

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