Resolution in Support of Incentives for Electric Utility Least-Cost Planning

WHEREAS, National and international economic and environmental conditions, long-term energy trends, regulatory policy, and technological innovations have intensified global interest in the environmentally benign sources and uses of energy; and

WHEREAS, The business strategy of many electric utilities has extended to advance efficiency of electricity end-use and to manage electric demand; and

WHEREAS, Long-range planning has demonstrated that utility acquisitions of end-use efficiency, renewable resources, and cogeneration is often more responsible economically and environmentally than traditional generation expansion; and

WHEREAS, Improvements in end-use efficiency generally reduce incremental energy sales; and

WHEREAS, The ratemaking formulas used by most State commissions cause reductions in utility earnings and otherwise may discourage utilities from helping their customers to improve end-use efficiency; and

WHEREAS, Reduced earnings to utilities from relying more upon demand-side resources is a serious impediment to the implementation of least-cost planning and to the achievement of a more energy-efficient society; and

WHEREAS, Improvements in the energy efficiency of our society would result in lower utility bills, reduced carbon dioxide emissions, reduced acid rain, reduced oil imports leading to improved energy security and a lower trade deficit, and lower business costs leading to improved international competitiveness; and

WHEREAS, Impediments to least-cost strategies frustrate efforts to provide low-cost energy services for consumers and to protect the environment; and

WHEREAS, Ratemaking practices should align utilities pursuit of profits with least-cost planning; and

WHEREAS, Ratemaking practices exist which align utility practices with least-cost planning; now, therefore, be it

RESOLVED, That the Executive Committee of the National Association of Regulatory Utility Commissioners (NARUC), assembled in its 1989 Summer Committee Meetings in San Francisco, California, urges its member State commissions to:

1) consider the lost of earnings potential connected with the use of demand-side resources; and
2) adopt appropriate ratemaking mechanisms to encourage utilities to help their customers improve end-use efficiency cost-effectively; and
3) otherwise ensure that the successful implementation of a utility’s least-cost plan is its most profitable course of action.

Sponsored by the Committee on Energy Conservation
Adopted July 27, 1989