

PA's Solar Future: Alternative Ratemaking Update

Eric D. Miller, Keystone Energy Efficiency Alliance

- The Keystone Energy Efficiency Alliance (KEEA) is a non-profit, tax-exempt 501(c)(6) corporation dedicated to promoting the energy efficiency industry in Pennsylvania.
- KEEA have been active participants in ratemaking issues since 2015.
- **Why Solar?:** Looks pretty similar to EE at the grid level, so benefits from similar ratemaking and rate design policies

Summary

- Nuts and Bolts of Alternative Ratemaking
- Current State of Play
- Preferred Outcomes

Changing Utility Industry

- **2 Major Drivers of Change in the Utility Industry:**

1. Advances in technology –DERs, EE, EVs, Microgrids, storage
2. Public policy goals-AEPS, Act 129, other proposed legislation

- **Result:**

1. New and different costs
2. Changes in how customers interact with the grid
3. Flat or declining energy consumption/ increased energy consumption from beneficial electrification

Growing Pains

- **My Thesis:** Traditional ratemaking and rate-design does not sufficiently encourage the development and deployment of advanced energy resources. . .
- **Advanced energy resources provide a number of benefits:**
 1. Energy System Benefits
 2. Ratepayer Benefits
 3. Societal Benefits
- **However, utilities may face financial disincentives to investment**
 1. Programs add additional expenses
 2. Successful programs and technology deployment may reduce and/or destabilize revenues
 3. Policies that are easiest to implement may not incentivize innovation on the customer side of the meter

Role of Alternative Ratemaking/ Rate Design

- Ratemaking that will incentivize and reward utility investment in advanced technologies
- Rate design that will incentivize ratepayer investment in advanced technologies
- Allow customers full control over their energy bill based on usage.
 - Customers should be able to see the financial benefits of their investments
- Stabilize utility revenues, find new avenues for growth
 - Utilities should not be penalized for helping customers achieve all of this.

State of Play

- **2015-2017:** Whether we should pursue alternative ratemaking at all.
- **Now:** What ratemaking policies should we pursue, and How should we evaluate their effectiveness.

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What's on the Table

- Revenue Decoupling
- Lost Revenue Adjustment Mechanisms
- Performance Incentives
- Performance Based Ratemaking
- Demand Charges
- Time-of-Use rates
- Increased Fixed Charges
- Straight Fixed Variable Rate Design
- Multi-Year Rate Plans
- Value of Solar

Act 58

- Passed June, 2018
- Permits the Public Utility Commission to approve applications by utilities to implement alternative ratemaking
 - Decoupling
 - Performance-Based Rates
 - Multi-Year Rate Plans
 - Etc.
- Highlights “new opportunities” for customers and utilities, consistent with the “efficient consumption of utility service.”
 - Broad policy statement, can be read in many ways
- Directs the PUC to take steps to implementation of Act 58, which is underway now.
 - Reply comments on PUC interpretation is due Monday, October 19

Proposed Policy Statement

- Issued same time period as Act 58
- **Purpose:**
 - Align utility rates with goals of EE and DER
 - More prescriptive than Act 58
- **Provides criteria to evaluate utility proposals**
 - does it incentivize utility action
 - Does it incentivize customer action
 - What is a rate effect on class subsidization
 - Are there consumer protections?
 - How does it impact cost causations
- **A little more narrow than Act 58**
- Comments due October 20

Mixed Reaction

1. Set Aside Proposed Policy Statement

- PUC goes to far with policy statement
- Belief that policy statement improperly narrows Act 58 Implementation
- PUC should do nothing, figure it out as we go in base rate cases to figure out what's best

2. Continue with Policy Statement

- PUC acting well within authority
- Policy Statement puts a finer point on broad Act 58 to aid in implementation
- We know what works already, *ad hoc* energy policy will cause unneeded delay and lead to less than preferable outcomes



Contact Information

- Email: Emiller@keealliance.org