

**Appendix A: Arkansas EE Policies to
National Standard Practice Manual Case Study:
Arkansas' Current Practices**

Prepared for:

Arkansas Public Service Commission

Prepared by:

The Parties Working Collaboratively (PWC),
the Independent Evaluation Monitor (IEM) and

E4theFuture

October 10, 2018

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
<p>Energy Conservation Endorsement Act of 1977, Arkansas Code §23-3-401, et seq. [Enacted by Act 748 of 1977, effective 7/6/77 except as subsequently noted]</p>	<p>The primary source of statutory authority for energy efficiency policy for the State of Arkansas (the “Energy Conservation Act”).</p>	<p>§ 23-3-402 – The General Assembly recognizes that enormous amounts of energy are wasted by consumers of all classes and economic levels due to inadequate insulation of buildings and other inefficiencies in the use of energy. The overriding public interest in the conservation of natural gas and oil, as well as the use of alternative forms of energy, is indisputable.</p> <p>§ 23-3-404 – It shall be considered a proper and essential function of public utilities regulated by the Arkansas Public Service Commission to engage in energy conservation programs, projects, and practices which conserve, as well as distribute, electrical energy and supplies of natural gas, oil, and other fuels.</p>	<ul style="list-style-type: none"> • Utility system impacts • Other fuel impacts • (maybe ???) participant impacts 	
<p>Energy Conservation Act, § 23-3-405(a)(1)(A), effective 7/6/77</p>	<p>Gives extensive authority to the Commission to promote the development of utility energy efficiency programs.</p>	<p>Section (a)(1)(A) – The General Assembly authorized the Arkansas Public Service Commission to propose, develop, solicit, approve, require, implement, and monitor measures by utility companies which cause the companies to incur costs of service and investments which conserve, as well as distribute, electrical energy and existing supplies of natural gas, oil, and other fuels.</p>	<ul style="list-style-type: none"> • Utility system impacts • Other fuel impacts 	
<p>Energy Conservation Act, § 23-3-405(a)(1)(B), added by Act 1102 of 2017, effective 7/30/17</p>	<p>Authority to promote EE programs for utility customers sixty-five (65) years and older or low income eligible.</p>	<p>Section (a)(1)(B) – The commission is authorized to order, require, promote, or engage in energy conservation programs and measures for the benefit of utility customers who are sixty-five (65) years of age or older or who meet the income eligibility qualifications for the Low Income Home Energy Assistance Program administered by the Department of Human Services.</p>	<ul style="list-style-type: none"> • Low income impacts 	
<p>Energy Conservation Act, § 23-3-405(a)(2), effective 7/6/77</p>	<p>Approval of programs for elderly or low-income persons</p>	<p>Section (a)(2) – After proper notice and hearings, the energy conservation programs and measures may be approved and ordered into effect by the commission if the commission determines that the energy conservation programs and measures will be beneficial to the ratepayers of the public utilities and to the public utilities themselves.</p>	<ul style="list-style-type: none"> • Utility system impacts 	

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
Energy Conservation Act, § 23-3-405(a)(3)(A), effective 7/6/77		Section (a)(3)(A) – In such instances, the commission shall declare that the cost of the energy conservation programs and measures is a proper cost of providing utility service.	<ul style="list-style-type: none"> Utility system impacts 	
Energy Conservation Act, § 23-3-405(a)(3)(B), effective 7/6/77; amended by Act 1102 of 2017, effective 7/30/17	Provides that the affected public utility be allowed to increase its rates or charges as necessary to recover any costs incurred by the public utility as a result of engaging in the energy conservation programs and measures.	Section (a)(3)(B) – At the time the energy conservation programs and measures are approved and ordered into effect, the commission shall also order that the affected public utility company be allowed to increase its rates or charges as necessary to recover from consumers who have not opted out of utility-sponsored energy conservation programs and measures under subdivision (c)(1) of this section any costs incurred by the public utility company as a result of its engaging in the energy conservation programs and measures.		
Energy Conservation Act, § 23-3-405(b), effective 7/6/77	Commission authority over EE not limited to specified programs and measures	Section (b) – Nothing in this subchapter shall be construed as limiting or cutting down the authority of the commission to order, require, promote, or engage in other energy conservation programs and measures.		
Energy Conservation Act, § 23-3-405(c)-(f) [added by Act 253 of 2013, effective 7/1/13; amended by Act 78 of 2015 and Act 1102 of 2017]	Authorizes qualified industrial customers and state-supported institutions of higher education to opt out of utility-sponsored energy conservation programs and measures and direct their own energy conservation programs and measures under	Section (c)(1)(A) – A nonresidential business consumer that is classified within sectors 31 through 33 of the North American Industry Classification System, as it existed on January 1, 2013, or a nonresidential business consumer that is a state-supported institution of higher education may provide notice by mail or email to the commission on or before September 15 of any year of the nonresidential business consumer's decision to opt out of utility-sponsored energy conservation programs and measures and direct the nonresidential business consumer's own energy conservation programs and measures.		

