

Comments from David Wright on NARUC's *DRAFT Manual on Distributed Energy Resources Compensation*

August 30, 2016

As NARUC completes the final steps in this *DRAFT Manual on Distributed Energy Resources Compensation*, much of the heavy lifting in this DRAFT has been accomplished so the attached comments will not be long and will be limited to just a few areas.

1. This manual is intended to be a reference document, often expressed by President Kavulla as a “toolkit”. To that end, Commissioners and Commissions need to have the benefit of a complete “toolkit” where every tool is available – either for use by the commission in rate design or to provide them education. The document should include a discussion of various methods used to recover costs (fixed charges, demand charges, grid access charges, etc.).
2. The manual should be written in a fair and balanced way and should not pick winners or losers.
3. The manual should encourage state commissions to start the process now – and not wait to avoid problems with substantial cost shifting that impacts lower income families . Starting the process now will also decrease customer confusion and dissatisfaction.
4. In the South and Southeast specifically, there are many families whose incomes are well below the national average. These families also tend to live in homes that are not energy efficient. These families have some of the highest power bills, too, so affordability is a key driver in these regions. It may be a problem that can't be solved overnight, or with some magic bullet. Ensuring that appropriate consumer protections are in place and that distributed energy resource rates do not shift costs to families that can least afford those costs is a must.
5. Utility regulators set rates based on what is recoverable from the customers the utility serves. Through hearings, they determine what costs are “known and measureable”, prudent, and “just and reasonable” for the utility to be granted cost recovery.
6. Regulated utilities have an obligation to serve everyone in their footprint. Third party providers are not regulated, so they can “cherry pick” customers. This is a big difference that commissions need to account for and address in DER policy and rate design development, especially since the grid, which is maintained by the regulated utility has to be available to all who use it. The costs of the grid need to be fairly and transparently paid for by all who use it.