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NARUC

EPA Technical Forum

May 2010

A Thrill Packed Introduction To State Public Utility Commissions

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NARUC & Grants & Research

- NARUC members are the State PUCs
- G&R Dept. addresses research and facilitates dialogue on key questions facing Commissions
- 17 current projects covering infrastructure, environment, regulatory design, finance, security and other issues for the gas, water, electric, telecom sectors
- Demand-side & Clean Energy plays some role in about 1/2 of our projects

Federal Funders: EPA, Dept. of Energy, Dept. of Homeland Security

Partnerships with FCC, NCS, FERC, private sector, non-governmentals

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Disclaimer

- These are opinions, not NARUC policy, nor policy of its members.
- There are 50 states + DC, with over 200 Commissioners. So there are at least 201 perspectives on everything, so I've had to be general.
- Everything will apply to some state, but there are exceptions to everything in here in some state too.

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What is a Public Utility Commission?

- A quasi-judicial panel that sets the rates, terms, and conditions for the provision of essential services in the regulated utility sectors
  - (electric, gas, water, telephone, and sometimes transportation, ports, banks, petroleum, etc etc.)
- A commission has 3-7 members, staggered terms, bipartisan representation, appointed by Governors, Legislatures, or directly elected
- Focus on transparency, accountability, public participation, due process

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IOUs, Coops, and Munis

	Investor-Owned	Publicly Owned	Cooperatives	Total
Number of Organizations	220	2,000	930	3,150
Number of Total Customers	102 m	20 m	17 m	140 m
Size (median number of customers)	400,000	2,000	12,500	
Customers, % of total	73%	15%	12%	
Revenues, % of total	76%	14%	10%	
kWh sales, % of total	74%	16%	10%	

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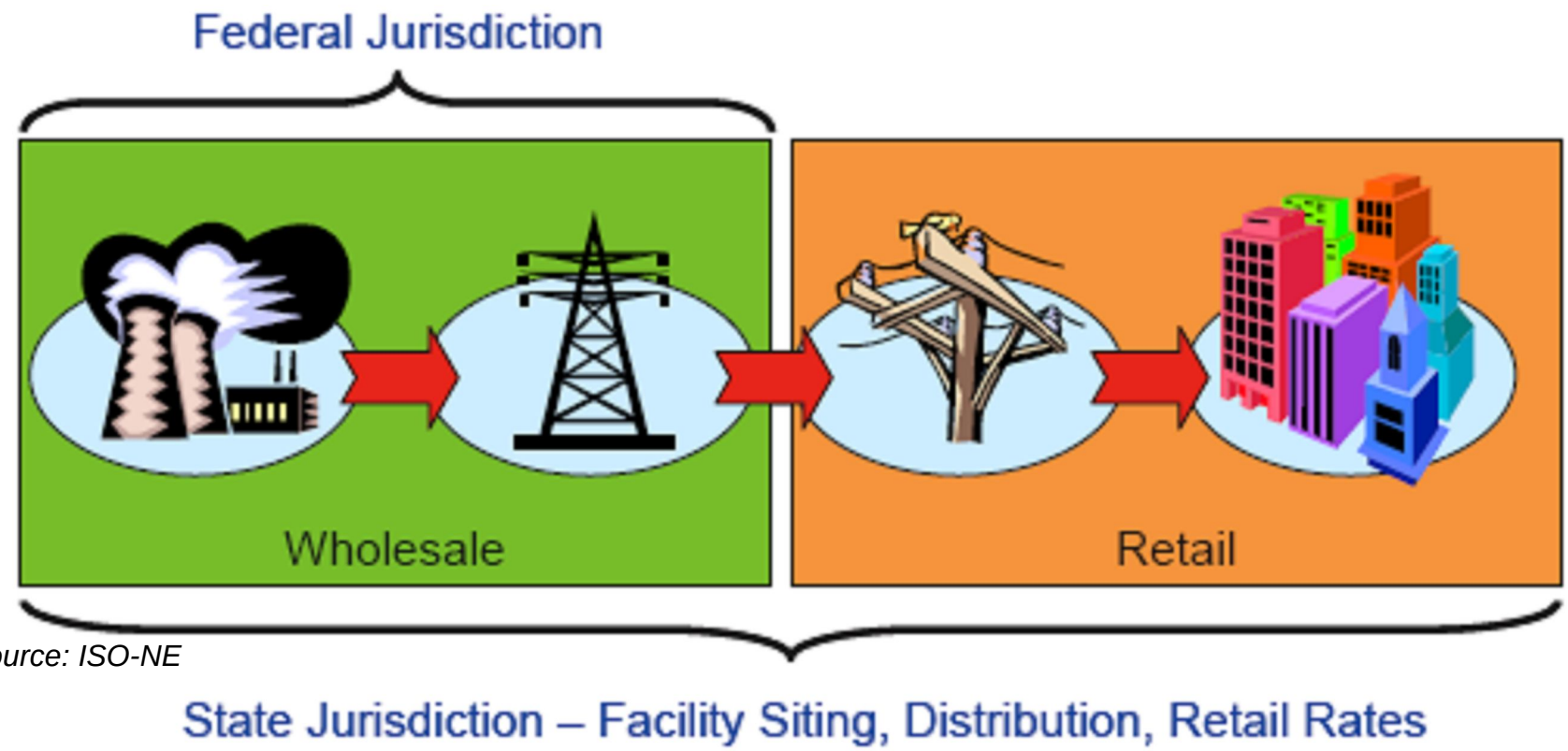
Federal & State Jurisdiction



Source: ISO-NE

Who needs a mnemonic?
FERC jurisdiction is over “sale for resale”*

* Who doesn’t know what a mnemonic is?