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
	specified terms and conditions.			
Arkansas Public Service Commission's Rules for Conservation and Energy Efficiency Programs, effective 1/11/07, Order 12, APSC Docket 06-004-R, except as subsequently noted	The primary statement of policy for the State of Arkansas' Energy Efficiency requirements (the "C&EE Rules").	These rules apply to the provision of both electricity and natural gas service subject to the jurisdiction of the Arkansas Public Service Commission.		
C&EE Rules, Section 2, as amended by Orders 15 and 18 of APSC Docket No. 06-004-R, effective 4/12/07 and 5/25/07	Section 2: Benefits and Objectives of Energy Efficiency Programs	<p>The overall objectives of the initiative are to encourage and enable utility customers to make the most efficient use of utility capacity and energy and to discourage inefficient and wasteful use of energy. Objectives can take the form of standards, codes, or programs. EE programs shall accomplish one or more of the following objectives:</p> <ul style="list-style-type: none"> • Energy savings directly attributable to program activities; • Long-term and permanent changes in behavior, attitudes, awareness, and knowledge about energy savings and use of energy efficient technologies in order to achieve energy savings; • Permanent peak electric demand reduction; • Energy cost savings and cost-effectiveness; • Reliability enhancements; • Energy security benefits; • Environmental benefits; • Economic development/competitiveness benefits; 	<ul style="list-style-type: none"> • Reliability impacts • Utility system impacts • Energy Security impacts • Environmental impacts • Economic Development impacts 	

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
		<ul style="list-style-type: none"> Increases in system-wide capacity; Accelerating the commercialization of advanced or emerging technologies; Improving affordability of energy for all customers; and Implementing programs in an efficient manner. 		
C&EE Rules, Section 4, effective 1/11/07, Order 12, APSC Docket 06-004-R	Section 4: Administration and Implementation of Energy Efficiency Programs	<p>Unless exempted by the Commission, all electric and gas utilities in Arkansas under the jurisdiction of the Commission shall propose and be responsible for the administration and implementation of cost-effective energy efficiency programs within their service territories. Each utility shall file an application for approval by the Commission of its portfolio of energy efficiency programs. The energy efficiency program portfolio of each utility shall include programs for all customer classes.</p>	Equitable access	<ul style="list-style-type: none"> Portfolio comprehensiveness (may speak to analysis level – NSPM Chapter 10)
C&EE Rules, Section 5A, effective 1/11/07, Order 12, APSC Docket 06-004-R	Section 5A: Plan Filing Requirements – General Requirements	<p>Administrators shall propose general program designs, specific programs, and specific measures. Administrators may propose programs and/or measures in any combination. All programs should include the following general elements:</p> <ul style="list-style-type: none"> A showing of high probability of providing aggregate ratepayer benefits to the majority of ratepayers. Identification of the specific objectives of the program. Identification of the specific EM&V procedures that will be used to determine whether the program has achieved its stated objectives. 	<ul style="list-style-type: none"> Equitable access 	<ul style="list-style-type: none"> Portfolio comprehensiveness (may speak to analysis level – NSPM Chapter 10)
C&EE Rules, Section 5D, effective 1/11/07, Order 12, APSC Docket 06-004-R, as amended by Order 15, 4/12/07	Section 5D: Plan Filing Requirements – Uniformity of Programs	<p>Programs addressing both electric and gas customers shall be coordinated to the extent reasonable.</p> <p>Fuel switching and load building programs not otherwise authorized under the Commission Rules and Regulations Governing Promotional Practices of Electric and Gas Utilities shall not be included as energy efficiency programs.</p>	<ul style="list-style-type: none"> All fuel impacts 	

