

**PENNSYLVANIA PUBLIC UTILITY COMMISSION  
HARRISBURG, PENNSYLVANIA 17105**

**Fixed Service Utilities  
Distribution Rates Policy  
Statement**

**Public Meeting: July 11, 2019  
2518883-LAW  
Docket No. M-2015-2518883**

**STATEMENT OF COMMISSIONER ANDREW G. PLACE**

Before the Commission today is the Final Policy Statement Order in the above captioned matter. Our review of the staff recommendation includes the extensive record of comments and reply comments to the Commission's Proposed Policy Statement regarding what future ratemaking policy should guide an evolving utility economic landscape – one that is driven by technological change, declining consumption, evolving policy and the need for utility resilience in light of potential physical and cyber threats.

In addition to setting forth the purpose and scope of the policy statement and the distribution rate considerations parties should address with any specific proposal, the proposed Policy Statement listed a few illustrative rate design and ratemaking mechanism options. Many of the commenters expressed concern that inclusion of illustrative examples was expressing a clear preference for the stated approaches or precluded de facto consideration of other alternatives. Others emphasized the oft stated mantra that "One Size Doesn't Fit All." I want to be clear that it was not my intent to limit the options enumerated in Act 58, nor was it my intent to express a preference at the expense of other creative rate design or ratemaking mechanisms. Rather, my intention was to provide options for the industry to consider as they address the evolving utility economic landscape.

That said, I continue to be interested in proposals that remove barriers and provide incentives to utilize energy efficiently, encourage development of cost-effective distributed energy resources (DERs), and encourage more efficient use of our energy distribution infrastructure. Currently, we are presented with opportunities to enable emerging technologies, such as energy efficiency and distributed energy systems in the form of solar photovoltaic facilities, batteries, fuel cells, Combined Heat and Power (CHP), and Electric Vehicles (EVs), all of which affect energy distribution systems in both a positive and negative manner.

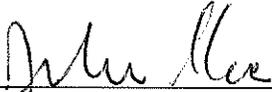
For example, if EVs draw charging power directly from the grid during peak usage periods, costly investments on the distribution grid may well be required. Conversely, rate designs which encourage off-peak charging, could help improve capacity utilization, and lower overall rates. Similarly, DERs can produce power on-peak and provide other grid services, and help avoid some distribution and transmission investments, while DERs which produce energy off-peak may impose costs on the distribution grid. The point being is to provide proper price signals to encourage the former, and not the latter.

Similarly, customer-based energy efficiency and DER systems may reduce system throughput, thus reducing utility revenues. How do we remove utility

disincentives to mitigate these impacts, while encouraging cost effective investments in these distributed technologies?

Despite these emerging technologies, rate design and ratemaking mechanisms have not evolved in Pennsylvania. Providing illustrative examples was intended to encourage innovation to help customers and utilities move forward to minimize future long-term costs, allocate capital more efficiently, and achieve important policy objectives. I hope that the Final Policy Statement, as written, can provide the important guidance to meet these stated policy objectives.

**DATE: July 11, 2019**

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**Andrew G. Place, Commissioner**