

# **Utility Energy Forum**

## **Strategic / Policy View Panel Session – Evolving Retail Rate Design**

- **36th Utility Energy Forum**  
May 4-6, 2016  
Granlibakken Tahoe  
Tahoe City, CA

# About LPPC

- **Founded in 1987, the Large Public Power Council (LPPC) is comprised of 26 of the nation's largest public power systems**
- **LPPC members are locally-owned and governed and directly accountable to consumers**
- **We are not-for-profit and committed to reliability, affordability and environmental stewardship for the consumers and communities we serve**
- **LPPC advocates for policies that allow public power systems to build infrastructure, invest in communities and provide reliable service at affordable rates.**

LPPC provides reliable, low-cost power to more than  
**30 million people**





# The History of Retail Electricity Design

- **Pre- 1950** – Rates focused on recovery of the costs associated with infrastructure to achieve universal access and national electrification
- **1950's and 60's** – Marginal cost **less** than average cost. Declining electricity costs, fuel switching supported by declining block rates – The more you use the less you pay.
- **1973 thru 1980** – The energy crisis. Marginal cost **more** than average cost. Higher fossil fuel prices, double-digit inflation and interest rates, rising construction costs, particularly for nuclear plants, reducing economies of scale in power plant construction. Move to reflect marginal cost to encourage efficient use of energy based on volume and time under – Public Utility Regulatory Policies Act (PURPA) 1978. Move from energy sales to energy conservation using inclining block rates

# The History of Retail Electricity Design

- **1980s and 1990s** – Global movement to deregulation and unbundling of service. Introduction of real time pricing. Emphasis moved from price stability to low prices. Not all costs were recovered and prices spiked in many periods
- **2000 and beyond** – Increased interest in peak reduction and emissions reduction leading to dynamic pricing, incentive for demand reduction or load shifting and the integration of low carbon technologies
- **Current** – Evaluation of rates that provide the best balance of reliability through a flexible and resilient grid, affordability through the retention of cost causation principles and environmental stewardship by supporting the optimal mix of environmental externalities

# Rate Design Principles

- Reflect the cost of energy when it is used
- Reduce use on peak
- Encourage energy efficiency and conservation;
- Minimize “sticker” shock in the transition from one rate design to another
- Offer flexibility and options
- Be simple and easy to understand
- Meet the needs of people with fixed low incomes and severe medical conditions
- Equitably allocate costs across and within customer classes.
- *Support consumer adoption of new technologies*