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
<p>C&EE Rules, Section 5E, effective 1/11/07, Order 12, APSC Docket 06-004-R <i>(continued next page)</i></p>	<p>Section 5E: Plan Filing Requirements – Customer Incentives</p>	<p>Programs may include incentives to encourage customers to make energy efficient investments if the incentives are cost justified and are a component of a program that has a high probability of providing aggregate ratepayer benefits to the majority of utility customers.</p> <p>Incentives may include information, technical assistance, leasing programs, product giveaways, and direct financial inducements. Financial inducements may include but are not limited to rebates, discounted products and services, and low rate financing.</p> <p>All customer incentives shall be considered in the benefit/cost testing of programs. Costs of customer incentives shall be considered a direct program cost.</p> <p>Incentives should not be any higher than necessary to overcome the customers’ barriers to invest in the measure and should be reduced or eliminated as the measure becomes more of a standard practice.</p>	<ul style="list-style-type: none"> • Utility system impacts 	
<p>C&EE Rules, Section 5F, effective 1/11/07, Order 12, APSC Docket 06-004-R</p>	<p>Section 5F: Plan Filing Requirements – Statewide Programs</p>	<p>The Commission, after notice and hearing, may direct utilities to offer uniform statewide energy efficiency and conservation programs if it determines such standardization to be the most cost-effective result and in the public interest. Utilities may request approval to offer statewide or region-wide programs for which public messages, commercial terms and conditions, and customer reception are best served by such an approach.</p>		
<p>C&EE Rule, Section 5H, effective 1/11/07, Order 12, APSC Docket 06-004-R s</p>	<p>Section 5H: Plan Filing Requirements – Program Filing Procedures and Schedule</p>	<p>A program filed under these rules shall not be implemented until a Commission order is issued expressly approving the program.</p> <p>The period from the filing date to the date of the Commission order shall be no more than one hundred and eighty days which will permit investigation, analysis, and adjudication of the program.</p>		

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
		The Commission shall establish a procedural schedule for the review of each program filing.		
C&EE Rules, Section 6A, effective 1/11/07, Order 12, APSC Docket 06-004-R as amended by Order 15, 4/12/07	Section 6A: Benefit/Cost Tests	<p>Administrators shall present sufficiently detailed calculations, sensitivity analyses, and supporting testimony of the effect of the proposed conservation and energy efficiency program using each of the following tests set forth in the California Standard Practice Manual: Economic Analysis of Demand-Side Programs and Projects, (State of California, Governor’s Office of Planning and Research, July 2002), (hereafter “Manual”): The Participant Test, The Ratepayer Impact Measure Test, The Total Resource Cost Test, and the Program Administrator Cost Test.</p> <p>The Commission will rely on the formulae found in the Manual. However, the Commission may rely on some inputs contained in the Manual and not on others. Furthermore, the costs and benefits contained in the Manual are suggestions and are not endorsed by the Commission for every program. For this reason, the Commission will not limit the costs and benefits that can be considered in the benefit/cost tests to those listed therein.</p> <p>Cost-effectiveness results shall be presented on both a program and portfolio basis.</p> <p>Administrators may submit additional economic analyses and benefit/cost test information in support of a proposed program.</p>		<ul style="list-style-type: none"> • Multiple benefit-cost tests (perhaps to inform spending choices per NSPM Chapter 5) • Suggest openness to consider application guidance in NSPM chapters 9 (disc. Rate), 11 (end effects), 12 (early retirement), 13 (NTG)
C&EE Rules, Section 6B, effective 1/11/07, Order 12, APSC Docket 06-004-R	Section 6B: Benefit/Cost Tests and Table 1 with Primary and Secondary Means of Expressing Test Results	A utility shall use an evaluation period of either ten years (a gas utility may use an evaluation period of fifteen years), or the actual measure lives for each measure in a program to evaluate a program or program portfolio.		<ul style="list-style-type: none"> • NSPM chapter 11 (analysis period)

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
		Results of the tests shall be presented consistent with the descriptions shown in Table 1, or by other means as approved by the Commission.		
<p>C&EE Rules, Section 7 , effective 1/11/07, Order 12, APSC Docket 06-004-R, as amended by Orders 15, 25, and 29, effective 4/12/07, 6/14/11, and 5/26/14, respectively</p> <p><i>(continued next page)</i></p>	<p>Section 7: Cost Recovery</p>	<p>Cost recovery shall be limited to the incremental costs of providing the program that are not already included in the then current rates of the utility, and may include direct program costs, lost contributions to fixed costs, and utility energy efficiency incentives.</p> <p>If a utility requests cost recovery through a surcharge or rider, the cost recovery through that mechanism shall be limited to the incremental costs of providing the program that are not included in the then current rates of the utility, and may include direct program costs, lost contributions to fixed costs and utility energy efficiency incentives.</p> <p>A utility may request that direct program costs and lost contribution to fixed costs from approved program budgets be included in the rider. A utility may request contemporaneous recovery of these costs via the rider.</p> <p>Demand response programs that involve rates (e.g., interruptible service, curtailment, off-peak service, time-of-use rates) shall not be included in any surcharge or rider. The rates for those mechanisms will be established through utility-specific rate or tariff proceedings.</p> <p>If a utility is recovering conservation and energy efficiency program costs through a surcharge or rider, the utility shall file, contemporaneous with the Annual Report under Section 9, a re-determined Energy Efficiency Cost Rate (“EECR”). In support of this re-determined rate, the utility shall file a schedule of actual program costs for the reporting period, actual amounts collected under the</p>		

