

New Regulatory Initiatives 2018

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Biography



Speaker: Branko Terzic
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Profile:

Former:
Chairman, CEO Yankee Energy System,
Commissioner, US Federal Energy
Regulatory Commission, State of
Wisconsin Public Service Commission.

BS in Energy Engineering and
Honorary Doctor of Sciences in Engineering
University of Wisconsin – Milwaukee.
Elected to Energy Efficiency Forum Hall of
Fame. Former Chairman, United Nations
ECE Expert Group on Cleaner Electricity
Production.

Capitalism

- Capitalism ... is... a ... method of economic change and not only never is but never can be stationary... the same process of industrial mutation... that incessantly revolutionizes the industrial structure *from within*, incessantly destroying the old one, incessantly creating a new one.

This process of Creative Destruction is the essential fact about capitalism.

- Joseph Schumpeter

U.S. Electricity Industry structure: Two Models in the U.S.

- Vertical Integrated companies
- Generation monopoly
- Transmission monopoly
- Distribution monopoly
- Electricity metering and billing monopoly
- Monopoly in retail sales and price of electricity based on cost of service
- ”Restructured” or “Unbundled” Companies
- Competitive generators operating under FERC regulation under either
 - C-O-S rates as monopoly
 - Market based certificate
 - In FERC regulated ISO market
 - Demonstrating no “market power”
- Transmission is regulated monopoly and “Independent” of generator or affiliated with distribution company
- Distribution service is regulated monopoly
- Retail power sale is competitive at market prices

Scientific means recognizing all “costs”



- “It [*scientific regulation*] even raises rates when they are below cost, including reasonable profit.”
- Senator Robert M. La Follette writing in 1911 on the benefits of an appointed regulatory commission

Guide to Regulators



- “Regulation is simply powerless to assure the purchasers of public utility equities that future corporate earnings will suffice to maintain market prices on par with book values or any other dollar figure. Lacking this power, regulation wisely concedes to the public utilities industries opportunities for corporate earnings liberal enough to bring substantial market premiums the stocks of well-managed companies that actually succeed in realizing these earnings fairly continuously. But while the allowance of a rate of return, during periods of prosperity, liberal enough to let utility equities command substantial premiums over their book values seems to me to be called for in the interest of long-run corporate ability to meet capital requirements, the question what constitutes proper *degree* of liberality has not yet received a convincing answer.” (P.256)
- **James Bonbright, Principles of Public Utility Rates**, Columbia University Press, New York 1961

Utility Regulation Reviewed



1. Performance based regulation / Incentive Regulation/Alternative Regulation:

PUCT, NYPSC, ICC, NHPSC

See 1992 FERC Task Force report

See UK's RPI-X

2. Distribution system management and planning:

NY PSC Distribution System Implementation Plans

Do we really need an "independent" DSO?

This issues list is from **Advanced Energy Economy and Greentech Media** publications: commentary is that of **Branko Terzic**

Utility Regulation Reviewed



- 3. Smart Grid Initiatives
 - AMR
 - AMI
- 4. Rate Design Beyond Net Metering
 - Arizona Public Service
 - Nevada – legislation
 - Indiana - legislation

Utility Regulation Reviewed



- 5. Electrification of Transportation:
 - CPUC
 - PA 3rd party

- 6. Supporting Renewables Investment
 - MN new renewables tariff
 - VA new tariffs

Utility Regulation Reviewed



- 7. More storage proposed and enabled
- 8. Distributed energy resources with supporting rate design
 - TOU
 - Real Time

Utility Regulation Reviewed



- 9. States' Rights and FERC's Wholesale Market authority
 - DOE NOPR
 - First Energy Solutions Bankruptcy
- 10. Customer Data, Social media and utilities' access and use
 - Looking again
 - New models; free meter for data

A word to the wise



- “Some regulation inadvertently produces the opposite of the intended results.”
- Natural Capitalism by Paul Hawken, Amory Lovins, L. Hunter Lovins
- Chapter 13 Sub-section on Regulatory failures

Consistency

- “Those rare stalwarts who demand consistency even of themselves will be hopelessly outnumbered by newer experts, by more recently appointed commissioners, and by other persons not bound by embarrassing prior commitments. (P. 188)
- James Bonbright, Principles of Public Utility Rates, Columbia University Press, 1961



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