



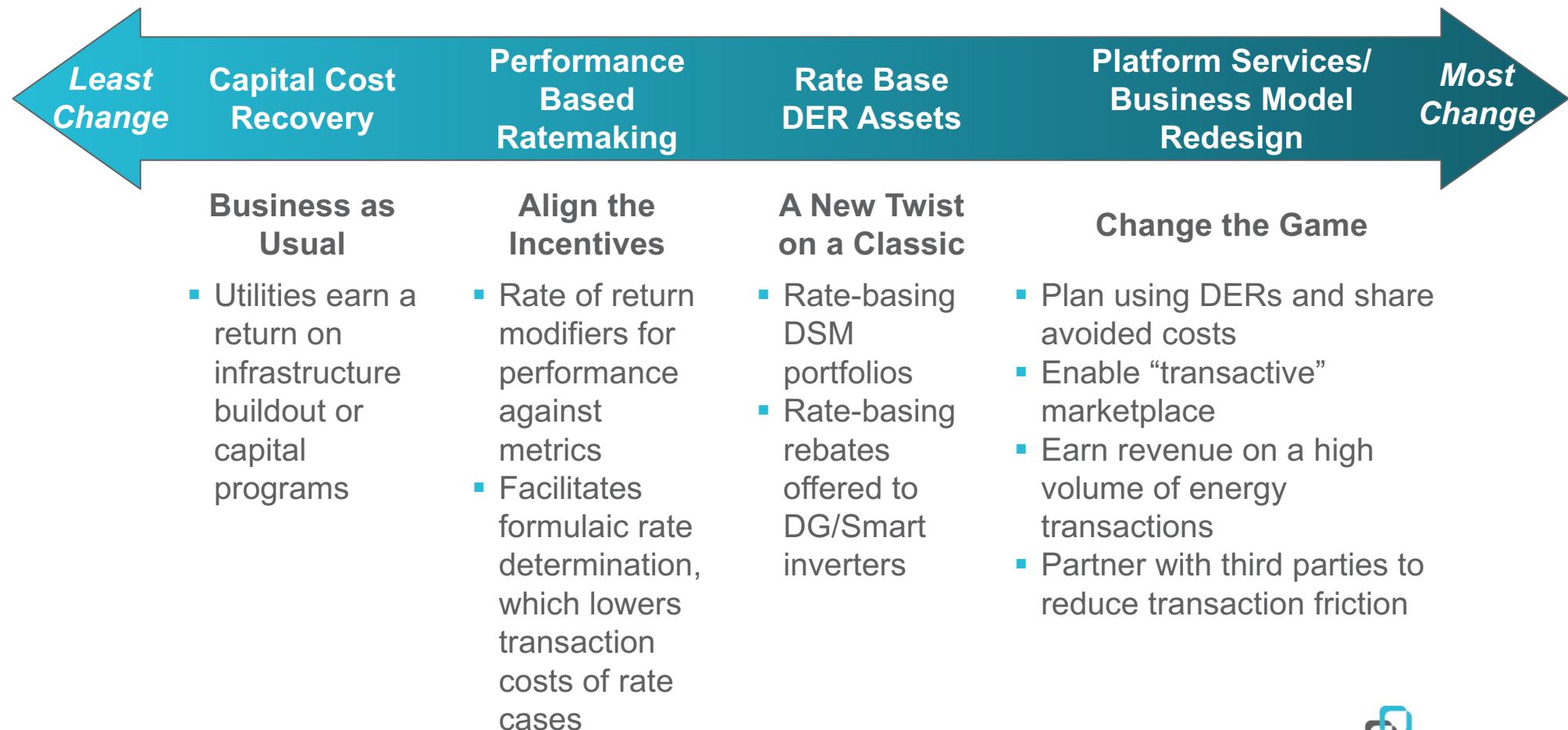
Diversifying Utility and Industry Revenue Models