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
		<p>rider for the reporting period, and approved program budgets for the next calendar year. In addition, if the utility seeks Commission approval to recover lost contributions to fixed costs, utility energy efficiency incentives, or both, and the utility seeks to recover these costs through a surcharge or rider, the utility shall incorporate these costs into the supporting schedule. Any incentive calculations shall be based on the reporting year. The EECR shall be adjusted to reflect a reconciliation of any over-recovery or under-recovery for the prior year and the approved budget for the next calendar year.</p>		
<p>C&EE Rules, Section 8 , effective 1/11/07, Order 12, APSC Docket 06-004-R , as amended by Orders 15 and 18 effective 4/12/07 and 5/25/07</p>	<p>Section 8: Program Plans</p>	<p>Program plans shall cover at least one year and may cover up to three years.</p> <p>All programs filed by gas and electric utilities should be consistent and should be fuel neutral, i.e., they should be compliant with the Commission Rules and Regulations Governing Promotional Practices of Electric and Gas Utilities, including restrictions on fuel substitution and load building programs.</p> <p>Program plans shall reflect the effects of all energy efficiency programs in the electric resource plans or natural gas procurement plans of the electric and natural gas utilities respectively. Furthermore, all energy efficiency programs shall be consistent with each utility’s current electric resource plans or natural gas procurement plans.</p>	<ul style="list-style-type: none"> • All fuel impacts 	
<p>C&EE Rules, Section 9, effective 1/11/07, Order 12, APSC Docket 06-004-R, as amended by</p>	<p>Section 9: Annual Reporting Requirement</p>	<p>By May 1 annually, each electric and gas utility shall file an annual report addressing the performance of all approved conservation and energy efficiency programs.</p> <ul style="list-style-type: none"> • The report shall present the results of the prescribed Evaluation, Measurement, and Verification (EM&V) measures for each program. 	<ul style="list-style-type: none"> • N.A. 	

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
Order 29, effective 5/26/14		<ul style="list-style-type: none"> • The report shall present the EM&V measures for the utility’s portfolio. • The report shall include a measure of each program’s savings. • The report shall present the amounts spent on each conservation and energy efficiency program and the total amounts spent on all programs. 		
C&EE Rules, Section 11, added 8/23/11, Order 10, APSC Docket 10-101-R, and amended by Orders 28 and 33 in APSC Docket No. 10-101-R, effective 1/1/13 and 11/15/13, respectively ¹	Section 11: Opt Out / Self Direct Option for Qualifying Non-Residential (NR) Customers	Prescribes the requirements and conditions under which a qualified nonresidential customer may opt out of a utility’s conservation and energy efficiency programs and measures, and direct its own conservation and energy efficiency programs and measures under Arkansas Code § 23-3-405(c)-(e) or the C&EE Rules.		
C&EE Rules, Section 12, added by Order 11, APSC Docket No. 10-100-R, effective 9/29/11 <i>(continued next page)</i>	Section 12: Evaluation, Measurement, and Verification	<p>All aspects of utility-sponsored energy efficiency efforts, including, but not limited to, measures, programs, and reports are potentially subject to Evaluation, Measurement, and Verification (EM&V).</p> <p>All EM&V activities undertaken as part of a utility-sponsored program, including, but not limited to, estimation of energy efficiency savings and process evaluations, shall be conducted consistent with the Arkansas Technical Reference Manual (TRM) and with national best program evaluation practices as established</p>		

¹ Amendments to include a state-supported institution of higher education as a qualifying, “opt out” entity and to incorporate payback options for self-direct customers were approved by Order No. 37 of the Commission on 1/19/18, and are scheduled for review by the Administrative Rules Committee of the Arkansas Legislative Council April 17, 2018, and the full Legislative Council on April 20, 2018.