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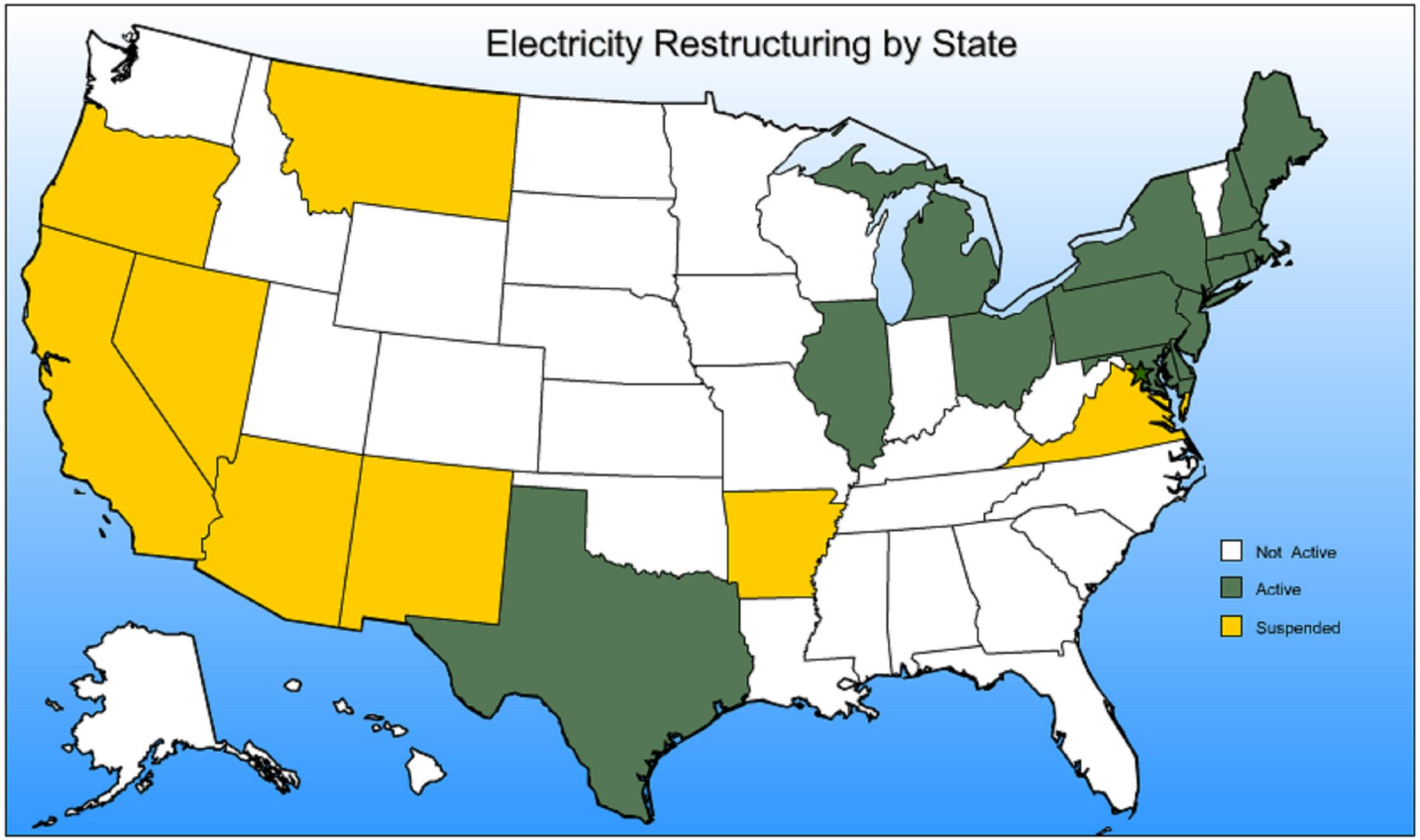
Status of Electricity Restructuring



Source: Energy Information Administration, status as of April 2007

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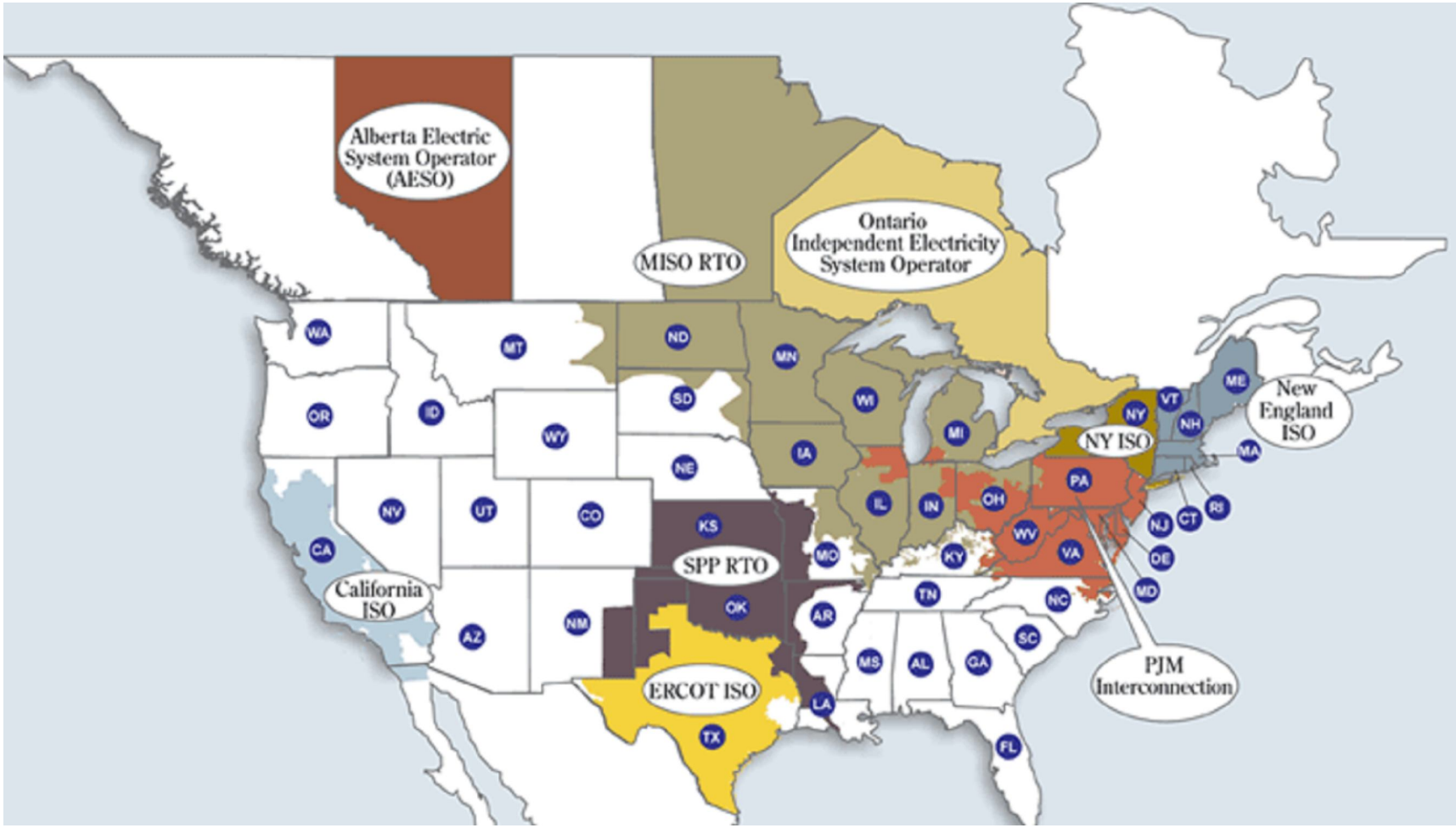
RTOs



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Commission Activities in Electricity

- Set the rates, terms, and conditions of monopoly utility services
- Ensure reliable, affordable, clean electricity
- Specific activities:
  - Planning
  - Siting
  - Cost allocation and cost recovery
  - Other stuff

