Wired Group

Unleashing Latent Value in Distribution Utility Businesses™

USING BENCHMARKS TO EVALUATE DISTRIBUTION UTILITY RELIABILITY & COST

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.

Trial and advisory Staff want to know: how do our IOUs *really* perform on reliability and cost relative to peers?

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 that vary by state.

But Staff budgets are limited and even shrinking in some states. The reality is that regulators are at a severe resource deficiency relative to the IOUs they regulate. IOUs and advocates present conflicting views on cost and reliability, while the opportunity for trial and advisory Staff to perform objective research to answer critical questions is limited:

- How does the reliability of IOUs in our state compare to others in the region?
- How effectively do IOUs in our state spend capital relative to peers with similar characteristics?
- How efficient are the operations of IOUs in our state compared with other US IOUs?
- How do our IOUs compare to others regarding the cost and effectiveness of their demand-side management programs?

Despite publicly-available data that could help Staff answer these questions through benchmarking, they've long contended with two critical obstacles:

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

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

The Opportunity

With the Wired Group's ***Utility Evaluator***, advisory and trial Staff can better understand historical performance and trends for specific utilities in a convenient, low-cost manner. Easily navigated with

any web browser, the ***Utility Evaluator*** helps Staff analyze performance data to obtain:

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

Perhaps most importantly, descriptive utility characteristics allow Staff 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/yr.)
- Scale (peak MW, customer count, MWh)
- Capacity of installed DG (percent of peak)
- Utility/public benefit program policy type
- Others

How It Works

The Utility Evaluator aggregates and synthesizes descriptive and performance data on hundreds of distribution utilities from multiple publicly-available sources to create a database that can be used to benchmark a utility's performance against customized, relevant peer groups. Data sources include:

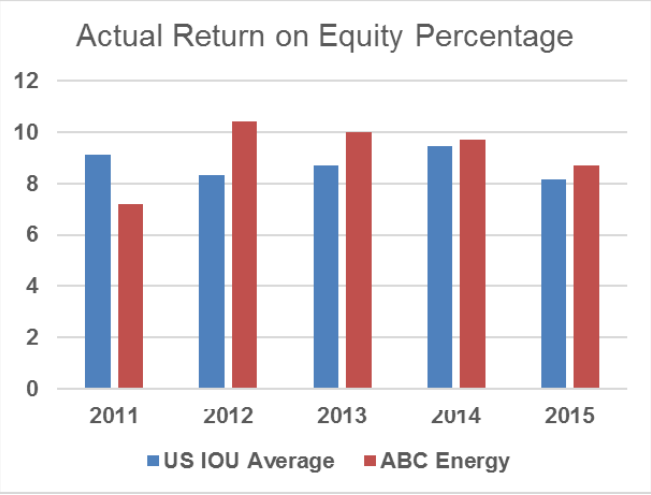
- FERC Form 1
- Energy Information Administration Form 861
- Securities & Exchange Commission 10-Ks
- State regulatory filings
- JDPA customer satisfaction survey results
- ACEEE's state program scorecard ratings
- Other reputable sources

Deliverables

Subscribers can query utility characteristic, demographic, and performance data to generate valuable and insightful analyses without limitation. Questions subscribers 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 customer compare with that of other utilities?
- How has ABC Energy's realized Return on Equity trended over the last 5 years?

A chart from the ***Utility Evaluator*** is presented below, indicating a utility's historical ROE against US averages.



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.*