Raters of the Lost Ark
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NARUC Annual Meeting
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The Electric Distribution System in Transition

- The structure and operation of distribution systems will change as “smart” infrastructures are built out and new distributed technologies are deployed.
  - Ultimately, power will flow in 2 directions across distribution systems.
  - Investing in a safe and reliable grid infrastructure is critical to the deployment of new technologies.

Source for graphics: EPRI, The Integrated Grid: Realizing the Full Value of Central and Distributed Energy Resources, February 2014
Expanding Options for Residential Customers
What Should Be the Central Objective for Customer Service Models and Regulatory Policy?

- **Reliability**: Attain Consumers’ Desired Level of Electric Reliability . . .
- **Sustainability**: . . . And Society’s (State/Federal) Clean Energy Policy Goals . . .
- **Affordability**: . . . At As Low a Cost to Electricity Customers As Possible!
Enabling Regulatory Frameworks to Better Serve Customers

- Cost recovery for advanced distribution investments
  - Rate policies that allow accelerated depreciation
  - Alternative regulatory policies (future test year, cost trackers, formula rates, multi-year rate plans, etc.)
  - New rate designs with better fixed cost recovery
  - Performance-based regulatory policies

- New interconnection standards
- Support for value-added services
- Support for various DER asset ownership options
- Revised affiliate code-of-conduct rules
- Revised data privacy policies
Selected Residential Customer DG Decisions

- Grid Access Fee—Arizona Public Service
- Self Supply or Grid Supply with Higher Minimum Bill—Hawaiian Electric
- New DG Rate Class—Westar
- Standby Charge—Dominion; Appalachian Power
- 3-Part Rate Including Demand Charge—We Energies
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Smart Rate Design for a Smart Future

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Genesis of Utility Regulation
Principle #1

A Customer should be allowed to connect to the grid for no more than the cost of connecting to the grid.
Principle #2

Customers should pay for the grid in proportion to how much they use the grid, and when they use the grid.
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Customers should pay for the grid in proportion to how much they use the grid, and when they use the grid.
Principle #3

Customers delivering power to the grid should receive full and fair value — no more and no less.
How Do Other Industries Recover Fixed Costs?
We Pay For Other “Grids” In Volumetric Prices
How Did High Fixed Charges Work Out for the Landline Phone Companies?
Good Rate Design vs. Bad: ~15% Difference in Usage

Low Fixed Charge
+ TOU Rate
+ Inclining Block

vs.
High Fixed Charge
+ Flat Rate

~ Half of CPP Obligation
A Simple Cost-Based Residential Rate Design

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<thead>
<tr>
<th>Cost to Connect to the Grid</th>
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<td><strong>Billing</strong></td>
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About RAP

The Regulatory Assistance Project (RAP) is a global, non-profit team of experts that focuses on the long-term economic and environmental sustainability of the power and natural gas sectors. RAP has deep expertise in regulatory and market policies that:

- Promote economic efficiency
- Protect the environment
- Ensure system reliability
- Allocate system benefits fairly among all consumers

Learn more about RAP at www.raponline.org

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