Addressing Investor’s Expectations in an Escalating Cost Environment: A Consumer Perspective

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I support new energy technology in my home
I worry about the climate and the air.
I think windmills perform like ballerinas
After 40+ years experience, I understand capex requires reasonable financing.

Solar thermal, Ft. Irwin, Calif.

45 kw off Germany in North Sea

Smart Grid (above: BPA)

Consumer View of Escalating Costs

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But I also understand “Main Street,” a block from where I live.
Consumer impact of exciting technology

- Domestic PV: 25-year payback
- LEDs: Philips 60w equivalent, $30
- Cape Wind (offshore), ~$0.20 /kWh
- Natural gas: remember $16?
- EVs require added distribution
- Smart meter proposal, $189/year per HH
And then there is the question of benefits
Compare future generation costs to current average ~$0.06/kWh

Fig. S29. Total Levelized Busbar Cost for Electricity Generation by Technology Category in 2010, 2030, and 2050 (Excludes Transmission)
So who can afford exciting new technology?

Figure 1: Income Gains Widely Shared in Early Postwar Decades — But Not Since Then

Real family income between 1947 and 2010, as a percent of 1973 level

Source: CBPP calculations from U.S. Census Bureau data
Consumers need to control risk, too

- 48% of US population should be considered low-income (US Census report)
- 40+% of US households spend more than their income (Bureau of Labor Statistics)
- 24% of American working HHs spend more than 50% of income on housing & utilities (Center for Housing Policy)
- 16% Unemployed, counting discouraged and involuntary part-time (BLS)
So what can regulators do?
Note the general anger
Political leaders respond: We cannot afford everything we need

Consumer View of Escalating Costs

Gloucester, Mass.

Philadelphia bridge continues to crumble

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After storm blackout week, consumers did not see rate increases as a solution

Glastonbury, Conn. (AP)
Efficiency first: it is cheapest

Solid Wall Insulation

Reduce demand

Renewables

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Other cost control strategies

- Examine relationship between risk and ROE
- Support low-income customers to reduce uncollectibles
  - EITC clinics (tax refunds often pay utility bills)
  - Arrearage management
  - Lifeline/efficiency rate design
  - Lobby for LIHEAP
- Examine less costly demand response for some sectors
  - Direct appliance controls
  - Beware TOU rates
- Cost-effective maintenance, e.g., tree trimming
- Diversify fuels/Hedge
Up to regulators to avoid imbalance
Nothing will be as easy as it is to say
Examples of Balance

- Capital return vs. consumer affordability
- Prioritize demands for capital
- Basics of service vs. optional features
Consumer View of Escalating Costs

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Jerrold Oppenheim is an independent consultant and attorney who has advised and represented low-income and other utility consumer advocates, government agencies, labor, and utilities across the country for more than 40 years. A graduate of Harvard College and Boston College Law School, he led utility litigation and argued precedent-setting cases for four Attorneys General in New York State and Massachusetts; for low-income Legal Services programs in Boston, Chicago and New York City; and for the National Consumer Law Center in Boston. He founded the Renewable Energy Technology Analysis project at Pace University Law School and is now a member of the Center for Public Utilities Advisory Council, New Mexico State University. He has spoken and published on five continents, including *Democracy And Regulation* with Theo MacGregor and Greg Palast, published by Pluto Press (London) and winner of the ACLU Upton Sinclair Award.