



POLICY REVIEW HIGHLIGHTS, 2013-2016

AAEA engages in advocacy at the federal, state and regulatory levels to encourage public policies that enable rapid growth of Arkansas's advanced energy companies. Since our launch in 2012, AAEA has secured several policy achievements on behalf of the industry.

2013

AAEA-endorsed Legislation enacted during 2013 General Assembly:

- Property Assessed Clean Energy Act: Authorizes the voluntary creation of energy improvement districts to fund loans for energy efficiency improvements, water conservation improvements, and renewable energy projects.
- Guaranteed Energy Cost Savings Act: Allows state agencies to use maintenance and operation appropriations for payment of equipment and energy efficiency improvements required through a guaranteed energy cost savings contract. Designates the Arkansas Energy Office as the administrator of the amended act.
- Clean Burning Motor Fuels Development Act: Creates tax credits for expansion of Compressed Natural Gas facilities and fleet utilization. These tax credits will be offered for compressed natural gas refueling stations, liquefied natural gas refueling stations, and liquefied petroleum gas refueling stations as well as for clean-burning motor vehicles.
- Revisions to Net Metering Rules Act: Expands customer excess generation credits for net metering facilities by four months to enhance renewable distributed generation facilities in the state. Allows energy customers who own renewable energy generation facilities to carry over annual energy credits up to four months into the following year.
- Energy Efficiency Bonds Authorization for State Agencies Act: Provides financing for energy efficiency projects for state entities. Upon the request of a state entity, the Arkansas Development Finance Authority may issue bonds to finance energy efficiency projects for building or facilities that are owned or operated by the State of Arkansas.

Participation at the Arkansas Public Service Commission:

- Net Metering Aggregation (Docket 12-060-R): Order issued on September 3 to amend rules to allow net metering customers to aggregate multiple meters as off-set to excess generation from a renewable energy facility.
- Reauthorization of Comprehensive Utility Energy Efficiency Programs (Docket 13-002-U): Order issued September 3 setting enhanced targets for utility savings in 2015 and authorizing potential study to determine targets in 2016-17.

2014

In 2014, AAEA moved forward on four important initiatives:

- **Utility Energy Efficiency (EE) Programs:** AAEA remains an integral part of the Parties Working Collaboratively (PWC) to extend the state's utility energy efficiency programs administered by the Arkansas Public Service Commission (APSC). According to a study commissioned by our educational affiliate, AAEF, the utility programs have engaged more than 675 Arkansas companies and since 2010 spurred 40% growth in the state's EE industry which now accounts for about \$1.3 billion in annual sales and more than 11,000 jobs. AAEA and its PWC partners made significant improvements to weatherization programs for all homeowners, authorized a new potential study for the state, and for 2015 increased EE Resource Targets for the state.
- **Clean Power Plan:** In June, AAEA was named to the 21-member stakeholder group convened by Arkansas regulators, APSC, and the Arkansas Dept. of Environmental Quality (ADEQ) to consider the state's response to EPA's Clean Power Plan. Through four stakeholder meetings held in 2014, AAEA demonstrated that Arkansas advanced energy technologies have the capacity in place to help the state meet its carbon reduction target by 2030 while creating more jobs, increasing consumer choices, and reducing the amount that Arkansas families and businesses are spending for energy. Additionally, AAEA sent recommendations to the ADEQ, APSC, and EPA for improving EPA's proposed Clean Power Plan.
- **Property Assessed Clean Energy (PACE):** AAEA is the chief business advocate for implementation of the state's new local option PACE law. Fayetteville and North Little Rock formed PACE districts, and business owners in those cities will soon have access to 100% financing of energy efficiency, renewable energy, or water conservation improvements for their properties. In June, AAEA and a St. Louis, MO company formed Arkansas Advanced Energy Equity (A2E2), which was contracted by the Fayetteville Energy Improvement District Board to administer its program. The program was launched on December 10.
- **Energy Performance Contracting Program:** Another AAEA initiative that resulted in a new public law enacted in 2013 is the State Energy Performance Contracting program. The Arkansas Energy Office officially launched the program in Fall 2014 to enable state agencies to access financing for energy efficiency and renewable energy improvements. AAEA organized an Energy Performance Contracting Summit on November 14 that allowed state agency representatives to learn more about the program and meet qualified contractors.

2015

In matters before the Arkansas General Assembly, the Arkansas Public Service Commission and in other public forums, AAEA aggressively pursued policies in 2015 that will expand business opportunities for advanced energy companies throughout the state.

