



2019 Policy Agenda

Updated June 2019

Overview

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

Today, 770 advanced energy companies with a workforce of 25,000 people are doing business in our state, according to research commissioned by the Arkansas Advanced Energy Foundation (AAEF). The advanced energy economy contributes \$2.8 billion in economic output to Arkansas, per analysis conducted by the UALR Arkansas Economic Development Institute. Arkansas's advanced energy industry has a key role to play in our state's economy as the advanced energy transition continues. AAEA is focused on legislative policies and regulatory decisions that will allow the market to expand as demand and innovation advances.

Legislative priorities

I. Arkansas Energy Performance Contracting

1. House Bill 1636/Act 507:

- Allows a guaranteed energy cost savings contract to align with energy cost savings measures' active warranty period or combined useful life, instead of capping a contract at 20 years under current law.
- Allows K-12 school districts to opt into the existing program.
- Passed the House 88-2 and the Senate 34-0.

2. Senate Bill 679/Act 1090:

- Amends the Local Government Capital Improvement Revenue Bond Act as it relates to performance-based efficiency projects. It is designed to help municipalities utilize revenue bonds to fund projects under the AEPC program.
- Earned unanimous approval: Senate (34-0), House (94-0).

II. Expanding access to solar energy

1. Senate Bill 145/Act 464:
 - Enables third-party ownership of solar arrays;
 - Increases the solar array size limit for commercial and industrial net-metering customers from 300 kw to 1 MW (projects under 1 MW will not be required to secure Commission approval, cutting red tape and project lead time); and
 - Adds a grandfathering provision to provide market certainty for customers. Customers who submit an interconnection agreement before Dec. 31, 2022, will remain under the rate structure in effect when the contract was signed, for 20 years.
 - Passed Senate 28-2 and the House 83-5.

Effective date: July 24, 2019 (enacted bills from the 2019 regular session take effect 90 days after sine die adjournment, which was April 24).

III. Transformation in Arkansas State Government: Department of Energy and Environment

On October 3, 2018, Governor Hutchinson announced his plan to reorganize the number of cabinet level agencies from 42 to 15. A newly created Department of Energy and Environment would include the Arkansas Department of Environmental Quality (home to the Arkansas Energy Office); the Arkansas Public Service Commission will remain a stand-alone agency.

ADEQ manages the state's successful Energy Performance Contracting Program, in addition to other energy programs. The Energy Office is the recipient of federal Department of Energy grants and utility funding to offer energy efficiency savings programs to low-income residents. ADEQ also oversees the VW settlement funds to develop alternative transportation fuel opportunities such as natural gas and electric vehicles.

AAEA will monitor the transition plan and communicate the importance of ADEQ's work to necessary stakeholders.

Regulatory priorities

IV. Net Metering & Distributed Energy Resources proceedings

Tremendous potential exists to expand Arkansas's advanced energy economy. In April 2016, the Arkansas Public Service Commission opened two dockets: 1.) 16-027-R to consider legislative changes to net metering rules in Arkansas and 2.) 16-028-U to open discussion on other policies affecting distributed generation. AAEA is an intervening party in both proceedings.

In the Net Metering proceeding, the Commission is exercising its authority under ACT 827 to consider a potentially revised rate structure for net metering customers. AAEA helped secure an early win in the net-metering docket when the Commission concurred with AAEA's position to allow current net-metering customers to be grandfathered into existing rules for a period of 20 years. Additionally, the Commission agreed to not adopt a generic size restriction on net-metering facilities as requested by utility companies.

The Commissioners established a Net Metering Working Group for a year of deliberation among the intervening parties and recommendations back to the Commission. AAEA and other parties presented a comprehensive analysis of the costs incurred and the benefits provided by Arkansas net-metering customers, which showed that net metering is good for all ratepayers.

A final order with any potential new rules has been pending since hearings held in late 2017. In response to passage of the Solar Access Act (Senate Bill 145/Act 464 from the 2019 legislative session), the Commission announced on May 30 it would open a "Phase 3" of this proceeding, calling on the Net Metering Working Group to reconvene to consider unresolved issues and implement Act 464's noncontroversial provisions. The Commission set a procedural schedule, culminating in a Dec. 5, 2019 hearing date.

On a related note, AAEA's review of 2018 utility filings found that Arkansas has recorded the largest annual increase in the number of net metering systems ever: a total of 1,508 net metering systems as of December 31, 2018, a 520-net increase over the end-of-2017 number of 988 systems.

These numbers are a clear example of the growing demand for advanced energy technologies and their positive economic impact. AAEA members report that consumer awareness regarding solar's affordable price and short-term payback has grown. As a result, companies are adding new positions to meet growing consumer demand and new companies are entering the marketplace.

AAEA's growing focus is on Docket 16-028-U, which was expanded by the Commission in late 2017 to explore a wide range of "Distributed Energy Resources" (DERs): energy efficiency; demand response; smart thermostats and controls; renewable resources and distributed generation, including solar and wind technologies; storage technologies; and electric vehicles, all of which may be enabled, enhanced, and integrated into the grid via Advanced Metering Infrastructure (AMI).

Asked why the DERs proceeding is important to the advanced energy industry, Chairman Ted Thomas told attendees of AAEA's annual meeting in October 2018, "For each policy issue, there is a business opportunity. Your participation is very important. We need top-flight experts as we manage this technological transition."

Arkansas has seen considerable deployment of some types of DERs in recent years, and has risen from a "late starter" on DER installations at the beginning of the decade to the middle

third among US states - or better - in many respects, according to a February 2018 analysis by the Regulatory Assistance Project.

On April 30, 2019, the Commission issued an order naming third-party facilitators and announcing the first public educational workshop would be held June 11-12, 2019.

V. Public Utility Energy Efficiency Programs

AAEA is an active participant in the Parties Working Collaboratively (PWC) under the Commission's Docket 13-002-U, to continue the state's utility energy efficiency standard, (EERS). AAEA is the only intervening party that brings the advanced energy industry perspective based on years of developed industry partnerships and policy research.

AAEA helped secure an important win in July 2018: The Commission announced new energy efficiency goals for the state's electric utilities, ordering a savings target of 1.2% of baseline energy sales from 2020 through 2022. The targets (recommended by AAEA and allies) mark a significant increase from previous efficiency targets, which were set at a maximum of 1%.

The Arkansas programs are recognized as a leader in the Southeast. Continued engagement is needed as program plans are developed and implemented. Additionally, the collaborative is overseeing the development and implementation of a low-income and seniors pilot program as a result of legislative action (Act 1102 from the 2017 General Assembly), which will require ongoing engagement by AAEA.

Local government priorities

VI. PACE program

The PACE ACT of 2013 authorized the voluntary creation of energy improvement districts to finance energy efficiency, water efficiency, and renewable energy improvements by interested property owners. A bipartisan consensus of General Assembly members saw PACE as an answer to the financing barrier that had discouraged property owners from addressing deferred maintenance measures and making desired capital improvements that reduce utility costs and have the added benefit of improving their property value. The payments (paid via a special assessment on the owner's property) must be less than the amount of energy savings achieved, so business owners experience an increase in cash flow.

PACE has been a leading priority for AAEA and its members since the advanced energy business community helped secure its passage in 2013. Since that time, AAEA has worked closely with officials managing the state's active energy improvement districts – Energy Improvement District Number 1 (cities of Fayetteville and Springdale), and Pulaski County Energy Improvement District. Other communities, particularly those in rural Arkansas, are looking to form their own districts to take advantage of this economic development tool.