

A presentation to the National Energy and Utility Affordability Coalition
Denver, Colorado

by Bill Malcolm,
Senior Legislative Representative--State Advocacy and Strategy

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THE UTILITY OF THE FUTURE



About AARP

AARP, with its nearly 38 million members in all 50 States and the District of Columbia, Puerto Rico, and U.S. Virgin Islands, is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities, and protection from financial abuse.

Our utility positions

- **Fair and affordable rates**
- **Support regulatory review of utility expenditures**
- **Support state utility consumer advocate offices**
- **Strive to make sure that people are able to remain in their homes as long as possible and that increasing utility rates don't impact those decisions and opportunities**

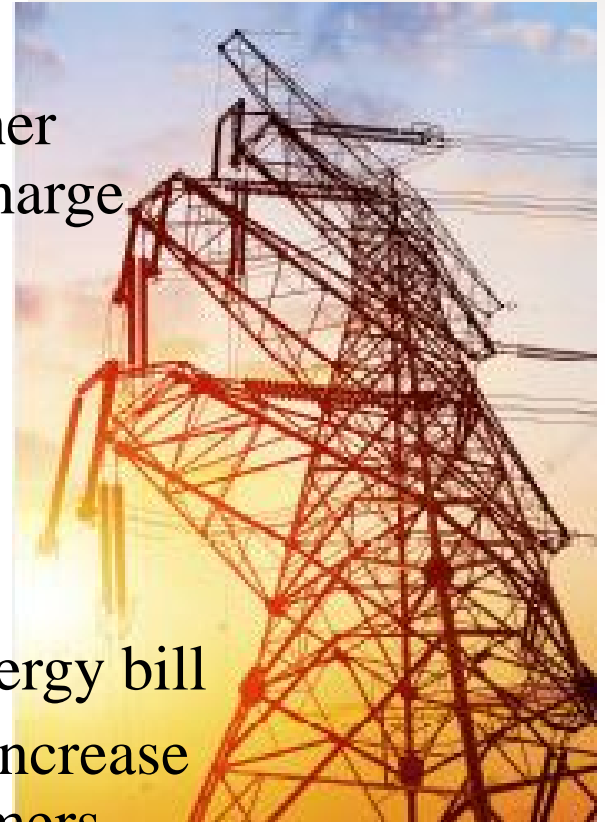


Utility Trends

- **Flat electric sales**
- **Low natural gas prices**
- **Low wholesale power prices**
- **RTO cost increases, mission creep**
- **Infrastructure spending requests**
- **Increasing rates**
- **Cost recovery to trackers and surcharges**
- **PBR/formula rates push**

New Math for the Customer Charge

- Metering and billing costs traditionally recovered in the customer charge
- After 100 years, we now put poles and other distribution equipment into the monthly charge (aka all “fixed charges”)
- Shifts more costs to low users
- Violates cost causation
- Discourages conservation by lowering the volumetric rate
- Gives customers less control over their energy bill
- Under-stated increases: The 4% average increase is actually a 26% increase for some customers



Missouri PSC Ameren Order

“The Commission must also consider the public policy implications of changing the existing customer charges. There are strong public policy considerations in favor of not increasing the customer charges. Residential customers should have as much control over the amount of their bills as possible so that they can reduce their monthly expenses by using less power, either for economic reasons or because of a general desire to conserve energy. Leaving the monthly charge where it is gives the customer more control.”

Customer Charge Scorecard

STATE	UTILITY	CURRENT	PROPOSED	ADOPTED
CA	Redding	\$13	\$42	\$13
KS	Westar	\$12	\$27-\$50	\$14.50
KS	KCPL	\$10.70	\$19	\$14
KY	LG&E	\$10.75	\$18	\$10.75
MN	Xcel	\$8	\$9.25	\$8
WI	Xcel	\$8	\$18	18
MO	Ameren	\$8	\$8.77	\$8
MO	Independence	\$4	\$14.50	\$4
ND	MDU (Gas)	\$14	\$21	21
NY	Con Ed	\$15.76	\$18	\$15.76
PA	PECO	\$7.09	\$12	\$8.45
PA	PPL	\$14.09	20	\$14.09

Current utility initiatives

- Spending pre-approval based on forecast costs
- Performance based or metrics ratemaking
- Trackers / surcharges
- Multi-year rate cases
- Limit or expedite PUC review
- New mandatory demand charges
- Shifting more costs & risks to household consumers through new cost allocation methods
- New ways of making money/decoupling etc

2016 Initiatives: Mandatory Residential Demand Charges

- Filed in several states OK AZ KS as mandatory
- Optional in Xcel CO filing
- Legislation IL (also mandatory)
- Based on customer's maximum demand (not the utility's)
- Requires an advanced meter

Regulatory model changes

- MN: 5 year rate plans with metrics
- FL: Multi-year rate plan
- MI legislation: pre-approval of generation spending, decoupling sales from revenues, financing costs charged as you go on new plants

Scorecard

- AZ: UNS withdrew demand charge proposal
- MD: Gas/electric surcharge bill defeated
- MO: Formula rate proposal, water decoupling, gas surcharge increase did not pass
- KS: Utility drop plans for residential demand charge
- CO: Utility files for optional demand charge

For further information

- Contact me:
- wmalcolm@aarp.org
- 202/746-7590
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