Strategic / Policy View Panel Session – Evolving Retail Rate Design
About LPPC

• Founded in 1987, the Large Public Power Council (LPPC) is comprised of 26 of the nation’s largest public power systems
• LPPC members are locally-owned and governed and directly accountable to consumers
• We are not-for-profit and committed to reliability, affordability and environmental stewardship for the consumers and communities we serve
• LPPC advocates for policies that allow public power systems to build infrastructure, invest in communities and provide reliable service at affordable rates.
LPPC provides reliable, low-cost power to more than 30 million people.

LPPC members operate in 13 states including Puerto Rico.

Provide low-cost power to about 10% of the U.S. population.
The History of Retail Electricity Design

- **Pre-1950** – Rates focused on recovery of the costs associated with infrastructure to achieve universal access and national electrification

- **1950’s and 60’s** – Marginal cost less than average cost. Declining electricity costs, fuel switching supported by declining block rates – The more you use the less you pay.

The History of Retail Electricity Design

• **1980s and 1990s** – Global movement to deregulation and unbundling of service. Introduction of real time pricing. Emphasis moved from price stability to low prices. Not all costs were recovered and prices spiked in many periods

• **2000 and beyond** – Increased interest in peak reduction and emissions reduction leading to dynamic pricing, incentive for demand reduction or load shifting and the integration of low carbon technologies

• **Current** – Evaluation of rates that provide the best balance of reliability through a flexible and resilient grid, affordability through the retention of cost causation principles and environmental stewardship by supporting the optimal mix of environmental externalities
Rate Design Principles

- Reflect the cost of energy when it is used
- Reduce use on peak
- Encourage energy efficiency and conservation;
- Minimize “sticker” shock in the transition from one rate design to another
- Offer flexibility and options
- Be simple and easy to understand
- Meet the needs of people with fixed low incomes and severe medical conditions
- Equitably allocate costs across and within customer classes.
- Support consumer adoption of new technologies