



**Arkansas Alternative Energy Commission**

**Second **DRAFT** Report to**

**Governor Mike Beebe**

**Senate President Robert Moore**

**House Speaker Paul Bookout**

**(October 16, 2012)**

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The Arkansas Alternative Energy Commission (AAEC) was created by Act 1301 of the 2009 session of the Arkansas General Assembly. The Commission is comprised of 15 members representing consumers and utilities, equally appointed by the Governor, Senate President and Speaker of the House.

The AAEC is charged to study:

- (1) the feasibility of creating or expanding alternative energy sources in Arkansas.
- (2) the effects of the use of alternative energy sources on economic development of the state.
- (3) other issues related to alternative energy production and use and the impact of alternative energy that the commission considers appropriate.

The Commissioners wish to express our sincere appreciation to Governor Beebe for identifying the AAEC as a stakeholder in the development of the State Energy Plan over the past year. The Commission wishes to acknowledge recent accomplishments under the leadership of the legislative and executive branches, as well as the tremendous efforts put forth by state agencies for the Arkansas Economic Development Commission, the Arkansas Energy Office and the Public Service Commission relating to the emerging sectors of alternative energy, energy efficiency and renewable energy. The Commission wishes to highlight a few of the more significant accomplishments achieved in Arkansas in the alternative energy sector since our “Initial Report” to the Governor, dated, November 23, 2010:

- Public Service Commission creation of an Energy Efficiency Resource Standard.
- Creation for the Centers of Excellence at Pulaski Tech and NWACommunity College toward retooling the work force in the areas of Energy Efficiency and Renewable Energy.

- Public Service Commission recent ruling striking “indemnity” language from the interconnection contracts between renewable energy producers and the utilities, allowing for public building owners, such as state agencies, counties, municipalities and school districts to legally enter into interconnection contracts without unreasonable indemnity liability.
- Arkansas Energy Office grants for energy efficiency and renewable energy projects, start-ups, and economic development in the clean energy/clean tech sectors.

Since our ‘Initial Report’, dated, November, 23 2010, the Commission has reexamined the (2) two previous recommendations for Enhanced Net Metering, and a Feed-in Tariff. The Commission recommends for these (2) previous recommendations again:

**(Re)Recommend the following:**

- **The Commission (re) recommends a revision to the Ark. Code *Ann.* 23-18-603(6)(b) to increase generation capacity to not more than fifty kilowatts (50 kW) for residential use or three hundred kilowatts (300 kW) for any other use.**
- **The Commission (re) recommends the state develop a Feed in Tariff.**

The Commission recognized the need for the review of issues relating to alternative energy, and several such issues were identified and introduced in our ‘Initial Report,’ dated November 23, 2010, as “**Suggestions for Further Study**”:

- Energy efficiency program objectives relating to cost effectiveness for planning and operational purposes.
- Loading order of efficiency relating to alternative and existing energy sources.
- Balancing energy efficiency with reliability, universality and affordability.
- Economic disincentives currently faced by utilities when promoting energy efficiency.

- Short-term and long term rate recovery mechanisms for participating entities.
- Coordinating energy efficiency efforts with non-utility efficiency programs.
- Existing residential buildings codes for both rural and urban areas.
- Manufacturer incentives to encourage adoption of energy efficiency measures.
- Consumer-based incentives, including low-interest revolving loans, rebates and tax incentives.
- On-bill Financing as a financial tool for cost-effective energy efficiency.
- General Disclosure Policies to ensuring that consumers are fully informed as to the source of their power
- State Interconnection Policy Standards to encourage utility participation and ensure reliable energy resources from alternative and renewable energy producers.
- Renewable Energy Access policies to examine the rights of both property owners and energy producers in relation to existing provisions of state and local governments, historic districts, and homeowner / property associations.
- Development of a State Energy Plan by 2012, as a basis for Arkansas to effectively participate in the alternative energy marketplace.

