



NARUC

National Association of Regulatory Utility Commissioners

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Essential Guide to NARUC Alternative Cost Recovery Mechanism Resources

Overview

National Association of Regulatory Utility Commissioners (NARUC) members are increasingly seeking information about alternative cost recovery mechanisms for grid investments. This guide connects commissioners and commission staff to essential resources that NARUC has developed. All of these resources can be found on the NARUC [Valuation and Ratemaking](#) and [Performance-Based Regulation](#) webpages.

The NARUC Center for Partnerships & Innovation (CPI) hosts a performance-based regulation (PBR) State Working Group (SWG) that is open to all NARUC members and that holds periodic meetings exploring the degree to which PBR can be a useful tool for balancing the interests of customers and financial requirements for utilities. For more information or to join the working group please contact Margerie Snider, msnider@naruc.org.

Foundational NARUC Resources on Performance-Based Regulation

- [Demand Flexibility within a Performance-Based Regulatory Framework](#), January 2023
This paper describes a typical PBR framework then examines options for encouraging demand flexibility (DF) within PBR. Specifically, it examines regulatory strategies that may be useful for state regulators seeking to advance DF and Grid-Interactive Efficient Buildings policies.
- [Webinar: Establishing Metrics](#), April 2021
Speakers from Lawrence Berkeley National Laboratory; the IEEE Task Force on Resilience Framework, Methods, and Metrics for the Electricity Sector; and Sandia National Laboratory discuss metrics in use today. They also explore how to think about constructing metrics adequate for your state and utility, and social, economic, and national security dynamics.
- [Webinar: Performance Incentive Mechanisms 101](#), March 2021
The NARUC PBR SWG met to discuss the foundational components of PIMs. Speakers from Energy Innovation, the Hawaii Commission, the Minnesota Assistant Attorney General's Office, and Lawrence Berkeley National Laboratory share their expertise.
- [Webinar: Performance-Based Regulation Foundations](#), April 2020
On this webinar, speakers from Energy Innovation and Stragen discuss the principals of PBR, including the key similarities to and differences from cost-of-service ratemaking and the tools available to implement it.

About the NARUC Center for Partnerships & Innovation

NARUC CPI identifies emerging challenges and connects state commissions with expertise and strategies to navigate complex decision-making. CPI accomplishes this goal by building relationships, developing resources, and delivering training that provides answers to state commissions' questions.

NARUC CPI conducts work across five key energy topics: generation; transmission; distribution; customers; and critical infrastructure, cybersecurity, and resilience. Find all resources and upcoming events at: www.naruc.org/cpi.



Publications and Webinars on Key Alternative Cost Recovery Mechanism Topics

The following resources can be found on the NARUC [Valuation and Ratemaking](#) and [PBR](#) webpages. Hyperlinks lead to PDFs of the publications or webinar presentations. To view recordings of past webinars, visit the PBR and/or Valuation and Ratemaking webpages or [NARUC's YouTube channel](#).

Alternative Ratemaking

- [Webinar: Alternative Regulation and Incentives for Capital Efficiency](#), September 2023
Due in part to cost pressures resulting from capex needs, modern ratemaking typically involves one or more alternatives to traditional cost of service ratemaking that are collectively called “Altreg.” This webinar discusses which Altreg approaches can encourage capital efficiency and bend the cost growth curve.
- [Webinar: Can New Forms of PBR Advance the Clean Energy Transition?](#) March 2023
This webinar explores a “TOTEX” ratemaking approach, which represents a broad-based strategy to address the potential bias toward capital expenditure (“CAPEX”) by altering how regulators establish a utility’s revenue allowance.
- [Webinar: Multi-Year Rate Plan Considerations and Examples](#), June 2020
Multi-year rate plans are one way that commissions can reduce the frequency of rate cases by leveraging sophisticated forecasting and design to apply a rate for longer than a 12-month period. In this state working group session, members heard perspectives from Maine, Georgia, and Washington.

Performance Incentive Mechanisms

- [Webinar: RMI Presentation on Performance Incentive Mechanisms \(PIMs\) Database](#), February 2024
Performance incentive mechanisms (PIMs) are rising in prominence as a tool to help align utility incentives with affordable, reliable, and equitable decarbonization. This webinar features a presentation of RMI’s PIMs Database, a convenient tool with more than 130 PIMs on emergent topics across the country with detail on how these frameworks can support utility business model reform efforts.
- [Webinar: Strategies for Developing Effective Performance Incentive Mechanisms – Part 2 \(Vermont\)](#), December 2022
This webinar examines the Vermont Commission’s latest approaches for establishing metrics and creating effective PIMs. This includes an explanation of the statutory basis for PBR implementation, an overview of the state’s energy efficiency programs, a description of the PBR process, and lessons learned as the Vermont Commission continues to implement a performance-based regulatory framework.
- [Webinar: Strategies for Developing Effective Performance Incentive Mechanisms – Part 1 \(Hawaii\)](#), October 2022
This webinar examines strategies for developing effective PIMs and explored incentive and penalty frameworks in Hawaii. This includes an overview of Hawaii’s PBR framework, with information on how the state developed their PIMs and corresponding targets.
- [Webinar: Beyond the Metrics: Tracking Performance Targets](#), September 2022
Experts from the Regulatory Assistance Project and RMI discuss some approaches and frameworks for tracking performance targets. Participants present information that can help regulators better understand how to establish performance criteria to facilitate the effective tracking of utility progress as various initiatives are advanced through the PBR framework.

