

USING BENCHMARKS TO IMPROVE NEGOTIATING POSITION IN IOU PROCEEDINGS

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.

Consumer and environmental advocates want to know: are customers and communities getting good value for their money?

Traditionally, regulators have left investment and operating decisions to utility management. Recent developments in the distribution utility business have awakened an interest in leading stakeholders to have more input into these decisions and to more rigorously scrutinize the outcomes. Such developments include:

- The rise of 'smart' grids with benefits that are wholly dependent on utility choices & actions
- New end-user technologies, from PV Solar and Electric Vehicles to Demand Response
- The deregulation of generation
- The advent of multi-state utilities with authorized rates of return which vary by state.

But consumer and environmental advocate budgets are limited; some are even shrinking. The reality is that advocates do not have the resources required to truly understand how effectively utilities are investing in and operating their businesses, while the questions advocates must answer are both significant and difficult:

- What roles will the utility distribution grid and business play in our communities' futures?

- On what outcomes and capabilities should our utilities be focused given their costs?
- How can we assure that capital is being optimized for top customer, community, and societal priorities?

Consumer and environmental advocates have long been interested in increasing the value that utilities create for customers and society. For just as long they have struggled with performance evaluation, encountering two critical obstacles:

- 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* solves the challenges of utility performance data access and comparability

The Opportunity

With the *Utility Evaluator*, advocates can identify and document areas of poor performance for use in rate cases and other regulatory proceedings in a convenient, low-cost manner. Easily navigated with any web browser, the *Utility Evaluator* helps advocates analyze multiple aspects of utility performance, including:

(Using benchmarks to improve negotiating positions in IOU proceedings, continued)

- Distribution operations efficiency
- Billing and customer service efficiency
- Administrative function efficiency
- Reliability performance
- Capital spending effectiveness
- Customer satisfaction
- DSM program effectiveness and cost

Perhaps most importantly, descriptive utility characteristics enable advocates to create custom peer sets for credible performance benchmarking. 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 compensation
- Others

How It Works

The **Utility Evaluator** aggregates and synthesizes descriptive and performance data on hundreds of distribution utilities from multiple sources into a single database. An intuitive user interface facilitates IOU performance benchmarking against customized, relevant peer groups. Data sources include:

- FERC Form 1
- Energy Information Administration Form 861
- Securities & Exchange Commission 10-Ks
- State regulatory filings
- JDPAs customer satisfaction survey results
- ACEEE's state DSM compensation ratings
- Other reputable sources

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

Advocates 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?
- How does ABC Energy's grid investment per customer compare with that of other utilities?
- How has ABC Energy's realized Return on Equity trended over the last 5 years?

A **Utility Evaluator** dashboard chart is presented 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

