PA’s Solar Future: Alternative Ratemaking Update

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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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• **Now:** *What* ratemaking policies should we pursue, and *How* should we evaluate their effectiveness.
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 too 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
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