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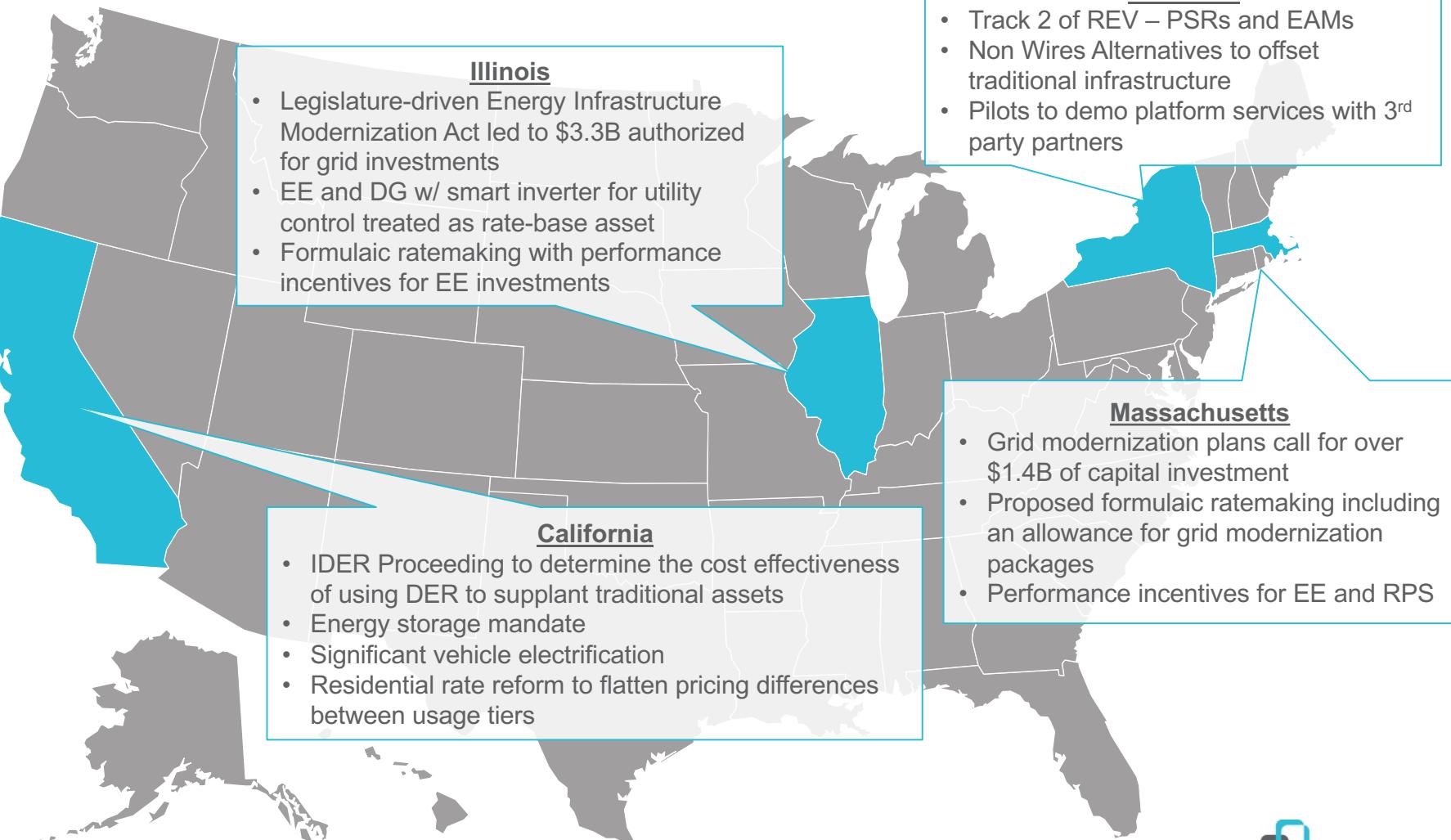
Range of Approaches

In an environment of increasing DER penetration and flat to declining load growth, utilities and their regulators are responding with various means of alternative revenue generation options



Notable State by State Activity

States are testing different approaches, often driven by legislative or regulatory policy decisions or a need to react to high DER penetration



Lots of Approaches – So What Will Work?

It's too early to tell what approach fits best, and there's likely not a one-size fits all solution. As states explore these options, they should consider:

Risk and Reward

- Who bears the financial risk as utilities expand beyond infrastructure into offering platform services?
- How does the utility price services in a more competitive environment? What if ratepayers are footing the bill for the systems required to compete in these markets?

Scale and Scope

- How fast can these changes realistically be implemented?
- What percent of the utilities revenue base continues to be made up of rate of return on the infrastructure of the grid?

Blocking and Tackling

- As utilities rely on 3rd party resources to meet grid needs, rather than assets and processes previously wholly addressed within the utility, how do governance models need to adapt?
- Does formulaic ratemaking offer enough flexibility to adapt to more rapidly changing needs?