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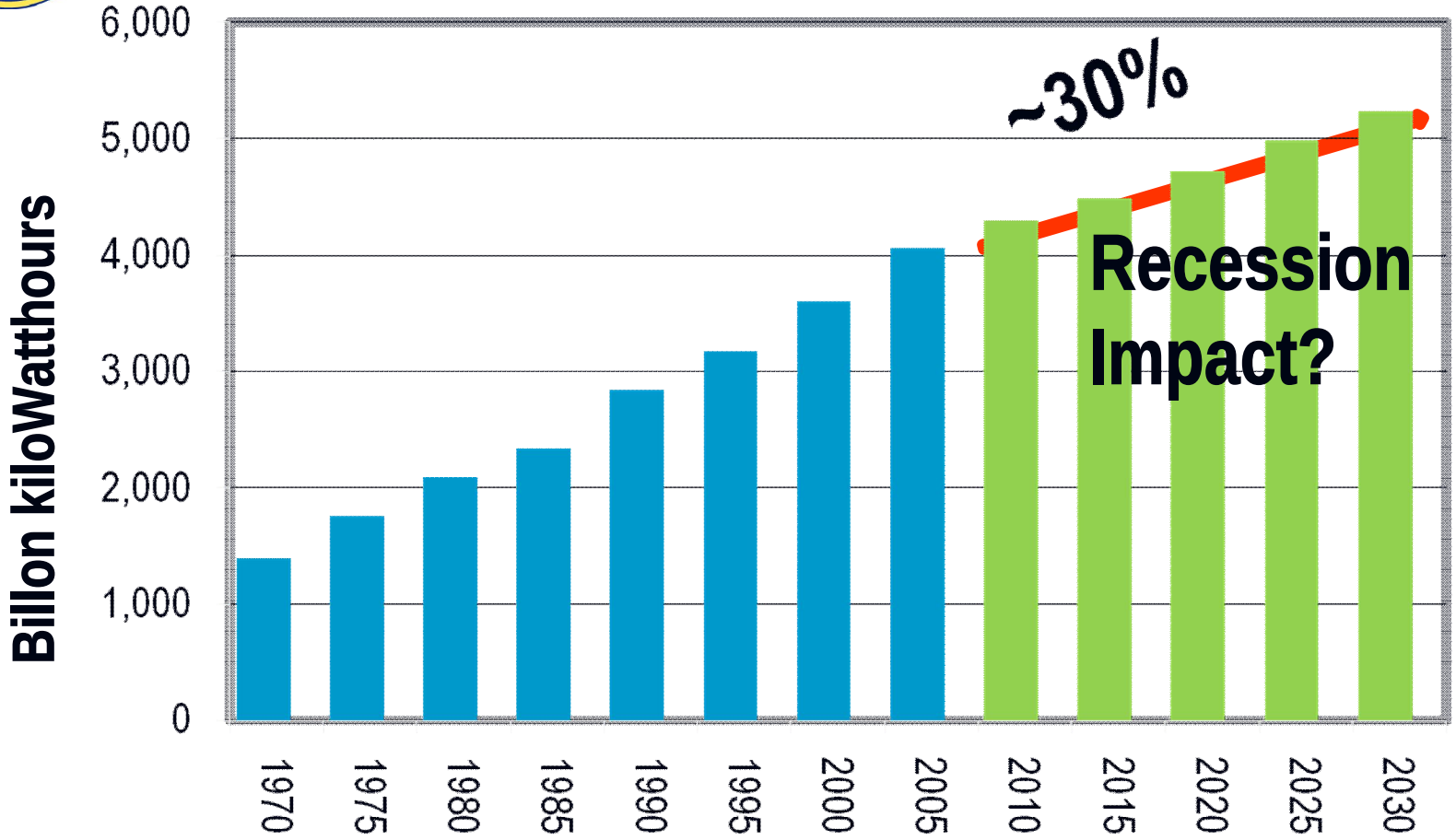
Reliable:



Sources: U.S. Department of Energy, Energy Information Administration, *Annual Energy Review 2006* and *Annual Energy Outlook 2008 Early Release*

*Electricity demand projections based on expected growth between 2006-2030

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Reliability

- Standard setting
  - Technical: NERC
  - Resource adequacy
  - Safety & security
- Review and approve plans
- Regular updates (annual or otherwise)
- Penalties for non performance; incentives for high achievement

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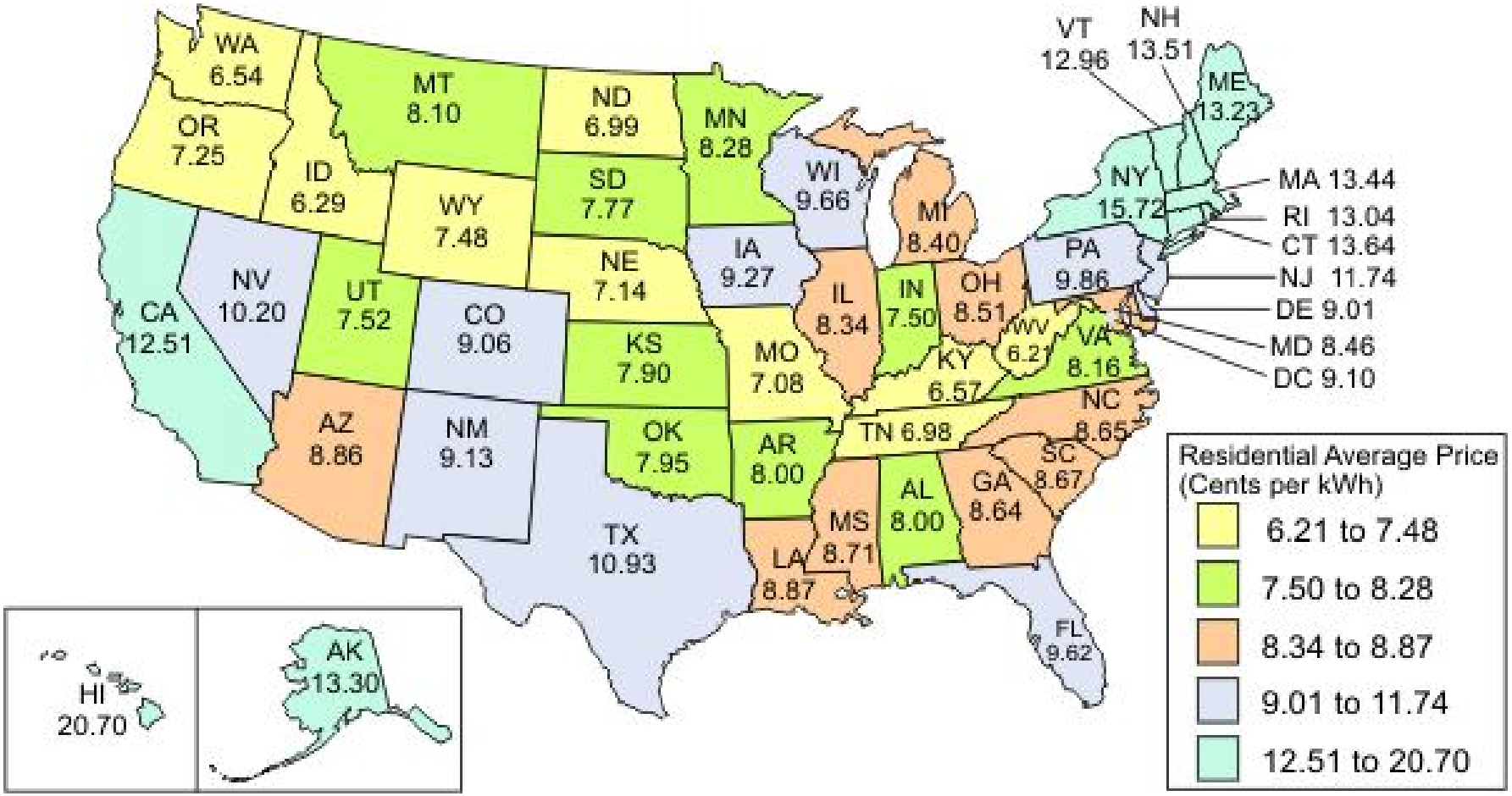
Affordable:



