BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF AMENDMENTS TO THE	)	
ARKANSAS PUBLIC SERVICE COMMISSION'S	)	**DOCKET NO. 12-060-R**
RULES CONCERNING METER AGGREGATION	)	
AND COMBINED BILLING FOR	)	
NET-METERING CUSTOMERS	)	

REPLY COMMENTS OF ARKANSAS ADVANCED ENERGY ASSOCIATION

Pursuant to Order No. 1 in Docket No. 12-060-R issued on August 8, 2012, Arkansas Advanced Energy Association ("AAEA") submits its Reply Comments regarding the Arkansas Public Service Commissions's amendments to the rules concerning meter aggregation and combined billing for net-metering customers.

Reply Comments Regarding Cross Subsidization

The utilities and the Electric Cooperatives of Arkansas in their respective comments filed in 12-060-R have uniformly raised the issue of cross-subsidization, more specifically, the financial impact of net meter aggregation on the utilities and their non-net metering customers. AAEA acknowledges that in theory net metering can at some point begin to reduce revenue toward payment of a utility's fixed costs. However, the impact on the utility's generating systems shouldn't be viewed in a vacuum.

For example, solar power has an inherent benefit to the generation and distribution system that has been found to offset any costs associated with repayment. Net metering credits a levelized price that doesn't include fluctuations in the price of alternative power at specific times. Solar generates power at a time of peak demand when power is most valuable. Thus, basing the value of power generated by solar panels simply on a flat retail price that is averaged over time doesn't fully acknowledge the true value of solar power to the system. Furthermore, reduction of reliance on centralized power frees up capacity on the transmission system that reduces capital costs to the system for added capacity. In short, a significant expansion of renewable energy systems has the potential to defer the need for additional generation and transmission facilities that would reduce electricity rates and benefit all ratepayers.

For these reasons it is desirable to conduct a full evaluation of both the costs and the benefits of distributed generation on the system, rather than simply costs associated with reduction in revenues. It is also important to remember that a net metering customer providing energy to the utility is also cross subsidizing other consumers since the utility is not providing a significant component of financing of the generation resource. Those costs are borne exclusively by the net metering customer. For most other generation resources, the costs are borne by the entire rate base.

The evaluation of the impact of net metering should also take account of the certain practical realities. At the current level of net metering in Arkansas, 214 net metering facilities ("NMF") generating about 1.3 mw, the financial impact on the rate base is negligible. In fact, net metering would have to increase exponentially before it would have any measurable impact on utilities and their ratepayers. AAEA, however, does acknowledge that a financial impact point likely exists where recovery of fixed costs from additional net metering customers may be necessary. In comments filed by the State Agency Group (12-060-R_23_1), the state agencies recommended five conditions that would mitigate potential adverse financial impacts that might eventually occur. AAEA believes these recommendations should be considered along with other recommendations to address costs as well as benefits to the utility system of net metering. AAEA therefore encourages the Arkansas Public Service Commission to initiate a proceeding where interested parties are able to engage on the financial costs and benefits of distributed generation and net metering to a utility and its ratepayers.

Reply Comments Regarding General Staff's Response to Proposed Strawman Language

Under **Definitions**, the General Staff has defined "net metering customer" as the owner of a net metering facility. AAEA is unsure as to how this definition would affect 3rd party ownership and leasing of a net metering facility to a residential, commercial, or municipal customer to the extent the proposed definition might prevent leasing of net metering facilities to ratepayer. AAEA believes such a restriction unnecessarily thwarts net metering and impedes the development of indigenous energy resources in the state. The Interstate Renewable Energy Council ("IREC") in its *Model Net Metering Rules* promotes 3rd party ownership of net metering systems. According to the IREC, 3rd party financing arrangements are beneficial for entities that cannot claim tax credits such as governments and schools. The General Staff may well argue that such leasing entities are then utilities, and if so, then it may be necessary to clarify in the net metering rules that such arrangements are not considered as utilities and not subject to regulation.

The provision in Rule 2.04, **Billing for Net Metering**, to credit first the net metering customer's meter that is physically attached to the NMF appears to be an unnecessary requirement. It may well be that the best NMF location does not correspond to the site that has the highest electrical load. As with the example of the Rockmoore Public Water Authority

("PWA"), the telemetry station with an August load of 29 kwh may be the best NMF site but the greatest load is the treatment plant that required 31000 kwh in August. No good policy reason prevents the treatment plant load from being first in line for credit. Admittedly the proposed rules do not prevent generation credit from the NMF contributing to the treatment plant but the proposed rule does not appear necessary and merely adds unneeded complexity.

Reply Comments Regarding Aggregating Net Meters on Non-separate Properties

AAEA restates its September 10th position opposing the aggregation of meters on only non-separate properties. The Rockmoore PWA, other PWAs, municipalities, colleges, universities, businesses, and farm operations have multiple meters and on separate properties. These governmental bodies, institutions of higher learning, businesses, farming operations, and residential entities should be allowed to aggregate meters from their combined properties within reason and a utility's service territory. The Arkansas PSC should make allowance for these real world conditions through the net metering rules.

Reply Comments Regarding Net Metering Caps

While the net metering cap limitation of 25 kw for residential customers and 300 kw for all other customers is not the issue under review in docket 12-060-R, AAEA supports the IREC position that "all renewable energy systems should be eligible, with no hard limits on system size" and there should be no limit on the aggregated capacity of net-metered systems." Though the 2011 index of net metering facilities show no NMFs beyond 100 kw in Arkansas, it is safe to assume that the 300 kw limit will eventually become a barrier to net metering should the PSC authorize ANM. Therefore, AAEA encourages the PSC to eliminate cap size for NMFs through a separate docket or work with the Legislature to remove the net metering caps.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on September 24, 2012 I electronically filed the foregoing with the Clerk of the Commission using the ECF system and a copy was served on all parties via email or first class mail.

/s/ Nate Coulter
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