

Arkansas Business

PSC to Rule on Utility Rates in Solar Energy Showdown

by **Kyle Massey**

Monday, Oct. 23, 2017 12:00 am 5 min read



Seal Energy Solutions CEO Josh Davenport and President and COO Heather Nelson flank DeWitt farmer Tom Jacobs. Seal installed a solar array to help power Jacobs' farm operations. (Karen E. Segrave)

A yearlong debate over the value of self-generated electricity in Arkansas is boiling down to a duel in the sun.

After months of behind-the-scenes wrangling, competing proposals have been made public in a regulatory showdown that could transform the state's rooftops or hobble its solar power industry, experts say.

The Arkansas Public Service Commission will hold a public hearing Nov. 30, then decide what utilities should pay for the excess power that solar customers generate at their homes and businesses.

The battle is over rules for net metering, the industry term for the billing system utilities use to give credit for the electricity that home- and business-owned solar projects put onto the grid. The three-member commission's decision could come by springtime.

"The next few months are absolutely critical," said Heather Nelson, president and COO of Seal Energy Solutions of North Little Rock, an energy company with a fast-growing solar contracting business. "It could be make or break for the solar industry."



TeleComp

New Services. Infinitely Customizable.

Cloud **FortNOC**

Cloud Phone Systems Fiber Internet Managed IT Services

sales@telecomp.com 479.271.2200 www.telecomp.com

A PSC working group, which split into two subgroups as compromise proved elusive, filed the opposing proposals last month. One side argues that solar customers should continue to receive essentially the same rate for the power they put onto the grid as they pay for electricity they take from it. This panel, Sub-Group 1 in Docket 16-027-R, includes renewable energy advocates, solar contractors, environmental groups and customers with rooftop solar.

The other side in the Net Metering Working Group, Sub-Group 2, makes the case that power companies should pay less, perhaps 50 percent of retail rates, for power returned to the grid. The difference is necessary, utilities say, because they need to recoup service and infrastructure costs. Sub-Group 2 comprises investor-owned utilities and the state's electric co-ops, industrial power users and the Arkansas attorney general's office, as well as the PSC staff.

Sub-Group 1 presented a study by a consultancy, Crossborder Energy, that found solar customers provide a net benefit to Entergy Arkansas, the state's largest power company with more than 700,000 customers, primarily by decreasing peak power loads and diversifying generation sources. It also found societal benefits, including decreased pollution.

Sub-Group 2, citing nearly a century of precedent, argues that Arkansas law requires cost-of-service ratemaking. It also suggests that paying equal rates to net-metering customers could shift costs over to ratepayers without solar power.

Both sides have filed thousands of pages of documents, and filings will continue until the hearing. "The Net Metering Working Group will continue to seek areas of agreement, but I anticipate that there will be two competing recommendations," PSC Executive Director John P. Bethel told Arkansas Business.

A Solar Economic Engine

The two plans come as falling costs have made solar panels more attractive to homeowners and businesses, igniting a mini-boom in Arkansas. (See [Solar Projects Shining Examples in Arkansas](#).) Seal, which started in residential solar, has been doing more commercial and agricultural projects. Scenic Hill Solar of Little Rock is building a municipal array in Clarksville after installing multimillion-dollar systems at L'Oreal cosmetics plants in North Little Rock and in Florence, Kentucky. Entegrity, a sustainability and conservation business in Little Rock, started its solar division only months ago but already has 600 kilowatts of projects under contract, enough to power some 400 homes.

Those companies are all in the Arkansas Advanced Energy Association, a trade group involved in the PSC docket.

"Solar is an increasingly affordable option for Arkansans, and it represents a growing industry that aids the state's economy by creating good-paying jobs and lowering energy costs for households and businesses," said AAEA Executive Director Katie Laning Niebaum. The PSC should let the market rule, she said, and avoid "unnecessary policy barriers" like rules allowing lesser compensation.

Seal CEO Josh Davenport agreed, using numbers from his company to depict solar as an economic engine that the state should allow to roar.

“Seal has added 19 staff people specifically for solar,” he said. “Those jobs have an annual total payroll of \$795,000, and we have invested \$147,000 locally to purchase vehicles, tools and safety equipment for our solar division. I would encourage the commission to allow this market to continue to grow.”



The expense of solar generation nationwide has plunged 85 percent since 2009, according to a report by the asset management firm Lazard, cited recently by Reuters.

Arkansas has been a minor player in individual solar, with testimony before the PSC last year putting the state’s total of net-metering customers at 500 or so. Still, the state has seen an upsurge in home solar this year, advocates say, and they’re eager to keep it going.