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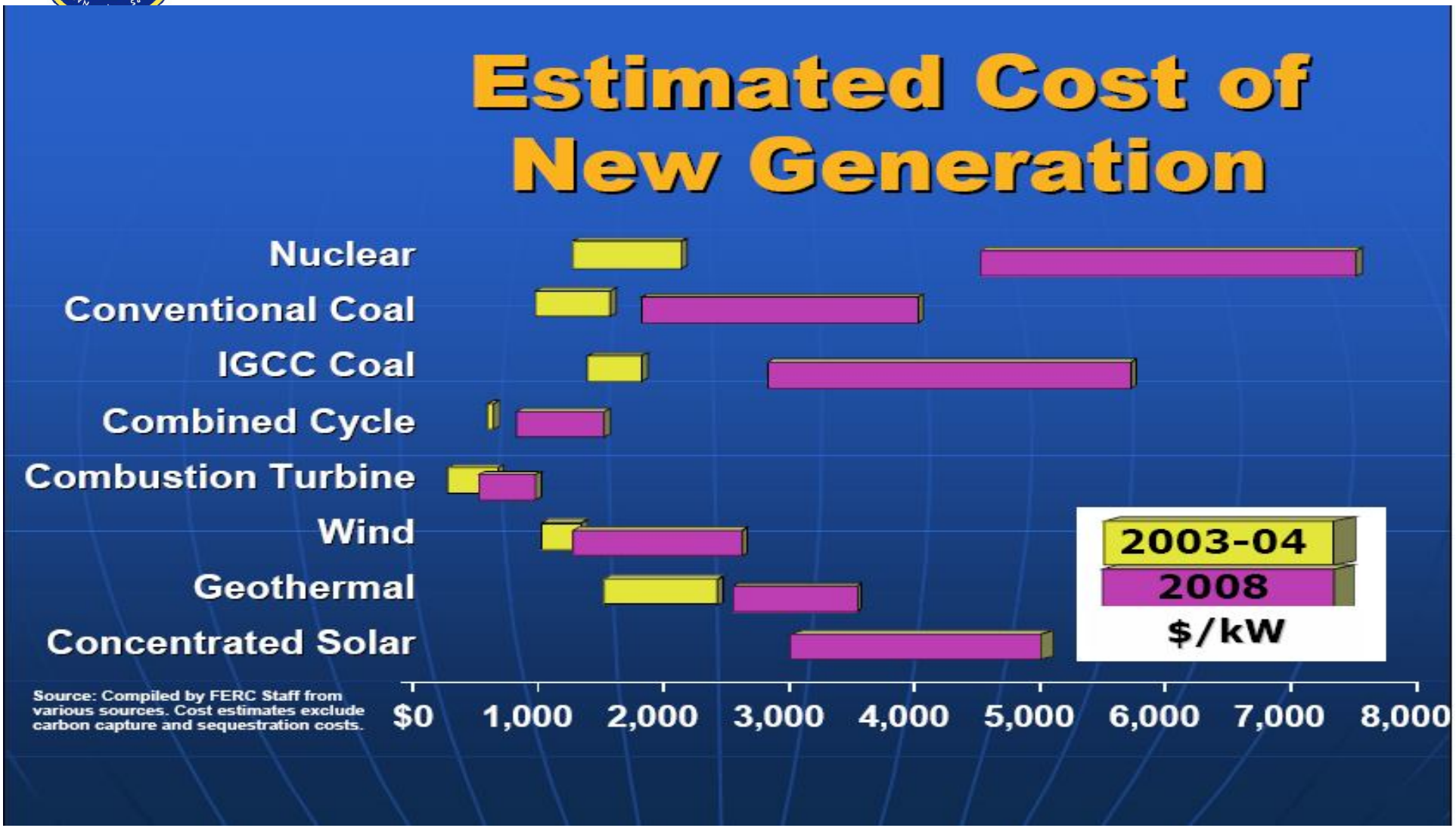

Per Eric Holdsworth, EEI

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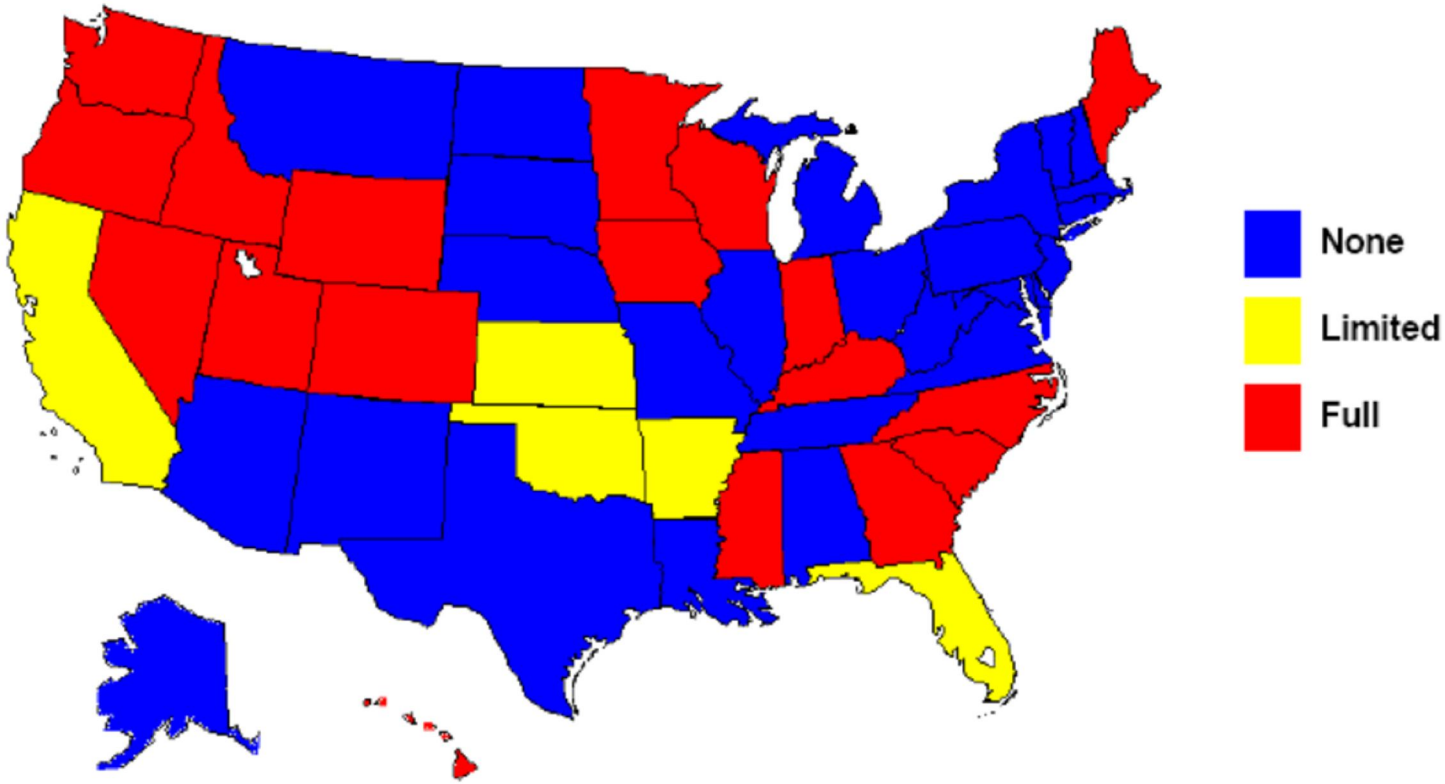
Resource Planning

