

GRID PLANNING: WHY MUST STAKEHOLDERS GET INVOLVED?

What consumer, business, and environmental advocates need to know

Utilities are planning to invest billions in their grids. Why would stakeholders want to participate in plan development?

Investor-owned utilities (IOUs) throughout the US are announcing multi-billion-dollar grid investment plans with increasing frequency. In many cases, IOUs are requesting state regulatory approval to begin implementing these plans. While utilities claim the investments are immediately required for safe and reliable service, other utility motivations exist.

After decades of IOU lobbying to build ever more plants, there is now excess generation capacity in most of the US. Little new plant investment is needed, and transmission lines require more than a decade to plan, site, and build. This leaves distribution grid investment as the only avenue for IOUs to achieve aggressive earnings per share growth promised to Wall Street, and IOUs are seizing the opportunity with gusto:

- DTE Energy (MI): \$4.2 billion
- Ameren Missouri: \$5.3 billion
- Southern California Edison: \$2.0 billion
- Dominion (VA): \$3.1 billion
- Duke Energy (NC & SC): \$13.5 billion
- ConEd (NY): \$1.4 billion
- Consumers' Energy (MI): \$3.0 billion

The Wired Group has the grid experience to develop planning processes which embrace stakeholder priorities &

Most proposed grid modernization capital is unnecessary, and unlikely to deliver on the priorities stakeholders value.

Stakeholders can fight the grid plans IOUs develop; or, they can help develop those plans. Regulators in a growing number of states are recognizing that IOU and stakeholder interests do not align, and that a transparent, stakeholder-engaged grid planning and capital budgeting process offers a way to forge consensus. Rather than relying on grid plan litigation, stakeholders should pursue planning and capital budgeting processes which define specific rights, roles, and responsibilities for stakeholders.

Reminiscent of integrated resource planning, a modern planning process should result in grid plans and capital budgets reflecting stakeholder, not shareholder, priorities and perspectives. The Wired Group employed its experience to design a process which ultimately holds IOUs accountable for performance as stakeholders define it.

(Grid Planning and Stakeholder Engagement, continued)

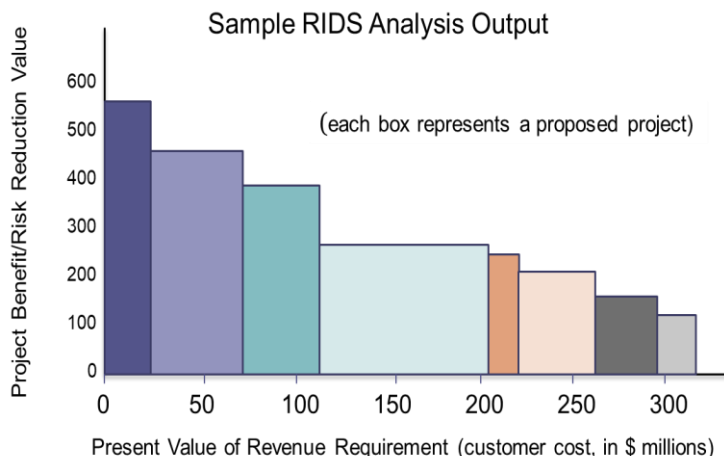
What are the critical elements of a transparent, stakeholder-engaged grid planning & capital budgeting process?

The Wired Group recommends a multi-step process designed to reach consensus on desired performance outcomes and the most cost-effective means for achieving them.

1. Determine Priority Outcomes
2. Develop Metrics & Targets
3. Develop Plan Inputs (IOU)
4. Identify Issues & Solutions (IOU)
5. Identify Additions & Alternatives
6. Evaluate Solutions, Additions, & Alternatives
7. Select Investments/Determine Budgets
8. Implement Approved Plan (IOU)
9. Measure Performance

In addition to providing evidence to support this process, the Wired Group is particularly experienced in Plan project evaluation, prioritization, and selection steps. Glaring errors are common; for example, IOUs never include the carrying charges customers must pay when evaluating proposed investments, creating bias in favor of IOU investment. Regarding project prioritization and selection, the Wired Group advocates for risk-informed decision support, or RIDS. RIDS is an objective method for optimizing outcomes within constraints. It works by documenting the risk/reward/cost profile of potential investments in a portfolio of options, making the trade-offs of various capital budget levels

clear. An illustrative RIDS output is provided below. The RIDS output clarifies the projects (and associated value) gained or lost at various capital budget levels – an ideal tool for stakeholders concerned with maximizing the customer value from, and minimizing the rate increases of, distribution rate base growth.



What can advocates do?

Advocates should pursue and support regulatory proceedings to develop transparent, stakeholder-engaged grid planning and capital budgeting processes. Advocates must champion process steps and controls which will provide the transparency, rights, roles, and responsibilities sought. Objective technical expertise can help, and formalize the ongoing oversight, participation, education, and resource commitments implied by the process. With the right grid planning and capital budgeting processes in place, advocates can fight abuses of monopoly power and win!

About the Wired Group

The Wired Group is the leading US expert for consumer, business, and environmental advocates fighting cost-ineffective IOU grid investments. For more information visit www.wiredgroup.net or contact Paul Alvarez, President, at 303-997-0317.