

10 Questions to Ask Before Designing New Electricity Rates

More and more customers are installing their own sources of power — like rooftop solar panels and home batteries — and giving some power back to the grid. This changes how you might charge these customers.

Ask yourself these 10 questions to figure out the best rate structure for your community, given the growth of distributed energy resources.



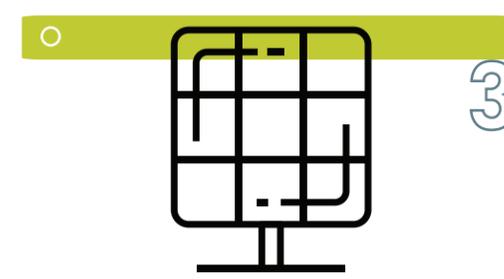
1 Who am I? Who is my customer?

What is the average income in your community? If your customers have higher income, rooftop solar might be more attractive to them. Also think about how much power your customers typically use and when. Ask yourself if you have the staff to devote to complex rate mechanisms.



2 How do my rates compare?

Whether your rates are high, low, or in between depends on what you're comparing to, where you're located, and what customers are paying at nearby utilities. The higher your rates, the more attractive rooftop solar will be to your customers, especially if those high rates are expected to continue.



3 What is the cost of rooftop solar in my community?

Rooftop solar costs have declined dramatically. But there can be as much as a three-fold difference between states on the high and low ends of the spectrum. Wholesale market rules in your region could impact solar adoption and your ability to design rates.



4 What are the rules in my state?

Some states regulate net metering. California utilities, for example, may not be able to set unique rates for DER customers. But regulatory mandates don't always apply to public power utilities or could be applied differently. Find out what the rules are.



5 What kind of governance will be involved?

Does your utility have heavy governance oversight or a relatively free hand? Reporting to a city council could require additional education while a utility board may be more familiar with the nuances of your business.



6 Does my utility have advanced metering?

AMI gives you more rate options. If you haven't installed AMI, consider starting with a cost/benefit analysis — the benefits go well beyond more rate options for DER customers.



7 What is the long-term impact of these changes?

Your rate analysis must take the long-term view. Even if your community's interest in DER is low now, many factors could change that, especially impending regulations. Calculate the potential revenue impacts based on long-term scenarios.



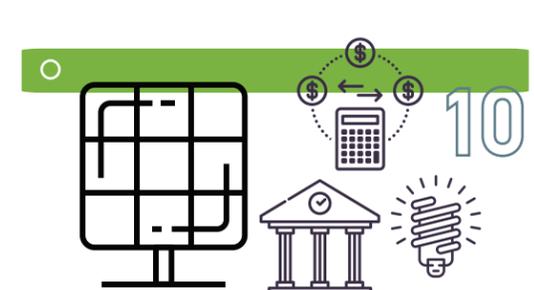
8 How much is this all going to cost?

New rate design means added costs — and benefits — so do a full analysis. Some rate designs could lead to more costs than others. You may need new billing software or staff training. Economic modeling can help determine the benefits of rate designs.



9 What do my customers really want?

Customers need to know why rates are changing. You must plan to educate them on demand charges or time-of-use rates, etc. Some customers will have higher bills under a new rate structure — make sure they're informed and prepared.



10 What's everyone else doing?

You don't have to create a totally new rate structure. Learn from other public power utilities like yours. The American Public Power Association offers resources and references. Visit www.publicpower.org/Topics/Landing.cfm?ItemNumber=45624.