- IRP evaluates scenarios and chooses resource mix that has best reliability, affordability, and other desired attributes
- Even without IRP, portfolio management is gaining ground



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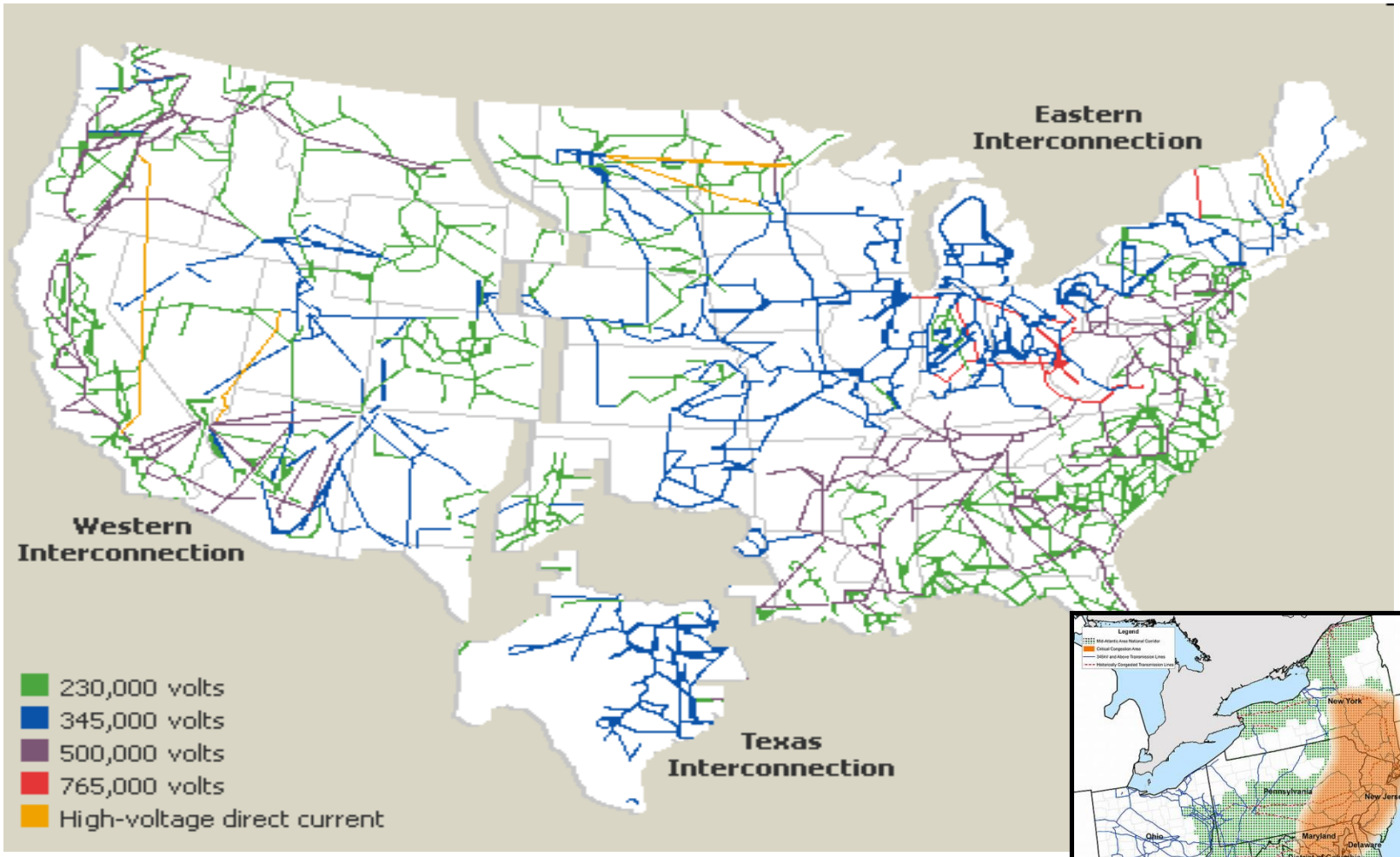
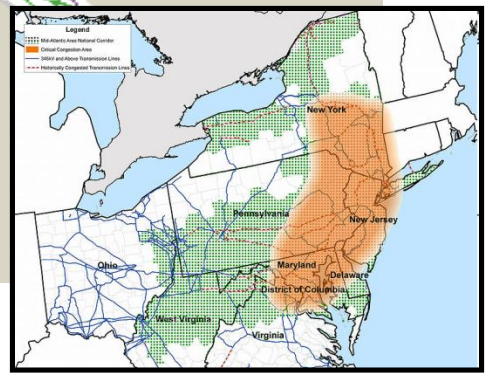
Transmission Planning





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Infrastructure Siting

- Several Commissions have specific Siting Boards
- All commissions have some role in siting, even if indirect
  - Generation
  - Transmission
  - Inside the “city gates” gas infrastructure
  - Demand-side programs
- Local role in some states
- Quasi-judicial proceedings
  - Evidentiary hearings, site visits, conditional approvals
- Coordination among states
- Backstop interstate siting authority

