Distributed generation

Framing the debate

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cost-based regulation...

cost-based pricing
...is being partially eclipsed by value-based market forces
A value proposition

• Brand A
  – Price = $346 per year

• Brand B
  – Price = $1 per year
A value proposition

• **Bottled water**
  – Price = $346 per year

• **Tap water**
  – Price = $1 per year
Fun fact

25% to 40%

The estimated amount of bottled water that is tap water.

Source: Natural Resources Defense Council
Consumer Reports recommendations

• Drink tap water
• Buy a reusable bottle

Source: “Bottled doesn’t mean better,” Consumer Reports, 2011.
Per-capita U.S. bottled water consumption in 2013

32 gallons (and growing)

Wal-Mart

Expects to meet 20% of its power needs through distributed generation by 2020.

Iowa Supreme Court

Third-party solar development should be encouraged because it helps to achieve the use of energy efficient and renewable energy sources.

Typical Case: over a six-month period.

Case With Proposal to Increase Fixed Charges: in the first week.
Regulated and Competitive Return Distributions
In competitive markets returns reflect managerial success
As customers seek value propositions, utility returns, too, should reflect value created.

utilities that do not adapt

utilities that successfully innovate
Unfair asymmetric return distribution

utilities that do not adapt

utilities that successfully innovate
Unfair asymmetric return distribution

- a lot of downside risk
- not much upside potential
Framing the issue

- Value, not cost, is the frame
- Investor rewards should depend on success in creating value
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