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
		<p>by the National Action Plan for Energy Efficiency (“NAPEE”), the State & Local Energy Efficiency Action (“SEE Action”) Network, the International Performance Measurement and Verification Protocol (“IPMVP”), or other similar nationally or internationally accepted EM&V standards.</p> <p>The TRM shall set forth Protocols for EM&V activities. An organization selected by a program administrator to conduct EM&V activities shall be independent of the organization or organizations involved in the particular EE program design, management, and implementation, such that the verification professionals conducting or reviewing evaluations have no financial stake, beyond the evaluation contract itself, in the program or program components being evaluated.</p>		
<p>APSC Docket No. 06-004-R, Order No. 1, 1/12/06</p>	<p>Rulemaking initiated for developing and implementing EE Programs and adopting initial C&EE Rules</p>	<p>Formal inquiry and workshop initiated to evaluate which types of energy efficiency measures would be most appropriate for Arkansas consumers and the most appropriate ways to increase the use of energy efficiency and conservation measures to the benefit of the state and all classes of customers; to determine the proper balance among the goals identified and adopted in Section 2 of the C&EE Rules; and to consider the following issues:</p> <ul style="list-style-type: none"> • Experiences of Other States and Regions • Energy Efficiency and Resource Planning • Cost Recovery • Technologies • Education and Public Awareness • Financial Incentives • Funding Levels • Energy Efficiency Services • Metrics and Program Evaluation 		<ul style="list-style-type: none"> • NSPM Chapter 5 (secondary tests to inform resource choices)

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
		<ul style="list-style-type: none"> Development Process 		
APSC Docket No. 06-004-R, Order No. 3, 6/30/06	With the benefit Of the workshop and corresponding comments, the Commission directed the initiation of a collaborative process to further the development of EE rules and guidelines	<p>The Commission directed the parties to initiate a collaborative process to begin on August 28, 2006, to address the following issues, and to then submit a report of its findings to the Commission not later than October 13,2006:</p> <ul style="list-style-type: none"> The nature and design of energy efficient and conservation programs that can be started quickly and produce near-term benefits for Arkansas The appropriate incentives and standards for customers and utilities The development of energy efficient market structure principles and guidelines The advantages of fostering cooperative gas and electric energy efficient program templates Possible development of a “deemed savings approach” for Arkansas Development of uniform standards and mechanisms for evaluating, measuring, and validating energy efficient programs The proper economic tests to use in determining whether a program is in the public interest 		
APSC Docket No. 06-004-R, Order No. 12, 1/11/07	Initial C&EE Rules adopted	The C&EE Rules required that the utilities file “Quick Start” or pilot programs by July 1, 2007 and that all utilities file annual reports on April 1 of each year.		
APSC Docket No. 07-152-TF	“Deemed Savings” Docket	Docket established for the receipt, review, consideration, and final determination of all deemed savings estimates (subsequently transferred to APSC Docket No. 10-100-R	<ul style="list-style-type: none"> N.A. 	
APSC Docket No. 08-137-U, Order No. 14, 12/10/10	Lost Contribution to Fixed Costs	Approved the recovery of Lost Contribution to Fixed Costs (LCFC) that result from utility EE programs.		

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
APSC Docket No. 08-137-U, Order No. 15, 12/10/10	Utility Incentives	Approved Utility Incentives to reward achievement in the delivery of EE programs and established energy savings goals.		<ul style="list-style-type: none"> • NSPM Chapter 6 (utility shareholder incentives are utility system cost)
APSC Docket No. 08-144-U, Order No. 17, 12/10/10 <i>(continued next page)</i>	Defined “Comprehensiveness” in the planning, approval, and implementation of EE programs in terms of whether the greatest amount of cost-effective potential that can effectively be delivered and a “Comprehensiveness Checklist” for guidance in assessing the comprehensiveness of EE programs and developing a rigorous but workable EM&V Protocol.	<p>The Commission established the following checklist of factors the Commission will use when determining whether a utility’s proposed EE programs and total EE portfolio are “Comprehensive” pursuant to the C&EE Rules, and urged the parties to keep these factors in mind to develop a rigorous but workable EM&V Protocol:</p> <ul style="list-style-type: none"> • Whether the program and/or portfolio provide, either directly or through identification and coordination, the education, training, marketing, or outreach needed to address market barriers to the adoption of cost-effective energy efficiency measures; • Whether the programs and /or portfolio, have adequate budgetary, management, and program delivery resources to plan, design, implement, oversee and evaluate energy efficiency programs; • Whether the programs and/or portfolio, reasonably address all major end-uses of electricity or natural gas, or electricity and natural gas, as appropriate; • Whether the programs and/or portfolio, to the maximum extent reasonable, comprehensively address the needs of customers at one time, in order to avoid cream-skimming and lost opportunities; • Whether such programs take advantage of opportunities to address the comprehensive needs of targeted customer sectors (for example, schools, large retail, agricultural users, or restaurants) or to leverage non-utility program resources (for 	<ul style="list-style-type: none"> • Energy Efficiency • Comprehensiveness • Utility system impacts • Participant impacts? 	

