energy Office

- Governor Asa Hutchinson has announced his intention to move the Arkansas Energy Office (AEO) from the Arkansas Economic Development Commission (AEDC) to the Arkansas Department of Environmental Quality (ADEQ). AEO is the recipient of federal Department of Energy grants and utility funding to offer energy efficiency savings programs to low-income residents; to develop alternative transportation fuel opportunities such as natural gas; to manage the state Energy Performance Contracting Program; and other energy programs.
- AAEA has been supportive of AEO and its programs and in the past has met with AEDC officials in support of the office's mission. AAEA and AEO worked closely together to create the Energy Performance Contracting Program and co-hosted legislative candidate workshops. **As AEO transitions to a new department, it is important that AAEA maintains its support of the Energy Office and that the Governor and the ADEQ administration are aware of this support and AAEA's desire for AEO to prosper.**