

A presentation to NARUC

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RESIDENTIAL ELECTRIC UTILITY DEMAND CHARGES: READY FOR PRIME TIME?



Real Possibilities

About AARP

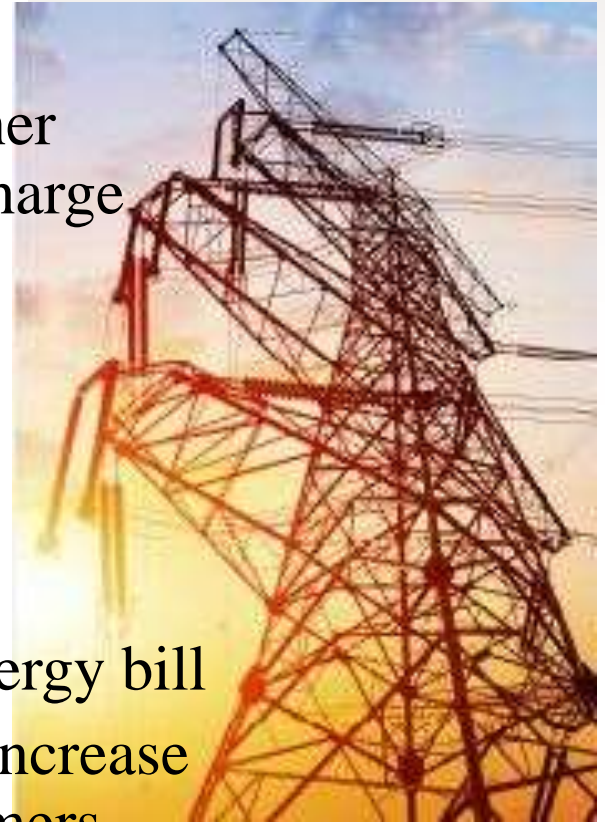
AARP, with its nearly 38 million members in all 50 States and the District of Columbia, Puerto Rico, and U.S. Virgin Islands, is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities, and protection from financial abuse.

Utility Trends

- **Flat or declining sales**
- **Low wholesale power prices**
- **RTO rate impacts, mission (and footprint) creep**
- **Mergers/consolidation**
- **Low natural gas prices**
- **Infrastructure spending**
- **Increasing electric rates**
- **Trackers**
- **PBR/formula rates/multi-year rate increases/bypass of traditional regulatory scrutiny**

New Math for the Customer Charge

- Metering and billing costs traditionally recovered in the customer charge
- After 100 years, we now put poles and other distribution equipment into the monthly charge (aka all “fixed charges”)
- Shifts more costs to low users
- Violates cost causation
- Discourages conservation by lowering the volumetric rate
- Gives customers less control over their energy bill
- Under-stated increases: The 4% average increase is actually a 26% increase for some customers



Customer Charge Update

- June 2016: NM PRC keeps El Paso Electric charge at \$7 per month (rejects increase to \$9)
- CenterPoint Gas (MN) customer charge kept unchanged
- MO and CO utilities propose “grid access charge” as well as increased customer charge in filings to PSC

Demand Charges

- **Widely used for non-residential**
- **Based on highest per kw maximum customer usage**
- **Measured over a certain period**
- **A third component for the residential rate**
- **Customer would not know when their maximum demand is**
- **Not coincident with utility high cost peak demand**
- **Not mandatory anywhere in U.S.**

Mandatory Residential Demand Charges

- Filed in OK AZ IL CO WI
- Optional in Xcel CO proposal and Alliant WI filing
- Legislation in IL
- OGE proposal OK
- UNS proposed, APS proposed in AZ

Update

- KS: Deferred to separate proceeding
- AZ: UNS withdrew demand charge proposal
- IL: Legislature adjourned without enacting SB 1585
- OK: Proposed OGE settlement excludes any new demand charges, requires a pilot

Concerns

- Customers won't know when they have hit their maximum demand
- Unlike time-of-use rates, nothing to respond to
- Hard to understand
- Customer education
- A new gotcha charge?
- A new fixed charge?

Summary

- Pilot or study
- Make them an option
- Deal with DG as a separate customer class?
- Would voluntary TOU be a better idea?

For further information

- AARP.org (see Chapter 10 of the Policy Book)
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