- [Webinar: Performance Incentive Mechanisms \(PIMs\) for Resilience](#), June 2021

During this webinar, speakers from Pacific Economics, the Regulatory Assistance Project, and the Puerto Rico Energy Bureau discuss how regulators can incentivize a utility to maximize the value of resiliency gains via a PIM.

- [Webinar: Earnings Sharing Mechanisms](#), August 2020

Earnings sharing mechanisms are one way that a commission can manage a utility's actual rate of return and share efficiency gains with customers, although it may reduce the incentive to be efficient. In this state session, working group members heard from public utility commission staff from Hawaii, Nevada, and Vermont on how they have approached earnings sharing/adjustment mechanisms.

Cost Recovery for Information Technology Investments

- [Regulators' Financial Toolbox: Leveraging Software as a Service, Cloud Computing, and Artificial Intelligence in Electric Utilities](#), 2024

This issue brief and the accompanying webinar discuss how utilities are deploying Software as a Service, cloud computing, and artificial intelligence to improve grid efficiency, optimize asset management, and forecast demand more accurately.

- [Webinar: Leveraging Cloud Technologies Through Efficient Regulation](#), November 2023

This webinar explores how PBR approaches can impact utility IT investments and procurement decisions. Experts from Octopus Energy discuss how a performance-based and "TOTEX" ratemaking approach – which treats CAPEX and OPEX equivalently for ratemaking purposes – has influenced the United Kingdom's energy and water utility procurement decisions. The speakers further examine to what extent these TOTEX principles may translate in different U.S. market contexts with the potential to bring parity for utility investment in modern cloud-based products and services versus traditional on-premises IT systems.

- [Regulators' Financial Toolbox: Considerations in Evaluating ADMS/DERMS Investments](#), 2022

This issue brief and the accompanying webinar discuss an introduction to ADMS/DERMS, deploying ADMS/DERMS, utility perspectives on DERMS, a state snapshot, and regulatory consideration of ADMS/DERMS.

- [Regulators' Financial Toolbox: Advanced Metering Infrastructure – Unlocking Resilience](#), 2021

This issue brief and the accompanying webinar address an introduction to AMI, benefits and challenges of AMI, status of adoption and barriers, and regulatory approaches to considering AMI.

- [Regulators' Financial Toolbox: Operational Communications Networks for Grid Edge Technology Integration](#), 2021

This issue brief and the accompanying webinar provide a background on communications networks and address visualizing the communications network on the electricity system, the benefits of modern communication networks, considerations for utility regulators, and the status of adoption and barriers.

- [Regulators' Financial Toolbox: Resilience Technologies](#), 2021

This issue brief and the accompanying webinar address defining and measuring resilience, types of resilience technologies, frameworks towards identifying benefits and measuring resilience, and regulatory considerations and approaches.

- [Regulators' Financial Toolbox: Cloud Computing](#), 2020

This issue brief and the accompanying webinar provide an introduction to cloud computing and addresses the benefits and challenges of cloud computing, the status of adoption and barriers, and regulatory approaches used to facilitate utility conversion to cloud computing.

Distributed Energy Resources (DERs)

- [Regulators' Financial Toolbox: Behind-the-Meter \(BTM\) Energy Storage](#), 2023

This issue brief and the accompanying webinar discuss an introduction to behind-the-meter energy storage, benefits and costs of BTM energy storage, compensation and rate design for BTM energy storage, and customer understanding and satisfaction.

- [Regulators' Financial Toolbox: Virtual Power Plants \(VPPs\)](#), 2023

This issue brief and the accompanying webinar provide an introduction to virtual power plants and address the opportunities, benefits, and challenges of VPPs, VPP deployment, resource adequacy, customer experience, and compensation and rate design.

- [Regulators' Financial Toolbox: Designing Low- and Moderate- Income \(LMI\) Community Solar Compensation Programs](#), 2022

This issue brief and the accompanying webinar address that status of community solar markets, the benefits of community solar for LMI customers, LMI community program design best practices, and compensation and rate design for community solar programs.

Decarbonization

- [Regulators' Financial Toolbox: Keeping Track of Clean Energy](#), 2024

This report follows NARUC's Committee on Energy Resources and the Environment's panel discussion titled, "Keeping Track of Clean Energy Part III: Economy Wide Consistency" featuring remarks from Singularity Energy, the Center for Resource Solutions (CRS), and Energy + Environmental Economics. The webinar and this accompanying brief address: greenhouse gas accounting frameworks, greenhouse gas accounting and the electricity system, and greenhouse gas accounting and the natural gas system.

- [Webinar: Modernizing Regulatory Frameworks for the Future of Gas in an Era of Decarbonization](#), May 2023

This webinar explores how cities and states are setting ambitious decarbonization goals that present unprecedented challenges for gas distribution utilities. While many gas utilities are optimistic that alternative fuels (hydrogen and RNG) can meet climate goals, there is a potential for declining gas consumption resulting from efficiency and electrification that could impact the nature of a future gas delivery system.

- [Regulators' Financial Toolbox: Emerging Approaches to Building Electrification in Electric and Gas Utility Efficiency Programs](#), 2022

This report follows NARUC's Regulators' Financial Toolbox Webinar on building electrification. The webinar featured remarks from the American Council for an Energy-Efficient Economy (ACEEE), Xcel Energy, and the Minnesota Department of Commerce. The webinar and this accompanying brief cover topics including building electrification benefits and trends, state examples of incorporating beneficial electrification into utility programs, and stakeholder engagement.