‘More Appropriate’ Rate

Entergy and fellow power companies like Southwestern Electric Power Co. and Arkansas Electric Cooperative Corp. favor different prices for the power they provide as opposed to home-generated energy returned to the grid. Deep in its joint filing before the PSC, Entergy calculated that the excess generation credit it proposes — the rate it would pay to net-metering customers — is about 50 to 75 percent of the retail energy rate it charges, depending on the time of year and usage levels.

In a statement, Entergy said that the PSC should establish an excess generation credit “that is more appropriate than the retail rate, ensuring that net-metering customers pay rates more accurately reflecting the utility’s cost of providing service.”

Sandra Byrd, vice president of public affairs and member services for Arkansas Electric Cooperative Corp., said that Arkansas statutes require “cost-of-service ratemaking,” not value of service, which she described as a key factor in the solar advocates’ position. “Value of service includes intangible things, including environmental benefits, that can’t be quantified. The reality of ratemaking is that you have to show tangible costs.”

The issues are complex and technical, conceded Davenport, the Seal Energy CEO. “But what it comes down to is whether customers will pay 10 cents for the energy they take from the grid and be paid 5 cents, or some other lesser figure, for what they provide to the grid.”

Kerri Jackson Case, speaking for Entergy, said utility costs go beyond generation, citing transmission and distribution expenses unaffected by a customer’s decision to go solar.

Environmental groups including the Sierra Club and Audubon Arkansas have allied with solar contractors and the AAEA, as well as net-metering customers like Arkansas County farmer Tom Jacobs, agricultural supplier Stratton Seed of Stuttgart and Courtney Little of ACE Glass Construction Corp., who is building a solar array to

power his new headquarters and manufacturing operation near the Little Rock airport.

Jacobs, who hired Seal to install a 30-kilowatt array on his farm in DeWitt, had hoped to use the electricity to power an irrigation pump, but net-metering technicalities intervened. “Electricity for one of these wells can run \$3,000 to \$4,000 a month, and I wanted to offset some of that,” he said.

Eventually he attached the net meters to a grain bin and farm shop, as well as a couple of rental houses on his property, and he anticipates cutting his power bills by some \$500 a month. Factoring in a 30 percent federal tax credit and depreciation as a farm expense, he expects the project to pay for itself in seven years or so.



Existing net-metering customers will be “grandfathered in” at current rates regardless of the coming PSC ruling.

Outcomes in Other States

In introducing the study by Crossborder Energy, Vanessa Ramos of the Sierra Club said that states should be encouraging the production of “clean, renewable energy,” and called on Arkansas regulators keep the one-to-one rate ratio.

Tom Beach, lead author of the Crossborder study, said he has followed net-metering in about 20 states, and has generally seen little change in regulation and rates in states like Arkansas “that don’t have a lot of solar.”

In big solar states, cuts in compensation have been imposed, but they’ve been “relatively modest,” he said, with the exception being Nevada. There, a ruling that drastically cut compensation led to a political firestorm and was eventually reversed.

Kelly Robinson, public information officer for the Arkansas Department of Environmental Quality and its Arkansas Energy Office, said the PSC must determine what is in the best interest of Arkansas ratepayers. “We at Arkansas Energy Office expect a compromise solution,” she said.

Ted J. Thomas, who as PSC chairman will make the final decision with fellow commission members Elana C. Wills and Kimberly O’Guinn, declined to discuss the docket when questioned after a recent address to the AAEA. “That’s one I need to stay away from because of prejudgment concerns,” he said.



In This Story

[Sierra Club](#), [Arkansas Department of Environmental Quality](#), [Arkansas Public Service Commission](#), [Entergy Arkansas](#), [Heather Nelson](#), [Kerri Jackson Case](#), [Courtney Little](#), [Arkansas Electric Cooperative Corp.](#), [Arkansas Advanced Energy Association](#), [Southwestern Electric Power Co.](#), [John Bethel](#), [Tom Jacobs](#), [Sandra Byrd](#), [Scenic Hill Solar](#), [Katie Laning Niebaum](#), [Ace Glass Construction](#), [SEAL Energy Solutions](#), [Josh Davenport](#), [Stratton Seed Co.](#), [Tom Beach](#), [Crossborder Energy](#), [Vanessa Ramos](#), [Kelly Robinson](#)

More On This Story

- Oct 23, 2017
[PSC's John P. Bethel on Keeping Arkansas' Utilities in Line](#)
- Oct 23, 2017
[Solar Projects Shining Examples in Arkansas](#)
- Sep 19, 2017
[Competing Net Metering Proposals Filed With PSC](#)
- Sep 11, 2017
[Solar Power Generating More Electric Power Jobs](#)