

# Regulatory Considerations on Benefit Cost Analysis

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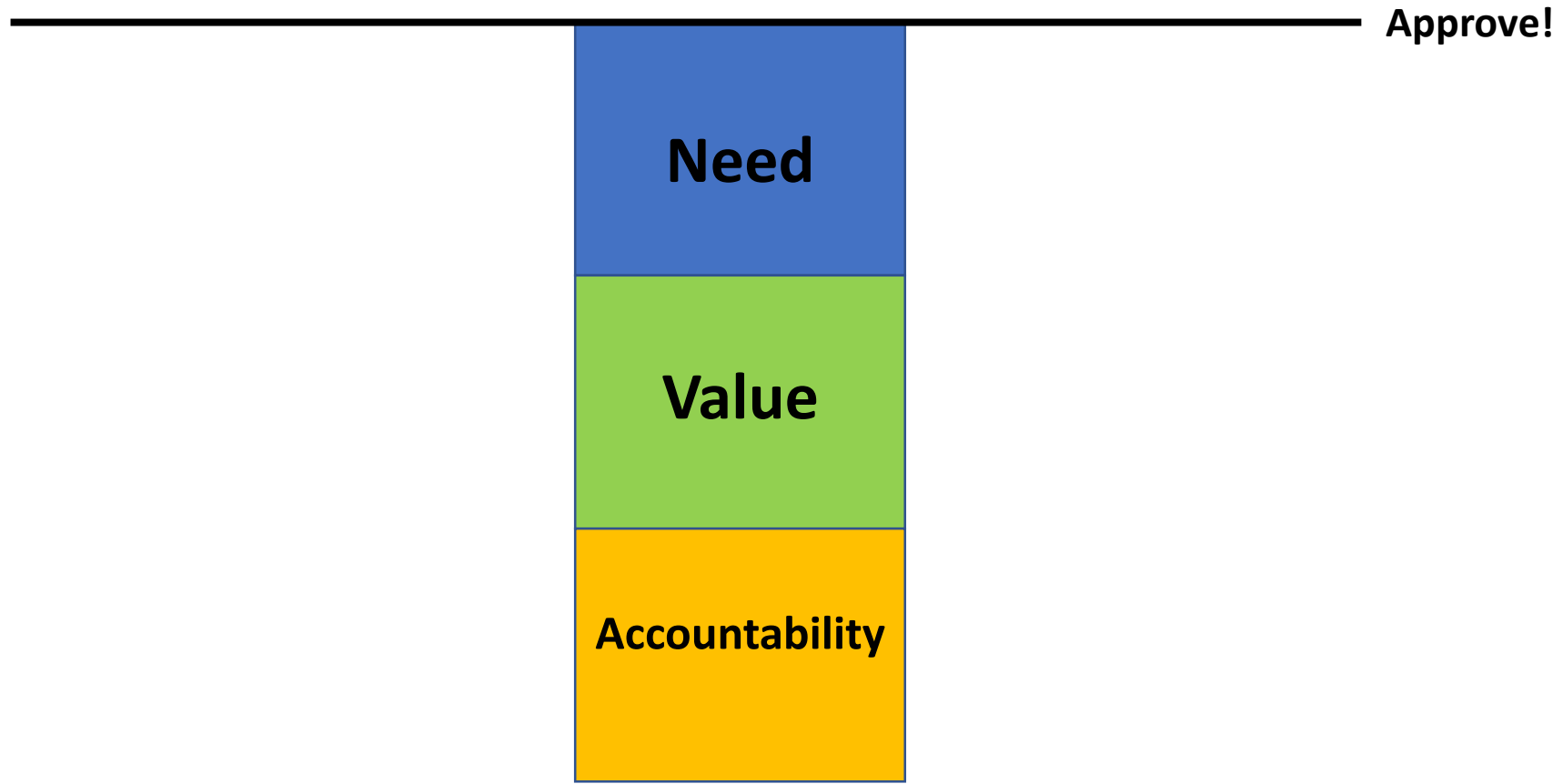
Rhode Island Public Utilities Commission

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# Things I Want People to Understand

- BCA is an informative part of a business case, it is not determinative.
- Utility customers must have a stake in the outcome of the investment.
- BCA provides stakeholders with transparency and information to help create a supporting or opposing case.

# Regulators Need a Strong Business Case



# The Case for Need

- Statutory
- Power system
- Customer demands

\* If the investment isn't needed, there has to be value for utility customers.

# The Value Case

- Benefit cost analysis is a tool for showing value.
- Quantitative evidence that customers will save money on their utility bills.
- RI has a jurisdiction-specific cost benefit framework. These are all the benefits and costs that the PUC will consider in its assessment of value, including some benefits that are outside the power system.

\*If the investment won't benefit customers *because they are customers*, why should the utility be making the investment?

# Accountability

- Can we determine whether the benefits happened?
  - What is in the utility's control?
  - What conditions are necessary for benefits to be realized?
- \* If the utility can't be held accountable to ratepayer benefits, why should this be part of the monopoly utility's business?

# Determinations the Regulator Makes

- Can the “do nothing” scenario be rejected?
- Is *now* the right time, or can the investment be deferred?
- Is the proposed investment the most cost-effective option for meeting the need?
- What will be gained by making the investment now, and what is being forgone?
- Why is the utility the best positioned to make this investment?

# Is the utility best positioned for this role?

- Utility incentives to switch to vegetarianism
  - Value: Participant cost-savings at the grocery store, participant health benefits, societal GHG reductions.
  - Need: Factory farms are inhumane
  - Accountability: None. The utility bill will not reflect the reduction in meat consumed.



- Carport solar feed-in tariff adder @ 6 cents/kWh  
(based on real PY 2020 proposal to RI PUC)
  - Value: Societal farm/forest land preservation & carbon sink value
  - Need: Statutory requirement for the program; 400 MW must go somewhere in RI in the next 10 years; siting challenges.
  - Accountability: None, the utility bill and enrollment statistics can't reflect whether land was preserved and why (e.g. even if ground-mount solar didn't get built on a parcel of farmland, condos might be built).

- Ratepayer-funded rebates for the purchase of electric vehicles
  - Value: Lower GHG from transportation fuels; possible driver cost savings on fuel
  - Need: We don't have a statutory need. One might argue that people aren't buying enough electric vehicles because they are too expensive. This isn't a utility problem. It is a car company problem.
  - Accountability: Not a lot. GHG reductions accrue to the world. Drivers who receive a rebate might save money on gasoline. Electric customers don't realize any real savings or avoided costs on their utility bill.

# Key Points

- Regulators need to be convinced that the proposed investment is the most cost-effective option to solve a timely utility problem.
- Benefit cost analysis adds transparency so you can compare investments.
- Benefit cost analysis shows whether an investment is fair to ratepayers by identifying who is benefiting, and how.
- Benefit cost analysis is not a substitute for legislating.