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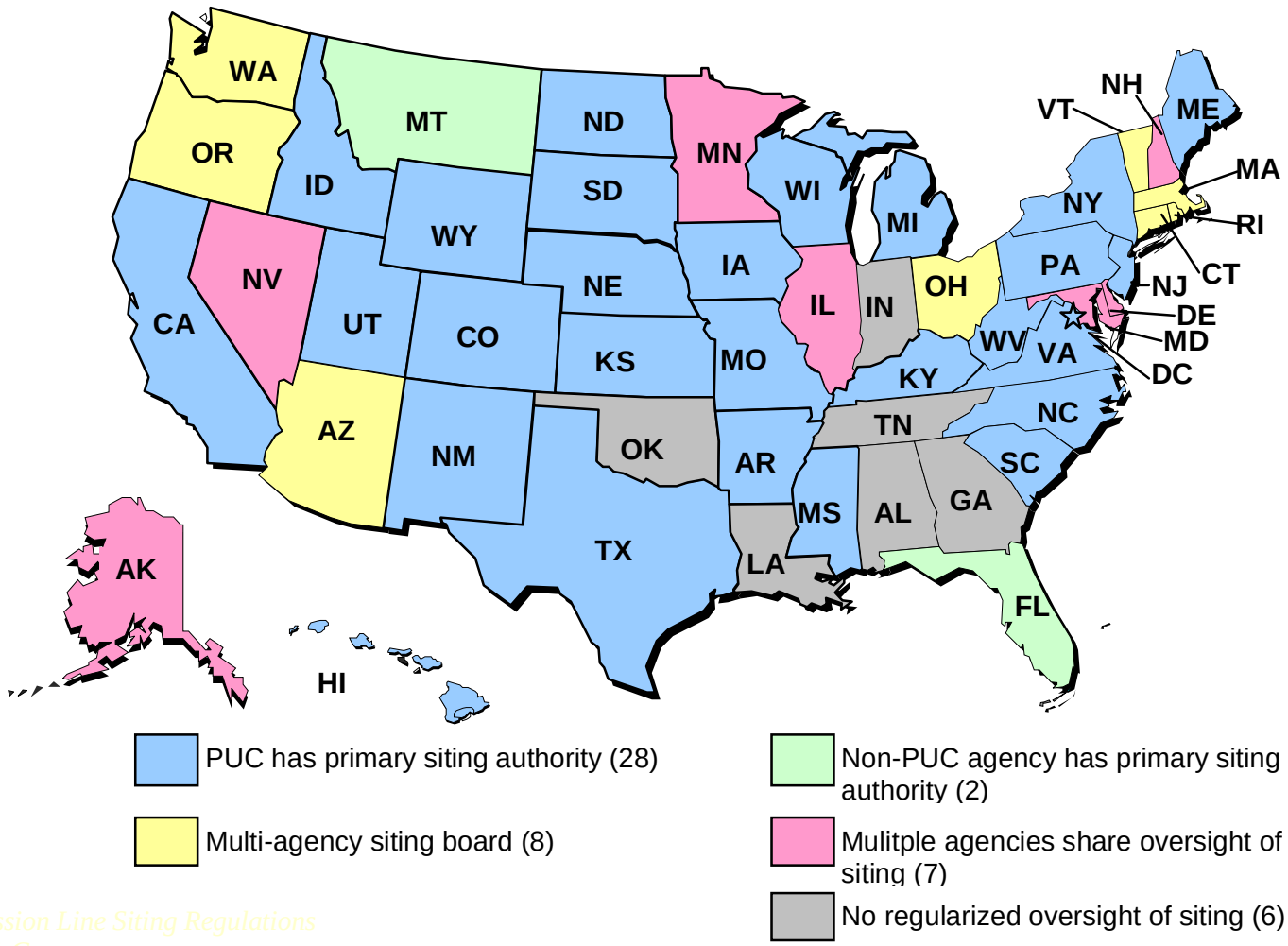
Transmission Siting Authority by State



Source: EEI, Transmission Line Siting Regulations 2001, updated by J. McGarvey

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Cost recovery

- The regulatory compact is that a utility will have a monopoly and will have a hard time going broke because the rates are set to cover cost of service and revenue requirement
- A description of a rate case
- Warren Buffet: “This should be a good business to be in, but not a Great business.”
- Cost recovery as a balance between regulatory certainty and a risk-based incentive for innovation
- Efficiency and decoupling and revenue, oh my!

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Administer other programs

- Gas
- Managing RPS
- Managing efficiency programs
- Managing climate- and enviro-related programs (RGGI, loading orders, etc.)
- Overseeing public benefits funds
- Emergency preparedness & interdependencies
- Coordinate with other agencies

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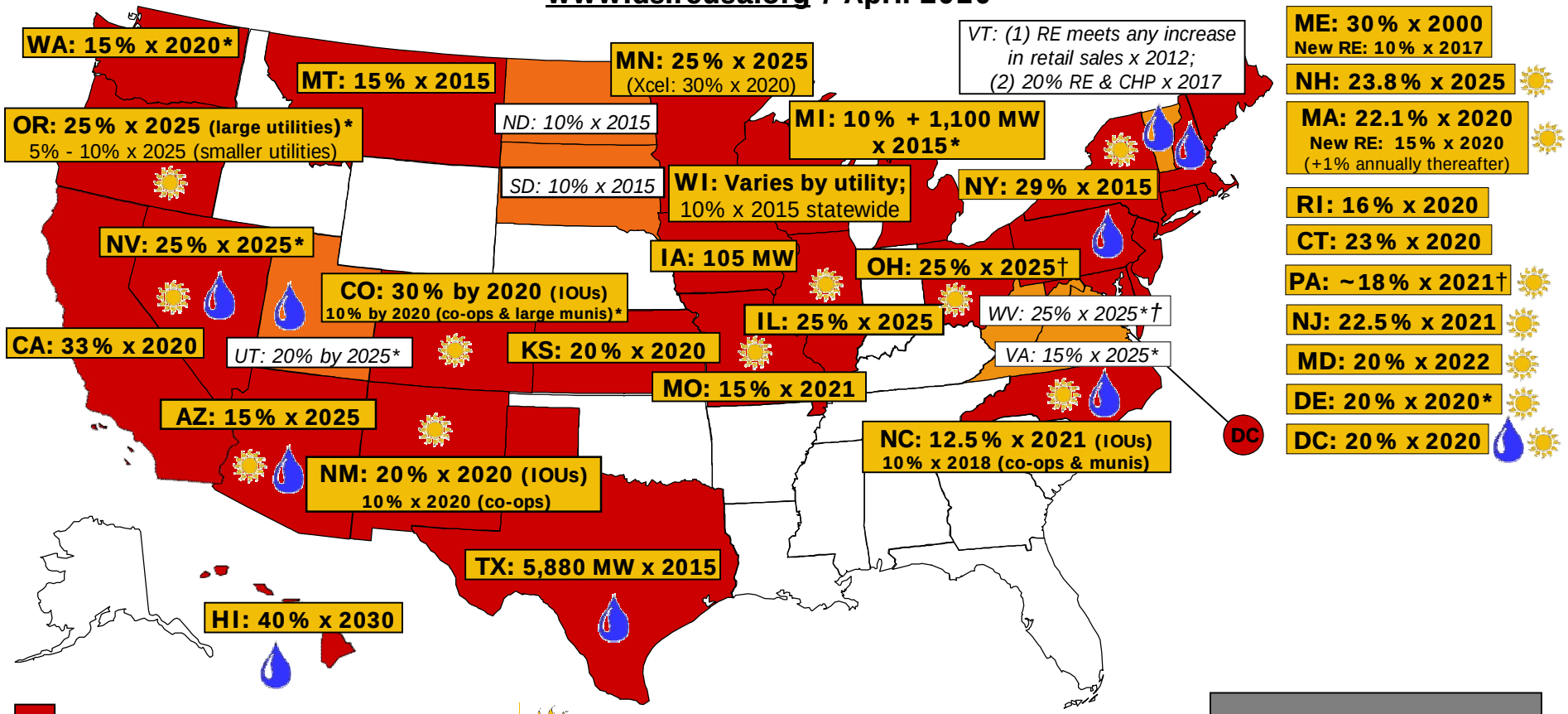
DSIRE
Database of State Incentives for Renewables & Efficiency

