



pennsylvania environmental council

The Honorable Sheryl Delozier
Pennsylvania House of Representatives
141A East Wing
PO Box 202088
Harrisburg, PA 17120-2088

October 3, 2017

Dear Representative Delozier:

On behalf of the Pennsylvania Environmental Council, we are writing to express our support for House Bill 1782 (P.N. 2418), currently in the Consumer Affairs Committee.

If adopted, this bill will allow for the voluntary use of alternative ratemaking mechanisms by natural gas and electric utilities. These mechanisms can include decoupling; performance-based rates; formula rates; multiyear rate plans; cost-recovery mechanisms; rates to support and fully recover the allocated costs to deploy infrastructure and distributed energy resources; or rates based on a combination of these approaches.

The ways in which energy, particularly electricity, is produced and used continue to evolve, and thus, it is sensible to allow the mechanisms for setting rates to also evolve. We appreciate that the bill's language is not prescriptive, allowing each utility the freedom to adopt new ratemaking mechanisms that best meet the needs of its territory, pending the Public Utilities Commission's (PUC) ultimate approval. We believe this aspect of the legislation is important because utilities differ in many ways, including the age and condition of infrastructure, the populations they serve, and the amount and types of distributed generation in their service territory, and thus a one-size-fits-all ratemaking structure across all utilities is not appropriate.

We are particularly interested in the potential to use alternative ratemaking to reduce or eliminate the so-called "throughput incentive," which ties utility compensation to the amount of energy used, thus putting the utility business case at odds with energy efficiency and distributed generation efforts. Performance-based ratemaking, in comparison, ties utility compensation to its financial and operational outcomes, rather than the amount of natural gas or electricity used, thus allowing the utility to develop an innovative business case that serves the needs of ratepayers, helps to achieve environmental outcomes, and allows for the expansion of emerging technologies.

Perhaps most importantly, the legislation allows for alternative ratemaking, but does not mandate it, allowing each utility, with PUC approval, to set the ratemaking mechanism(s) that best meet the needs of its customers.

Thank you for the opportunity to share our thoughts on this important legislation.

Sincerely,



Lindsay Baxter
Program Manager,
Energy and Climate



John Walliser
Senior Vice President

Cc: House Consumer Affairs Committee