

MADRI WORKING GROUP MEETING #47 – October 10, 2017

EXPLORATION OF EMERGING REVENUE RECOVERY MODELS

**New Jersey Board of Public Utilities
44 S. Clinton Avenue
Trenton, New Jersey**

Remote Participation

Web Address: <https://pjm.webex.com>

Meeting Name: MADRI Working Group Meeting #47

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As the power sector continues to evolve with more customer engagement, new technologies and the deployment of distributed energy resources (DER), the traditional business model for how a utility earns its revenues will need to evolve as well. To the extent that power sector transformation is occurring, it can impact the traditional ways in which utilities recover their costs and earn a return. This is due in part to customer engagement in energy use that is reducing customer consumption, and hence utility sales which the utility relies on to meet its revenue requirements. The need for change can also result from policy decisions geared towards rewarding utilities for taking actions that are consistent with directives of the Commission and the State. Instead of rewarding utilities solely by allowing them to earn a return on capital investments, new business models seek to reward utilities based on their actions that further objectives such as reliability, customer service, and energy efficiency, for example. Today's meeting will explore different approaches to ensuring that utilities have the opportunity to recover their revenues in a manner more consistent with how the power sector is transforming. Topics to be covered include performance-based ratemaking, multi-year rate plans and decoupling. The day will wrap up with a "bonus presentation" on the benefits of smart inverters.

AGENDA

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| 9:30 – 10:00am | Networking with attendees |
| 10:00 – 10:15am | Introductions
The Honorable Betty Ann Kane, Chairman, DC Public Service Commission
John Shenot, Regulatory Assistance Project |
| 10:15 – 11:30am | Performance Based Ratemaking, Part 1: Overview and Metrics
David Littell, Regulatory Assistance Project
Alice Napoleon, Synapse Energy Economics |

In this panel, we will explain the basics of performance-based ratemaking and discuss some of the performance measures that policymakers and stakeholders can consider. Once performance incentive measures are identified, the next task

is to identify the appropriate metric to evaluate progress on that metric. What factors should a state consider to get the most objective analysis of that measure? How should the baseline from which progress is measured be determined? How should targets be set and what considerations go into establishing them? These and other questions will be explored in this panel.

11:30am – 12:45pm

Performance Based Ratemaking, Part 2: Targets and Incentives

Sonia Aggarwal, Energy Innovation
Rick Bridal, Illinois Commerce Commission

Performance metrics can be used as the basis for either a requirement that the utility simply report on progress toward meeting Commission-established targets, or a requirement that the utility meet certain targets to receive an incentive payment. Other options include penalties for failure to meet targets. A handful of jurisdictions are already considering how rates should be designed to address utility performance. Other important issues include choosing reward or incentive amounts to ensure that the benefits accruing from the utility's performance will exceed the ratepayer costs of the incentive.

12:45 – 1:30pm

Lunch

1:30 – 2:30pm

Revenue Options: Multi-year Plans and Decoupling

The Honorable Richard Mroz, President, NJ Board of Public Utilities
John Shenot, Regulatory Assistance Project

This session will focus on other revenue recovery options under consideration in some jurisdictions such as multi-year rate plans and decoupling. President Mroz will provide an overview of the NJ BPU's current rulemaking proposal on multi-year infrastructure plans and Mr. Shenot will discuss the many design choices in a decoupling mechanism that would allow each decoupling plan to be customized to meet the needs of utilities and stakeholders.

2:30 – 3:00pm

Inverter-Based Resources

Andrew Levitt, PJM

This session will include a discussion on the importance of smart inverters for distributed solar generation and storage systems and an update on the upcoming release of the revised "IEEE 1547" DER interconnection standard and what it means for states. Discussion will focus on how PJM and the states can work together to explore options to maximize the reliability benefits and minimize any reliability impacts from inverter-based resources that connect to the distribution system. Mr. Levitt will lead the discussion and share some simulations to show, using historic grid disturbances, how the PJM system would benefit from the installation of smart inverters.

3:00 – 3:15pm

Wrap-Up, Adjournment

The Honorable Betty Ann Kane, Chairman, DC Public Service Commission
John Shenot, Regulatory Assistance Project