- **Clean Power Plan:** The Environmental Protection Agency's Clean Power Plan can potentially drive new investment and more jobs in the state's advanced energy sector. The General Assembly adopted Act 382, by Sen. Eddie Joe Williams, that creates a procedure for the State of Arkansas to comply. It includes oversight by the Legislature and a multi-agency rulemaking directed by the Arkansas Department of Environmental Quality. As a stakeholder in these proceedings, AAEA participated in the first meeting this year of interested parties on

October 9, 2015 and will continue to engage on behalf of Arkansas Advanced Energy technologies. A state compliance plan that can gain approval of the state legislature and the EPA will be priority number one for AAEA in 2016.

- Energy Performance Contracting Program: Adoption by the General Assembly in April, 2015 of Act 1275, by Sen. David Johnson, the Local Government Energy Efficiency Project Bond Act, enables cities and counties to issue energy efficiency project bonds for energy efficiency improvements that will generate sufficient savings to secure the principal and interest payments on the bonds. The new law was a high priority for AAEA to give local governments stronger incentives to reduce energy, maintenance and operational costs and expand market opportunities for advanced energy companies. AAEA also successfully fought off legislation to weaken the state energy performance contracting program clearing the way for what many predict will be a robust EPC program for public facilities in Arkansas.
- Renewable Energy Policies: Act 827 by Rep. Stephen Meeks established new rules for the state's renewable energy customers who utilize net metering, including removal of the time limit on net excess generation credits. The new rules also allow commercial installations to exceed 300 kw in certain circumstances. The full effect of the new law remains undetermined however as it directs the Public Service Commission to establish appropriate rates for net metering contracts, including a requirement that the "rates charged to each net metering customer (NMC) recover the electric utility's entire cost of providing service... that is net of quantifiable benefits associated with and providing service to the NMC..." AAEA will stay involved in this process by trying to minimize additional costs for net metering customers. The General Assembly also adopted Act 1088 by Rep. Warwick Sabin allowing state utilities to enter into power purchase agreements for new energy resources. Entergy Arkansas is proceeding under Act 1088 to develop an 81-MW solar plant near Stuttgart, AR. The Arkansas Public Service Commission approved the development in September, 2015 because it "offers the lowest energy costs for customers."
- Utility EE 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 three 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. As of July, 2015, most of the major utilities had made excellent progress by exceeding their energy savings targets and reporting a high level of customer satisfaction. AAEA has advocated within the PWC for a 1% annual savings targets among electric utilities and .06% for gas utilities. A jobs study by the Arkansas Advanced Energy Foundation found that the EERS programs have expanded advanced energy employment by more than 2,000 workers since 2011. The APSC ruled December 17th that savings targets for the extension years, 2017-2018, will be 0.9% of 2015 retail sales for electric IOUs and 0.5% of 2015 retail sales for natural gas IOUs. For 2019, electric IOUs targets will be 1% of 2015 retail sales and for natural gas IOUs the earlier target will remain the same. Non-energy benefits were approved on December 10th.
- Integrated Resource Plans: AAEA with other stakeholders participated in reviewing and commenting on the preparation of IRPs by SWEPCO and Entergy Arkansas, Inc. In both IRPs, AAEA prepared sections addressing the deployment of advanced energy technologies as well as coordinate the preparation of joint stakeholder comments. AAEA submitted specific comments on renewable energy generation including Combined Heat and Power, energy efficiency, and the Clean Power Plan.

2016

As key energy efficiency programs like AEPC, EERS and PACE continued to mature and grow in 2016, AAEA intervened in two important renewable energy dockets opened by the Arkansas Public Service Commission.

- Renewable Energy Policies: The Arkansas Public Service Commission opened two pivotal dockets this year 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. This process should take approximately one year during which time AAEA is arguing strongly 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.

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. They include: **1. 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. **2. Utility Renewable Energy Tariffs:** Commercial, industrial, and residential electric consumers may wish 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. **3. 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. **4. 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. **5. Integrated Resource Plans:** Integrated Resource Plans (“IRPs”) explain how an electric utility company proposes to meet energy requirements of its customers. AAEA wants the Commission to require regulated electric utilities to incorporate Distributed Generation in the IRPs. After hearing from all parties in this docket, the Commission will weigh further action.

- Energy Performance Contracting Program: Nearing the end of its second full year, 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 to 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 AEPC Summit this year included Willdan/360 Energy Engineers, Presenting

Sponsor; Clear Energy, Inc. and Performance Services, Partner Sponsors; and Harrison Energy Partners; Johnson Controls, Inc.; Entegri Energy Partners; Powers of Arkansas; Schneider Electric and Siemens.

- 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.
- Property Assessed Clean Energy (PACE): Access to PACE financing expanded to more customers in 2015-2016. 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. 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-savings projects, an obstacle that has stymied many energy-savings projects in Arkansas.