U.S. Department of Energy Energy Efficiency and Renewable Energy
North Carolina Solar Center
IREC

Renewable Portfolio Standards

www.dsireusa.org / April 2010



State renewable portfolio standard

State renewable portfolio goal

Solar water heating eligible

Minimum solar or customer-sited requirement

* Extra credit for solar or customer-sited renewables

† Includes non-renewable alternative resources

29 states + DC have an RPS
(6 states have goals)

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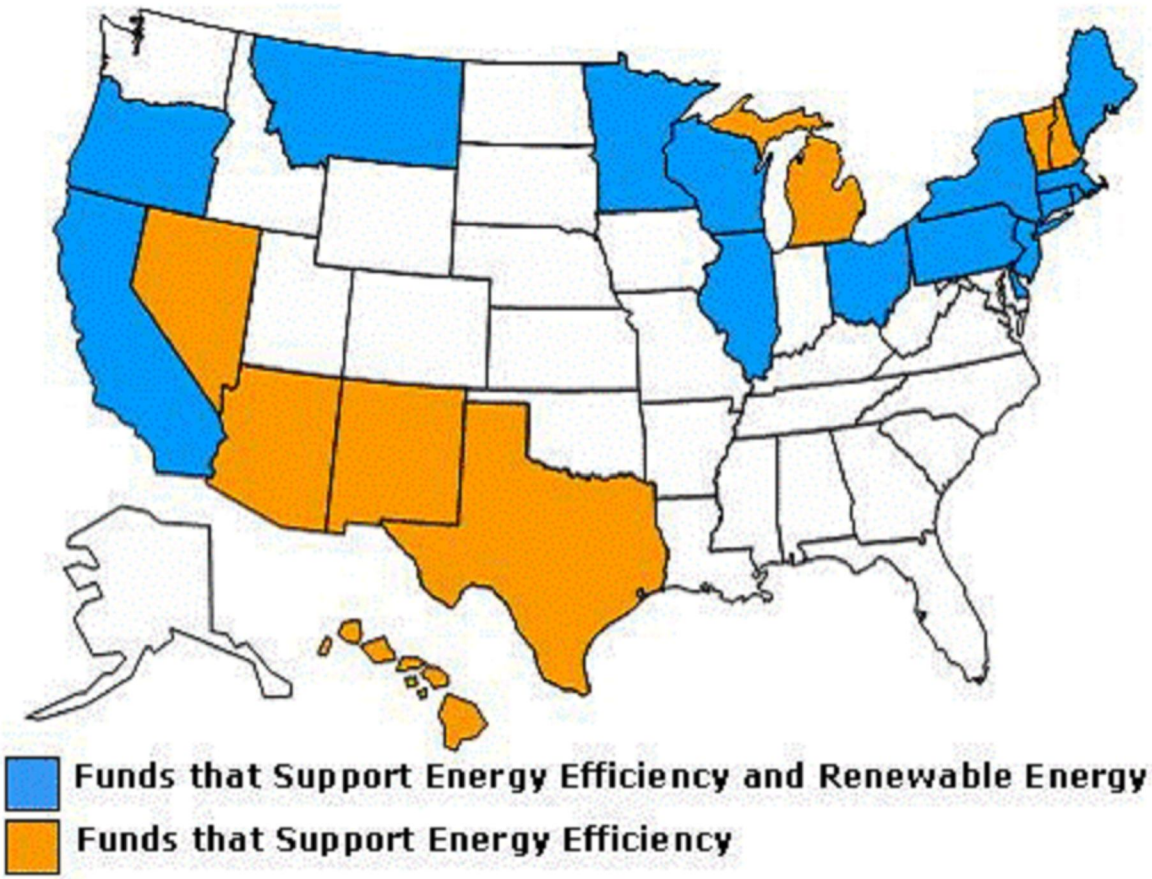
States with System Benefits Funds



