

# Net Metering Report

The Arkansas Public Service Commission provides the following report to the Arkansas Legislative Council pursuant to the Council's request at its April 20, 2012 meeting.

## The Arkansas Net Metering Law

Net metering in Arkansas is provided pursuant to the Arkansas Renewable Energy Development Act of 2001 which was adopted as Act 1781 of 2001 and was amended in Act 1026 of 2007. The Arkansas Renewable Energy Development Act is codified as Ark. Code Ann. §23-18-601 *et seq.* A copy of the Arkansas net metering statute is included as Attachment 1 of this report.

Standard metering of electricity consumption includes a meter at the customer's residence or business that measures the kilowatt hours (kWh) of electricity delivered to the customer. The meter reading forms the basis for the customer's monthly bill from the electric utility. With net metering, the customer owns a generating source. The customer-owned generating source supplies all or part of the customer's need. Any excess generation from the customer's generating source above the customer's need is delivered back to the utility. The meter runs backward to "measure" the kWh delivered from the customer to the utility. The customer's monthly bill reflects the "net" of the kWh purchased from the electric utility and the kWh produced by the customer's

generating source and consumed by the customer or delivered back to the electric utility.

Under the Arkansas statutes, a customer owned generating source must be a renewable resource in order to qualify for net metering. The generating source must be solar, wind, hydroelectric, geothermal, biomass, etc. The Arkansas net metering law establishes the maximum size to be eligible for net metering of 25 kilowatts (kW) for generating sources owned by residential customers and 300 kW for generating sources owned by non-residential customers. The customer owned generating source eligible for net metering is intended to offset all or part of the customer's requirements for electricity. The law provides that the customer retains any renewable energy credit associated with the generating facility.

The Arkansas net metering law requires electric utilities to offer net metering. The law empowers the Commission to establish the rates, terms, and conditions for net metering service. The utilities may, in some circumstances, assess fees for additional costs associated with net metering. Any generation from the customer's qualifying net metering facility is credited against the customer's usage at the full retail rate. The net metering law provides that a customer may carry any excess generation balance for up to one year. Any balance of excess generation from prior months may be used to offset consumption during subsequent months in any given year.

## The Commission's Net Metering Rules

As directed in the net metering law, the Commission adopted net metering rules in 2002. Those rules were revised in 2007 following the adoption of Act 1781 of 2007. Act 1781 revised two provisions of the net metering law. That Act increased the maximum size for non-residential generating sources from 100 kW to 300 kW. The Act also increased the period over which a customer can carry any excess generation balance from one month to one year. The Commission's Net Metering Rules set forth the general requirements for providing net metering by the jurisdictional Arkansas electric utilities. The Net Metering Rules also include the standard interconnection agreement and the standard utility tariff or rate schedule. A copy of the Commission's Net Metering Rules is included as Attachment 2 to this report.

The standard interconnection agreement establishes the specific requirements to ensure that the customer-owned generating source is connected to the electric utility system in a manner that is consistent with safe and reliable utility service. The interconnection agreement provides that the customer's generating source operates in parallel with the utility's system and that the interconnection is constructed to prevent any back-feeding of electricity to the utility's system in the event of an outage. The net metering facility must be equipped with a manual disconnect switch that is available to the utility. These provisions are to prevent harm to electric utility personnel working to maintain utility facilities or to restore service during any outage. The standard

interconnection agreement requires that all net metering facilities comply with the standards set forth in the National Electric Code, the National Electric Safety Code, and the Institute of Electrical and Electronics Engineers, and the Underwriters Laboratories.

The standard tariff or rate schedule in the Net Metering Rules ensures that each utility has a comparable rate schedule and service offering. The rate schedule addresses the availability of net metering service. The standard rate schedule also establishes the provisions for monthly billing for net metering customers.

#### Net Metering Facilities in Arkansas

The Commission requires the electric utilities to file annual reports listing the number and fuel type of all net metering facilities in their service territories. Attachment 3 of this report presents a summary of the information provided by the utilities. As of December 31, 2011, there were 214 net metering installations in Arkansas. All of the net metering facilities are fueled by either solar or wind power with most being solar powered. Of the 214 facilities, 188 have a generating capacity of 10 kW or less; 23 have a capacity between 10 kW and 25 kW; 2 have a capacity of between 25 kW and 75 kW; and 1 has a capacity of between 75 kW and 100 kW.

#### Pending Rulemaking Proceeding

In January of 2012, the Commission initiated a rulemaking proceeding to consider modifications to its Net Metering Rules. The primary issue in the proceeding is consideration of potential modifications to the standard

interconnection agreement to address the indemnification provision in the agreement in light of a recent Arkansas Court of Appeals decision issued in *Entergy Ark., Inc. v. Ark. Pub. Serv. Comm'n*, 2011 Ark. App. 453 (2011). The Court affirmed a Commission determination, regarding an analogous indemnification provision in another utility service agreement, that Article 12, §12 of the Arkansas Constitution prohibit the state from assuming or paying the debt or liability of any party or corporation. Consequently, the Court found that the indemnification provision in the other agreement to be barred by the Arkansas Constitution. Consequently, the Commission initiated the current proceeding to address that issue, and the Commission requested that the parties to the proceeding identify any other issues that it should consider. Other issues raised by the parties to the proceeding include meter aggregation, capacity limits for net metering facilities, forfeiture of net excess generation, and compensation for renewable energy generation. The Commission held a public hearing on April 10, 2012. The Commission has not issued an order addressing the proposed modifications to the Net Metering Rules.