

A presentation to UW PUI Trends in Customer Expectations Forum

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# WHAT DO CONSUMERS NEED FROM THEIR UTILITY IN THE FUTURE?



Real Possibilities

# About AARP

**AARP, with its nearly 38 million members (including 840,000 in Wisconsin) is a nonprofit, nonpartisan organization, with a membership of nearly 38 million, 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.**

**We advocate for individuals in the marketplace by selecting products and services of high quality and value to carry the AARP name as well as help our members obtain discounts on a wide range of products, travel, and services. A trusted source for lifestyle tips, news and educational information, AARP produces AARP The Magazine, the world's largest circulation magazine; AARP Bulletin; [www.aarp.org](http://www.aarp.org); AARP TV & Radio; AARP Books; and AARP en Español, a Spanish-language website addressing the interests and needs of Hispanics.**

**Learn more at [www.aarp.org](http://www.aarp.org).**

# Our utility positions

- **Fair and affordable rates**
- **Support regulatory review of utility expenditures**
- **Strive to make sure that people are able to remain in their homes**



# Utility Trends

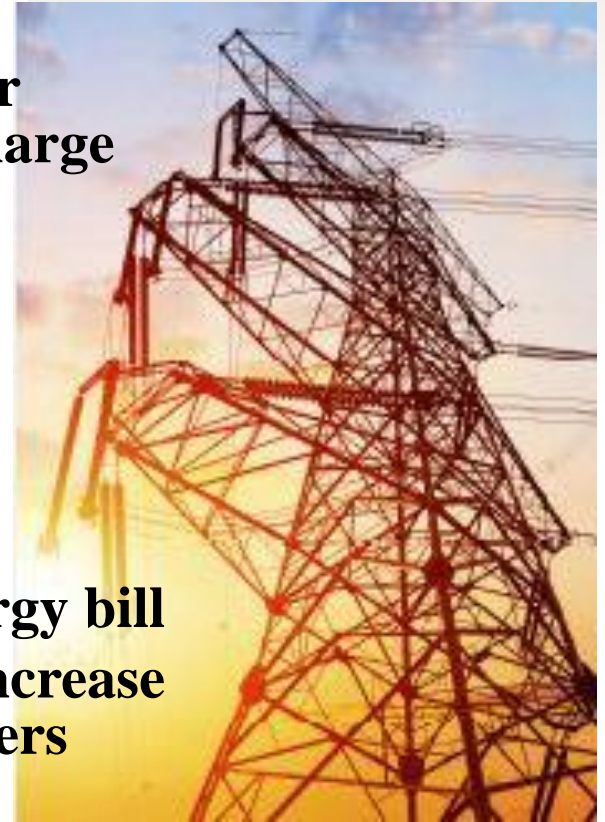
- **Flat or declining electric sales**
- **Low wholesale power prices**
- **Power surplus**
- **RTO rate impacts, mission (and footprint) creep (MI, IL capacity market proposal)**
- **Low natural gas prices**
- **Wisconsin's electric rates**
- **Nuclear bailouts**
- **Mergers**

# What Customers Want

- **Fair and affordable rates**
- **Voluntary TOU**
- **Pilot or study first**
- **Options, savings**
- **The ability to talk to real people in everyday language**

# 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**
- **Harms low income**
- **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**



# Customer Charge Update

- **Xcel CO settlement drops tiered grid use charge, oks optional time-differentiated demand charge, optional TOU**
- **June 2016: NM PRC keeps El Paso Electric charge at \$7 per month (rejects increase to \$9)**
- **CenterPoint Gas (MN) customer charge kept unchanged by MN PUC**
- **TX: El Paso increased from \$5 to \$6.90**

## **Mandatory Demand Charges**

- **Based on highest per kw maximum customer usage**
- **A third component for the residential rate**
- **Not mandatory anywhere in U.S.**
- **Not coincident with utility's peak**



# Residential Demand Charges

- **Filed in OK AZ IL CO WI**
- **Optional in Xcel CO and Alliant WI**
- **Legislation in IL**
- **OGE**
- **AZ: APS proposed, UNS withdrawn**

# Concerns

- **Customers won't know when they have hit their maximum demand**
- **Unlike time-of-use rates, nothing to respond to**
- **Hard to understand**
- **Customer education**
- **A new gotcha charge?**
- **A new fixed charge?**

# Update

- **KS: Deferred to separate proceeding**
- **AZ: UNS withdrew demand charge proposal**
- **IL: Legislature adjourned without enacting SB 1585**
- **OK: Proposed OGE settlement excludes any new demand charges, requires a pilot**
- **CO: Optional only, time differentiated**

# Tracker trouble

- **New surcharges**
- **Bypass regular regulatory scrutiny**
- **Automatic flow through of spending**
- **No offsets with costs that have dropped**

# Multi-year rate filings

- **3-5 years of rate increases**
- **No allowance for cost decreases**
- **Based on forecast costs**
- **Fast tracks rate increases**
- **Bypasses traditional regulatory review**
- **Rate case filing costs nominal**

# For further information

- [AARP.org](http://AARP.org) (see Chapter 10 of the AARP Policy Book)
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