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
		<p>example, state or federal tax incentive, rebate, or lending programs);</p> <ul style="list-style-type: none"> • Whether the programs and/or portfolio enables the delivery of all achievable, cost-effective energy efficiency within a reasonable period of time and maximizes net benefits to customers and to the utility system; and • Whether the programs and/or portfolio, have evaluation, measurement, and verification (EM&V) procedures adequate to support program management and improvement, calculation of energy, demand and revenue impacts, and resource planning decisions. 		
<p>APSC Docket No. 10-010-U, Order No. 10, 12/10/10</p>	<p>Participation options, detailed guidelines, and a rulemaking proceeding APSC Docket 10-101-R) established to allow self-directed EE programs for large commercial and industrial customers and corresponding guidelines for utilities</p>	<p>The Commission concludes, at p. 26, that it is in the public interest, in furtherance of the Energy Conservation and Endorsement Act of 1977, and that public policy favors allowing industrial and large commercial customers to “opt-out” of EE program only upon the implementation of a Self-Directed Option for Commercial & Industrial Customer Energy Efficiency, with the approval of the Commission.</p> <p>The Commission believes that all customers should pay for energy efficiency programs, just as all customers pay for any generation or supply-side resource that a utility system acquires. Likewise, the Commission believes that there should be well-designed, accessible EE programs for each customer sector. A self-directed or opt-out alternative should be pursued as a means of maximizing the achievable benefits for all ratepayers and for the utility system of verifiable, cost-effective energy savings, where that alternative is more likely to reach this goal. At a minimum, a Self-direct/opt-out program must deliver at least as much energy efficiency for the system as would occur in the absence of such a program.</p>	<ul style="list-style-type: none"> • Utility system impacts 	

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
APSC Docket No. 10-010-U, Order No. 11, 12/10/10	Full fuel cycle efficiency not adopted as an EE justification under the C&EE Rules at this time	The Commission declined to adopt Full Fuel Cycle Efficiency (FFCE) at this time as a method of screening EE programs. The Commission noted in its discussion beginning on page 8 that it does not reject the notion of FFCE or its merits as a cost effective efficiency resource, but rather noted its preference for first initiating basic EE programs that could be expanded to comprehensive within-fuel EE programs as a greater priority.		
Order No. 12; Docket No. 10-010-U	Declined to adopt an Independent administrator for EE programs but outlined a strategy, carried out through contemporaneous orders, to otherwise achieve the benefits of independent administration and of utility energy efficiency program administration.	The Commission declined to adopt an Independent Administrator for EE programs but outlined a strategy, carried out through contemporaneous orders, to otherwise achieve the benefits of independent administration and legitimate concerns of the Attorney General while preserving the advantages of utility EE program administration through companion orders, i.e., Order 17 in Docket No. 08-144-U (“Comprehensiveness Order”) and Order 15 in Docket No. 08-137-U (“Incentives Order”) establishing performance targets to expand the scope of utility-administered EE programs and increase economies of scale in program delivery; the comprehensiveness checklist established by Order 17 in Docket 08-144-U to guide the review of annual utility program applications with the aim of achieving, among other things, the benefits that otherwise might result from independent administration, such as avoidance of cream skimming or lost opportunities, and the provision of services such as customer financing and adequate contractor training; and Order 16 in Docket No. 08-137-U (“EM&V Order”) and identical Order 1 in Docket 10-100-R (among others) establishing an EM&V Collaborative and rulemaking docket to implement an independent, high-quality EM&V program to continuously evaluate, measure, verify and improve EE programs in Arkansas.		

