

***Resolution to Create a NARUC Staff Subcommittee on Rate Design***

**WHEREAS**, Rate designs raise crucial issues for consumers, utilities, and public policy generally; *and*

**WHEREAS**, Rate designs often can be used to implement important State policies for the electricity, natural gas, and water industries; *and*

**WHEREAS**, Rate designs adopted by State Commissions typically allow the utility to recover its revenue requirements or its total costs of service, and can also provide a price signal that informs the customer on conservation and investment choices; *and*

**WHEREAS**, While effective rate designs reflect the costs incurred to provide reliable service throughout the year, there is no one optimal rate design approach; *and*

**WHEREAS**, Multiple issues arise from, among other things, revenue requirement determinations, cost allocations, application of declining or inclining blocks, time-of-use and seasonal rates, monthly fixed or usage-related charges, differences between residential and commercial rates, and special treatment of certain customers, *e.g.*, low-income or electric vehicle owners, and economic development rates; *and*

**WHEREAS**, The continued expansion of advanced metering makes data available to better match costs to causation, with the potential to provide customers with more meaningful price signals than were previously available, as outlined in a 2015 RAP publication *Smart Rate Design for a Smart Future*; *and*

**WHEREAS**, In the electric industry, the rapid growth of distributed generation is triggering both legislative and regulatory proposals for additional changes in rate designs, with an October 2015 National Regulatory Research Institute (NRRI) publication, *Rate Design for DER*, cataloging over 100 pending proposals and recently adopted rate design changes in 43 States and the District of Columbia; *and*

**WHEREAS**, NRRI's report outlines proposals involving, among other things, raising fixed charges, using demand-charges for residential and small commercial customers, developing higher minimum monthly bills, changing net-metering rules, using time-differentiated rates, changing standby charges, using tiered- or block-rate structures, and proposing various alternatives to net-metering, such as feed-in tariffs, two-way rates, or value-of-service rates; *and*

**WHEREAS**, The Federal Energy Regulatory Commission has issued a Notice of Proposed Rulemaking (Docket No. RM15-24) to specifically address reforms in regional transmission organizations and independent system operators that would align prices with resource dispatch instructions and operating needs, providing incentives for resource performance that could provide State Commissions additional options for rate designs for electric retail customers; *and*

**WHEREAS**, Given the proliferation of these issues facing State Commissions and the breadth of available rate design alternatives, there is a need for a forum for regulatory staff to discuss the

many rate design approaches, experiences, ideas, and their connection to cost causation and the development of appropriate price signals; *and*

**WHEREAS**, Regulators would benefit from a work product that identifies a range of options and makes available scholarly articles, consultancy reports, national laboratories' efforts, think tank proposals, and other substantive approaches to rate designs that can be tailored to State needs and useful in adopting revised rate design methods; *now, therefore be it*

**RESOLVED**, That the National Association of Regulatory Utility Commissioners, convened at its 127th Annual Meeting in Austin, Texas, hereby creates a new Staff Subcommittee on Rate Design to focus solely on rate design approaches and experiences; *and be it further*

**RESOLVED**, That the Staff Subcommittee on Rate Design will report directly to the NARUC Executive Committee; *and be it further*

**RESOLVED**, That the Staff Subcommittee on Rate Design may include participating staff from the Electricity, Natural Gas, Water, Energy Resources and the Environment, and Consumer Affairs Committees; *and be it further*

**RESOLVED**, That the Staff Subcommittee on Rate Design will not meet as a Standing Staff Committee at national meetings, but rather will organize itself to meet via regularly scheduled conference calls, webinars and other means, and will undertake necessary education and discussion, with the ultimate aim of developing a work product that identifies range of options and makes available scholarly articles, consultancy reports, national laboratories' efforts, think tank proposals, and other substantive approaches to rate designs that may be tailored to State needs and useful in adopting revised rate design methods.

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*Sponsored by the Committee on Electricity and the Committee on Energy, Resources and the Environment*

*Recommended by the NARUC Board of Directors November 10, 2015*

*Adopted by the NARUC Committee of the Whole November 11, 2015*