

Questions for Utility CEO/President Panel from NRDC and Energy Foundation

NRDC:

Current profit opportunities

- Altogether the utilities earn billions of dollars in profits every year. What are the key sources of those profits? In other words, what activities or investments are currently the primary profit centers for your businesses?
- California's loading order prioritizes energy efficiency, demand response, and renewables (including central station and distributed generation). Over the past several years, what percent of your profits were from these top priorities? What risks did you face from investing in these priorities?

Are changes needed?

- Utilities have a fiduciary responsibility to shareholders to respond to the financial incentives (both profit opportunities and potential penalties) that the CPUC provides. Do you see a need to better align those financial incentives with the Commission's and the state's long-term policy goals?
- The state has laid out a variety of overarching policy objectives, including the "loading order" and achieving deep cuts in GHG emissions by 2050. Do the financial incentives that the CPUC provides to the utilities currently help or hinder the state's ability to achieve those goals?

Future directions

- Some argue that utilities should not have profit opportunities for selling less of their "product." Do you see the "product" that you provide (or should provide in the future) as commodity sales of kWh and therms, or as meeting customers' energy service needs (such as light or heat)? In other words, should energy efficiency and distributed generation be contrary to, or a key part of, your core business?
- Any discussion of a new regulatory framework to shape the utilities' future business models should start with the key societal objectives the regulated businesses should advance. When the core of the current regulatory framework was developed, one of the key societal objectives was to expand electric infrastructure to provide universal access to all consumers. What are the key objectives for the future that any new regulatory framework and business model should focus on?
- Regulated utilities play a key role in providing energy services to consumers, along-side a robust and growing private sector. What are the key roles that regulated utilities should play in the future that the private marketplace would be unable or a suboptimal way to provide? What roles require a centralized coordinated process?

Energy Foundation

Potential questions in an order:

- Please describe your regulated utility's strategic vision and core function

- How does the current transformation of California’s electricity system positively and/or negatively impact your vision and core function?
- How do you envision the role of a wires and/or pipes utility in California’s more decentralized energy resource system in light of AB 327?
 - Would California customers benefit from regulated utilities having opportunities for expanded and/or differentiated services on the grid side and/or customer side? (Why?)
 - Has California defined the role of utilities too narrowly – for example, prohibiting electric vehicle infrastructure investment (either public or customer premises charging)
 - Should natural gas utilities be treated differently than electric utilities in terms of potentially providing new regulated customer energy services and asset investments like fuel cells?
- Does AB 327 provide specific opportunities in the regulatory processes defined to rethink the role and business opportunities for distribution utilities? If so, where and how this this be introduced?
 - For example, is there an opportunity for utilities to provide local distribution level market facilitation services for DER to provide bulk power and distribution level services and make a profit from such market facilitation and transaction clearing?
- Do you believe the level of competition for a business or residential customer’s energy spend has reached a point at which the regulated utility no longer has market power for energy services?
 - Are existing affiliate rules outdated? Should utilities be allowed to provide co-branded/co-marketing of services with selected partners to customers at a profit, under what conditions?
 - Do the revenue share models for “Other Operating Revenue” need to be rethought to encourage utility service innovation?
 - Should utilities be allowed to profit from the creation of proprietary customer intelligence (not raw meter data and with appropriate customer agreement) like most industries?
- How do you view the risk-reward trade-off between new business opportunities on the unregulated versus regulated side of the business?
 - Would certain regulatory rule changes change your perspective – if so, what would you change?
 - What lessons from telecom, retail banking, nat gas or other restructured industry are relevant to this stage of electric industry restructuring?
- How do you propose to balance multi-billion dollar electric and natural gas distribution infrastructure investment for the remaining customers given flat/declining load growth and many of the largest users (and profitable) customers leaving utility service?
 - What is the implication of the multi-decades long decline in utility credit rating mean for necessary infrastructure investments if interest rates rise as some expect?
 - Should 3rd parties be allowed to build merchant distribution infrastructure (including high voltage distribution microgrids/energy storage)?

- How would you describe the future utility regulatory model?
 - “Ban It” – regulated utilities don’t get to play
 - “Regulate It” – utilities can offer expanded services under heavy traditional cost of service regulation
 - “Fixed Pie – zero sum game” – business as usual – no need for change
 - “Competition Grows Pie” – competitive markets only - let utility holding companies compete on unregulated side with new entrants – best will survive/thrive
 - “Pricing Flexibility” – allow utilities the flexibility under price caps and related flexibility to offer differentiated services to customers