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
APSC Docket No. 10-010-U, Order No. 20, 9/19/17	EE Standardized Reporting Requirements	The Commission approved the energy efficiency annual reporting requirements as set forth in the SARP 4.0.		
APSC Docket No. 10-100-R, Order No. 11, 9/29/11	Added Section 12 to the C&EE Rules concerning EM&V requirements and use of the Technical Reference Manual (TRM)	The Commission approved EM&V requirements and protocols for the independent evaluation of EE programs and the proposal that a TRM 1.0 be filed on or before September 30, 2011, and that collaboratively-developed revisions to the Protocols and to the TRM be filed by August 31, 2012.		
APSC Docket No. 10-100-R, Order Nos. 11, 17, 18, 20, 22, and 23, 10/14/11 through 10/17/16	Approval of TRMs	TRM versions 1.0, 2.0, 3.0, 4.0, 5.0, and 6.0 adopted for use in computing and evaluating EE program results.		
APSC Docket No. 10-100-R, Order No. 24; 2/22/17	Approval of Prospective TRM	The Commission approved the transition from a retrospective to a prospective TRM [2/22/17].		
APSC Docket No. 10-100-R, Order No. 25; 5/25/17	Approval of TRM 6.1 to transition to a prospective TRM	The Commission approved TRM 6.1 for use in computing and evaluating 2017 EE program results.		
APSC Docket No. 10-100-R, Order No. 26; 9/13/17	Approval of TRM 7.0	The Commission approved TRM 7.0 for use in computing and evaluating 2018 EE program results.		
APSC Docket No, 13-002-U, Order No. 7, 9/9/13	Potential Study	The Commission provided issues for the PWC to consider concerning the parameters of a Potential Study to help inform goal setting when making its recommendations and submitting a proposed RFP for the Commission’s approval.		

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
APSC Docket No. 13-002-U, Order No. 7, 9/9/13	Utility Incentive Structure Modification	<p>Established refinements to the Utility Incentive structure, but retained an annual goal and incentive structure on a linear rather than stepwise basis, but recognized that performance incentives should not become a major share of EE program budgets.</p> <ul style="list-style-type: none"> • Incentive mechanism awards 10% of net benefits. Awards are capped on a sliding scale between 4% and 8% of budget, based on 80% to 120% of goal attainment 		<ul style="list-style-type: none"> • NSPM chapter 6 (utility shareholder incentives as utility system cost)
<p>APSC Docket No. 13-002-U, Order No. 7, 9/9/13</p> <p><i>(continued next page)</i></p> <p>APSC Docket No. 13-002-U, Order No. 7, 9/9/13</p>	Utility Avoided Costs	<p>Established guidelines for utility avoided cost determination. For the purposes of calculating any utility EE performance incentive, the approved avoided cost component of net benefits will remain fixed during the three-year program implementation period.</p> <ul style="list-style-type: none"> • Avoided Energy Costs <ul style="list-style-type: none"> ○ Should include the value of energy freed by EE programs and sold into the wholesale market or avoided market price. ○ Should be differentiated by time and season so as to facilitate the valuation of individual EE programs, or individual measures, if the measure forms a significant portion of the portfolio energy savings. • Avoided Capacity Cost <ul style="list-style-type: none"> ○ May be based on the cost of a combustion turbine (“CT” or “peaking unit”), as modified to account for market conditions, and as applied to year in which the utility or relevant market are not in surplus for capacity. ○ Also may be based on available market data, taking into account any significant, foreseeable changes to marginal capacity costs, including any such foreseeable changes due to major investments such as environmental controls. ○ Adoption of a RECC (Real Economic Carrying Charge) methodology for calculating EE avoided capacity savings, 	<ul style="list-style-type: none"> • Utility system impacts • Carbon impacts 	<ul style="list-style-type: none"> • NSPM Chapter 6 (utility system impacts to include) • NSPM Chapters 6 (carbon impacts) and 7 (options for accounting for carbon impacts)

