

Paul Suskie, Chairman Arkansas Public Service Commission

n Arkansas and the New Energy Economy.

- A perspective from the Arkansas Public Service Commission.

Today's presentation.

- n Our Future Energy Economy Challenge
- n Historical Model of Utility Regulation.
- n Transitioning to a New Model.
- n The Arkansas PSC's Response.

National Academy of Engineering.

1. Electrification

2. Automobile

3. Airplane

4. Water Supply and Distribution

5. Electronics

6. Radio and Television

7. Agricultural Mechanization

8. Computers

9. Telephone

10. Air Conditioning
and Refrigeration

11. Highways

12. Spacecraft

13. Internet

14. Imaging

15. Household Appliances

16. Health Technologies

17. Petroleum and Petrochemical
Technologies

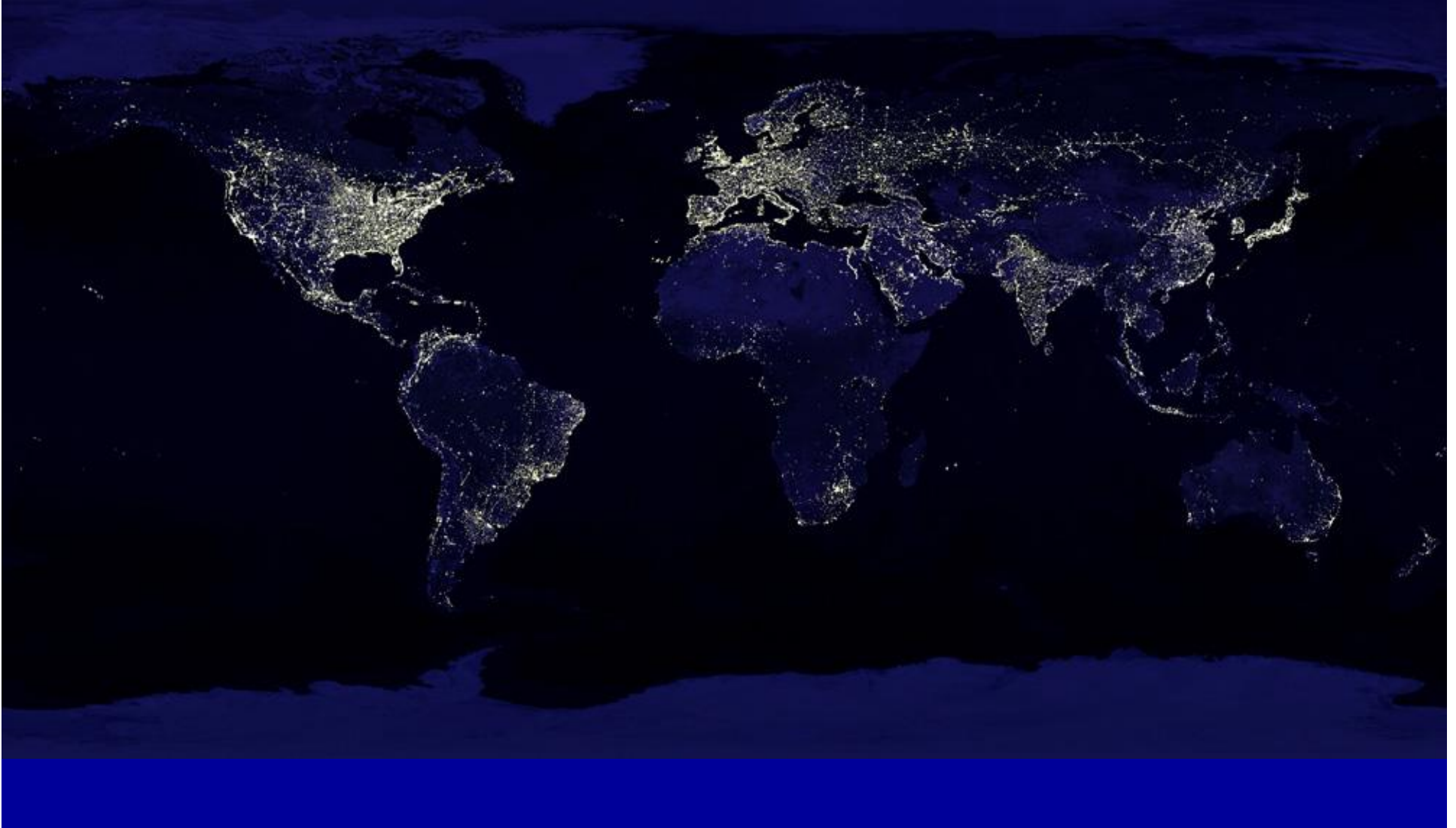
18. Laser and Fiber Optics

19. Nuclear Technologies

20. High-performance Materials

Electrification of America & the World

A Great Challenge of Our time!



Our Future Energy Economy Challenge

- n "U.S. EE investment of \$520 Billion would yield energy savings of over \$1.2 trillion by 2020 and reduce projected energy use by 23%."
 - *McKinsey, Unlocking Energy Efficiency in the U.S. Economy," July 2009*
- n "U.S. will need to spend \$1.5 - \$2 trillion by 2030 to upgrade its electricity system. To raise and spend capital on this massive scale, the utility industry must represent a sufficiently investment attractive vehicle"
 - *The Brattle Group*

Historical Model of Utility Regulation

- n Development of Electric and Gas Utilities.
- n Establishment of State Regulation.
 - Capital intensive
 - Certainty of Cost Recovery
 - IT WORKED – Greatest Achievement of 20th Century!
- n Deregulation Trend.

Transitioning to a New Model

n Historical Model

- Encourages Consumption
- Incentivizes Capital Intensive Project
- Dis-incentivizes Energy Efficiency

n Einstein

n New Model

- Incentivizes Energy Efficiency
- Promotes investments in EE and Renewables

How did we Transition?



How do we transition?



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Where we want to be!



Arkansas PSC's Response

- n Energy Conservation Endorsement Act of 1977.
 - Ark. AG Bill Clinton
 - 2008 Program \$10.6M & 2010 \$17.1M
- n Decoupling of Gas Utilities.
- n Commission's 2008 Initiatives.
 - Transmission Docket (08-136-U)
 - Innovative Ratemaking Docket (08-137-U)
 - Sustainability Docket (08-144-U)

Conclusion

“If I were emperor of the world, I would put the pedal to the floor on energy efficiency and conservation for the next decade.”

—Dr. Stephen Chu, Secretary of Energy