

USING PERFORMANCE DATA TO PREDICT FUTURE IOU FINANCIAL RESULTS

The *Utility Evaluator*™ assembles descriptive and performance data on 138 investor-owned electric distribution utilities, enabling standard and custom comparisons on costs, reliability, capital effectiveness, and more against user-defined peer groups.

Debt and equity analysts want to know: how likely is a specific utility to obtain favorable regulatory outcomes?

Debt and equity analysts understand the critical and direct link between state regulators' decisions and IOU EPS and cash flow. Analysts can estimate the financial impacts of various orders a regulator might issue, but have little objective information available to gauge how a pending rate case might turn out. Analysts who rely on IOUs' historically optimistic predictions about regulatory outcomes do so at their peril.

Analysts can review the evidence filed in regulatory proceedings to get some idea of an IOU's prospects. But this is very time consuming and provides little insight into how a specific utility's performance is perceived by a regulator. These perceptions figure prominently in regulators' decision-making processes, and are typically formed based on regulators' primary responsibility: reliable, low-cost electric service.

In the past, regulators have compared recent cost and reliability results to past performance to form impressions about specific utilities. But the *Utility Evaluator* is now helping regulators form these impressions, and analysts will want to know what regulators are learning from it.

What is the *Utility Evaluator*?

Analysts may be surprised at how infrequently benchmarking has been used to influence regulator perceptions to date. While much publicly-available performance data is available from a variety of sources, there have been two primary obstacles to IOU benchmarking:

- Standardized performance data is not readily available/difficult and costly to collect; and
- Variances in utility characteristics challenge the credibility of benchmarking efforts.

The *Utility Evaluator* is an internet-based application which combines IOU performance data from various sources into a single repository. An intuitive user interface enables any subscriber to conduct comparative performance analyses on multiple performance indicators, including IOU spending, efficiency, and reliability. Significantly, users can define custom peer groups employing any number of relevant characteristics available. Query results are attractively presented and can be printed or exported to MS Excel worksheets for further analysis.

The *Utility Evaluator* solves the challenges of utility performance data access and comparability

(Using performance data to predict future IOU financial results, continued)

The Opportunity

Regulators are increasingly turning to objective data sources like the **Utility Evaluator** to inform regulatory decisions critical to an IOU's future financial results. Analysts now have an opportunity to examine the same performance data regulators use, helping analysts reach their own conclusions about the likely outcome of specific regulatory proceedings. Regulators are using the **Utility Evaluator** to inform perspectives on multiple aspects of IOU performance:

- Reliability
- Operational efficiency
- Capital spending effectiveness
- Customer satisfaction

Perhaps most importantly, descriptive utility characteristics allow users to create custom peer sets to assure benchmarking credibility. A partial list of defining characteristics includes:

- Customer density (per line mile/square mile)
- System capacity factor
- Peak demand (kW per customer)
- Energy intensity (MWh sales/customer/year)
- Scale (peak MW, customer count, MWh)
- Capacity of installed DG (percent of peak)
- Utility/public benefit program policy type
- Geography and other demographics

How It Works

The **Utility Evaluator** aggregates and synthesizes descriptive and performance data on hundreds of distribution utilities from publicly-available sources, enabling users to benchmark a utility's performance against customized, relevant peer groups. Data sources include FERC Form 1; EIA Form 861; SEC 10-K; JDPA customer satisfaction survey results; state regulatory filings; and others.

About the Utility Evaluator

The **Utility Evaluator** was developed by the Wired Group, a leading utility performance consultancy. Contact President Paul Alvarez to request a demonstration or complimentary trial at palvarez@wiredgroup.net.

Deliverables

Analysts can query utility characteristic, demographic, and performance data to generate valuable and insightful analyses without limitation. Questions users can answer using the application – always in the context of relevant peer groups – include (for hypothetical utility “ABC Energy”):

- How does ABC Energy compare on CAIDI?
- What is the trend of ABC Energy's O&M cost per customer over the past 5 years?
- What percent of ABC Energy's peak demand can be called when needed? At what cost/MW?
- How does ABC Energy's grid investment per line mile compare with that of other utilities?
- How has ABC Energy's realized Return on Equity trended over the last 5 years?

A typical **Utility Evaluator** chart is shown below, indicating one utility's quartile standing in reliability, various types of spending, and Customer Satisfaction vs. all 138 US IOUs.

ABC Energy 2015 Performance Dashboard
Peer Group: All Utilities