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
		<p>when the cost of building a CT is used as a proxy for avoided capacity costs.</p> <ul style="list-style-type: none"> • Transmission & Distribution <ul style="list-style-type: none"> ○ Each electric utility should develop estimates of avoided transmission substation and line upgrade cost, as well as distribution substation and line upgrade costs, as elements of their avoided cost. • Line Losses <ul style="list-style-type: none"> ○ The Commission adopts the use of marginal, rather than average line losses, to quantify EE's incremental effects. • Carbon Pricing (No Action taken, but requested a recommendation for a price of carbon regulatory cost avoidance be included as part of the Potential Study RFP submission) 		
<p>APSC Docket No. 13-002-U, Order No. 7, 9/9/13</p>	<p>Cost-Effectiveness Test and Non-Energy Benefits (NEBs)</p>	<p>Established the Total Resource Cost (TRC) Test as the primary cost-effectiveness test</p> <ul style="list-style-type: none"> • The TRC will include Commission approved NEBs (later approved by Order 30 on 12/10/15) • The Portfolio must pass both the TRC and PACT. • Individual measures do not have to pass the TRC Test. <p>The Commission will continue to require the presentation of all four standard cost-effectiveness tests, considering each as appropriate. The Commission thus retains the flexibility to include individual education, training, and marketing programs that may not pass TRC within overall program portfolios that are cost effective.</p> <p>The Commission will continue to accept the voluntary utility submission of the Societal Test.</p>	<ul style="list-style-type: none"> • Utility system impacts • Participants impacts 	<ul style="list-style-type: none"> • NSPM chapter 5 (secondary tests)

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
APSC Docket No. 13-002-U, Order No.16, 2/20/14	Potential Study	<ul style="list-style-type: none"> • Approved the issuance of the Potential Study Request for Proposal. <ul style="list-style-type: none"> ○ The final Potential Study was filed on 7/2/15. 		
APSC Docket No. 13-002-U, Order No. 22, 12/9/14	Consistent Approach to Weatherization	Approved the Consistent Approach to Weatherization Programs Across all Utilities in Arkansas.	<ul style="list-style-type: none"> • Low income impacts 	
APSC Docket No. 13-002-U, Order No. 27, 6/8/15	Common Commercial and Industrial (C&I) Approach	Approved the Common C&I Approach Across all Utilities in Arkansas [6/8/15].		
APSC Docket No. 13-002-U, Order No. 30, 12/10/15	Non-Energy Benefits (NEBs)	<p>Approved certain NEBs to be used in the TRC cost-effectiveness test if quantifiable and material and that such NEBs should continue to be carefully and individually evaluated to determine whether they are quantifiable, material, and relevant to the analysis of a specific utility program or program portfolio.</p> <ul style="list-style-type: none"> • Benefits of electricity, natural gas, and liquid propane energy savings; • Benefits of public water and wastewater savings; and • Benefits of avoided and deferred equipment replacement costs. <p>Ordered that each recommended approach for customer deferred equipment replacement NEB quantification be included within the annual TRM update filing, and that its reasonableness be addressed in testimony by the IEM and/or Staff so that the Commission may approve or disapprove such proposed NEB quantifications.</p>	<ul style="list-style-type: none"> • All fuel impacts • Water impacts • Participant impacts 	<ul style="list-style-type: none"> • NSPM chapter 7 (options to monetize NEBs)
Docket No. 13-002-U, Order No. 31, 12/17/15	2017-2019 EE Savings Targets	<p>For PY 2017-2018, utility energy savings targets shall be 0.90% of 2015 retail sales and PY 2019 shall be 1.00% of 2015 retail sales for electric IOUs.</p> <p>For PY 2017-2019, utility energy savings targets shall be 0.50% of 2015 retail sales for natural gas IOUs.</p>		

Appendix A: Arkansas Energy Efficiency Policies

Energy Efficiency Policy/Source	Summary/Description	Legislative/Administrative Statement of Policy/Purpose	AR Policy Support for Impacts to Potentially Include in EE Cost/Benefit Analysis	AR Policy Relevance to Other NSPM & Cost-Effectiveness Issues
Docket No. 13-002-U, Order No. 40, 11/2/17	Threshold Benefit-Cost Ratio (BCR) of 1.0	Noting the PWC's agreement that setting an arbitrary threshold value for a BCR greater than 1.0 could prevent new measures from being proposed and developed in the marketplace, the Commission found that it is appropriate to retain the policy of evaluating EE measures generally for program inclusion where the BCR is greater than 1.0, but that measures with a BCR less than 1.0 may still be included, consistent with prior Commission Orders.		<ul style="list-style-type: none"> • NSPM Chapter 10 (analysis level)
Docket No. 13-002-U, Order No. 40, 11/2/17	Carbon Costs	The Commission defers a decision at this time and will provide further guidance prior to the commencement of the planning for PY 2020-2022. The Commission directed the PWC to consider the findings and recommendations of the National Standard Practices Manual as it resumes work on the next three-year cycle of planning and to address the carbon pricing issue in that context.	<ul style="list-style-type: none"> • Carbon Impacts 	<ul style="list-style-type: none"> • NSPM Chapter 7 (options for monetizing)