Source: Pew Center on Global Climate Change

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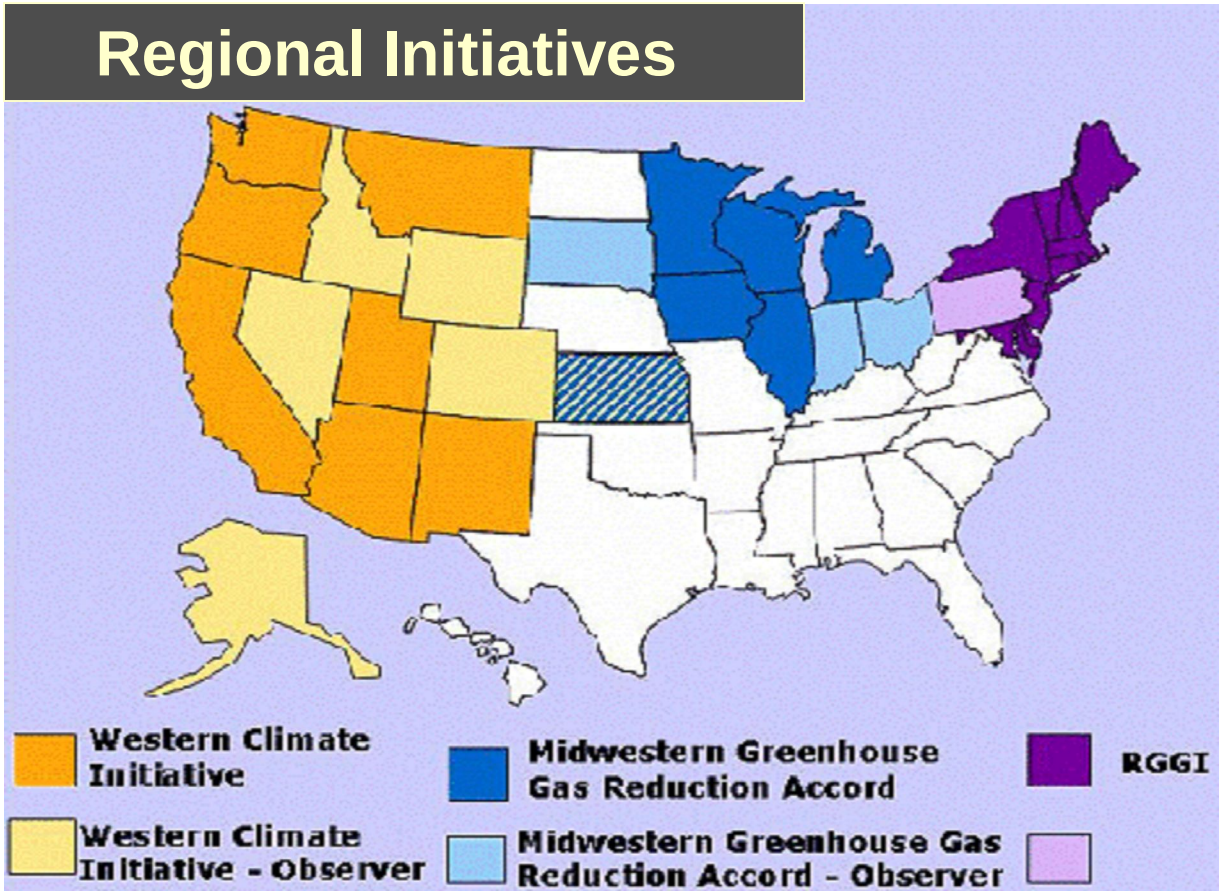
Climate Policy by State



Source: Pew Center on Global Climate Change

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Challenging Reliable, Affordable, Clean

- Regulators care about resource adequacy first and foremost, demand is growing and new supply is tough to get.
- The "golden era" of declining prices is probably over, and some big bills are coming due.
- Climate seen as a revolution-sized challenge facing the sector. Is it a trumping constraint or a third, equal factor in review?

"We cannot solve the most serious problems using the same thinking that created them."

- Albert Einstein

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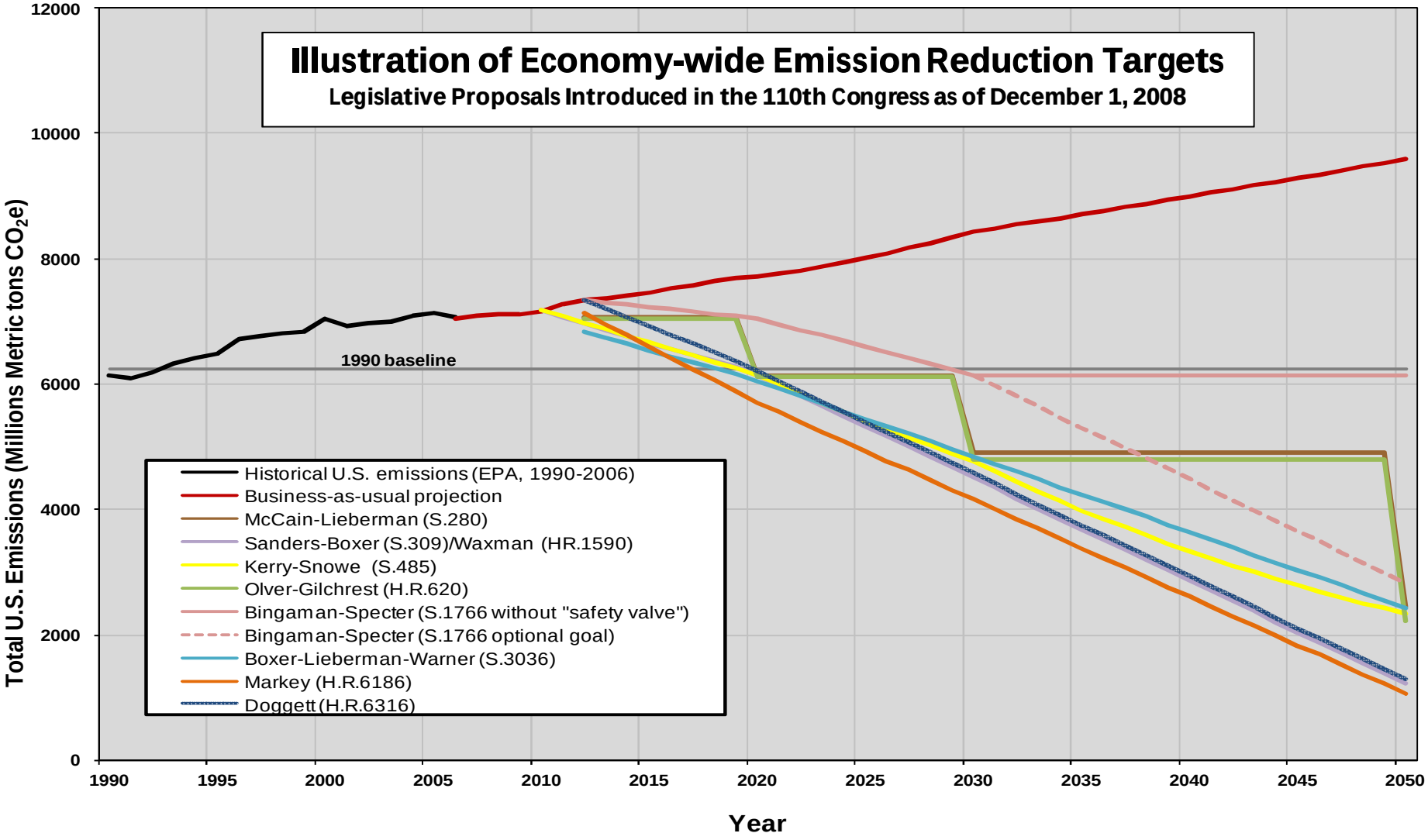
Climate Legislation



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The Many Charms Of Efficiency

- Costs less than a power plant!
- Pays you back – now with local benefits!
- NIMBY-proof!
- Terrorist-proof!
- Hurricane-proof!
- Hugo Chavez-proof!
- Easy to install: no wires or pipes!
- 100% NOx and SOx-free!
- Legal everywhere, and Yucca-free!
- Bird / Bat-friendly!
- Good-looking!
- More Popular Every Day!

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Conclusions

- State regulators play a broad role with wide-ranging responsibilities
- Regulatory policy has been an important driver for choices made about the electric system we have today
- The electricity system is changing and regulatory policy may need to change with it
- All supply choices are important to consider
- Energy efficiency appears to be the “no regrets” choice no matter what supply choices we make

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I Will Now Confront Your Most Challenging Questions!

Or! Later if you prefer!

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