The Commission continues to examine a variety of issues relative to Alternative Energy and has knowledge that the State is moving forward to develop a state energy plan. This awareness influenced heavily the Commission's areas of study, concentrating our research and reporting on issues prompted by the State Energy Plan Survey, (see attached AAEC State Energy Plan Survey AAEC Response, dated February 29, 2012), as well as by expert testimony provided by the Arkansas Public Service Commission, the Arkansas Energy Office, the Arkansas Economic Development Commission, the University of Arkansas Cooperative Extension Service, as well as expert testimony from individuals from the private sector.

The Commission wishes to extend our sincerest gratitude for their expertise in the areas of the emerging sectors for alternative energy, energy efficiency, renewable energy, and including compressed natural gas as an alternative transportation fuel source. We are of the conviction that alternative energy in the right amounts at the right times will assure a more secure energy future, create jobs, retain wealth, attract private investment, create economic development, and provide for a cleaner environment. All segments of our state must work together to educate and make this transition from the business-as-usual economy of the last century, the Clean Energy Economy of this century with Arkansas leading the way.

### **Background - How the Commission arrived at “Topics for Consideration?”**

The Commission learned from Mr. Chris Benson, Energy Advisor, to the Arkansas Energy Development Commission, that the Governor was pursuing a State Energy Plan. He stated that, “This plan is not a comprehensive plan, but a loose collection of strategies to guide the State’s decisions as it transitions to a sustainable economy.” Coincidentally, the Commission had previously identified 24 items as “Issues to Address,” and discovered that they fell into four (4) discrete categories for: Energy Efficiency, Renewable Energy, Transportation, and as they might affect Finance & Budget. The Commission identified these recommendations as our ‘**Alternative Energy Plan**’ so as to co-exist with the Governor’s State Energy Plan. This ‘Alternative Energy Plan’ would serve as the overarching umbrella, or main theme that the four (4) sub-categories would fall under. Energy Efficiency was the 1st sub-category identified and studied, given its best least up-front cost, least complexity, thereby ensuring the best rates of return on investment, and shorter payback. The Commission identified and ranked specific mechanisms or policy pieces for each of the four (4) main sub-categories as follows:

#### **Energy Efficiency:**

- 1) Create a Statewide Energy Efficiency Program, such as:
  - Loan Loss Reserve toward leveraging a Revolving Loan Fund

- PACE – Property Assessed Clean Energy
- 2) Adopt enhanced Arkansas Energy Building Codes
- 3) General Disclosure Policy
- 4) Public Benefits for Energy Efficiency
- 5) Sales Tax Incentives for Energy Efficiency Equipment (this would also fall under the 4<sup>th</sup> category for Finance/Budget)
- 6) Consumer based incentives such as utility rebates, state and federal tax credits

### **Renewable Energy:**

- 1) Sales Tax Incentives for Renewable Energy Equipment (this would also fall under the 4<sup>th</sup> category for Finance/Budget)
- 2) State Interconnection Policy Standards
- 3) Renewable Energy Access Policies
- 4) Feed-in Tariff and/or an RPS Renewable Energy Portfolio Standard

### **Natural Gas Utilization:**

- 1) Public Benefits for Natural Gas as an alternative transportation fuel.
- 2) Natural Gas as a cost competitive fuel.
- 3) Natural Gas conversions for aging coal fire generation plants.

### **Education:**

- 1) To be determined by our October 18<sup>th</sup> meeting.

### **Omitted line items initially considered by the Commission:**

- 1) Identify Systemic Barriers to EE and RE deployment and investment
- 2) Loading order of Efficiency relating to alternative and existing energy sources
- 3) Balance Energy Efficiency with Reliability, universality and affordability.
- 4) Short and long term recovery mechanisms for participating entities.
- 5) Coordinating Energy Efficiency efforts with non-utility and energy efficiency programs.
- 6) On-bill financing as a tool for cost effective energy efficiency.