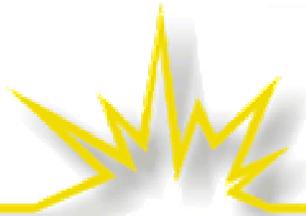


# Applying Basic Utility Regulation to Climate Change

Vermont Legislative Hearings on Climate Change  
January 24, 2007  
Richard Sedano

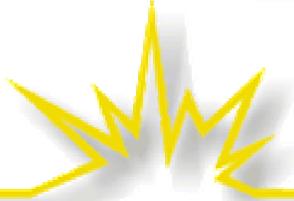


## *The Regulatory Assistance Project*

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Montpelier, Vermont USA 05602  
Tel: 802.223.8199  
Fax: 802.223.8172*

*110 B Water Street  
Hallowell, Maine USA 04347  
Tel: 207.623.8393  
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<http://www.raonline.org>*



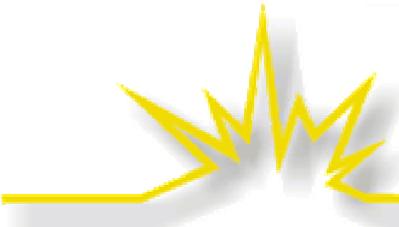
# Introduction

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## Regulatory Assistance Project

RAP is a non-profit organization, formed in 1992, that provides workshops and education assistance to state government officials on electric utility regulation. RAP is funded by the Energy Foundation, the US EPA and the US DOE.

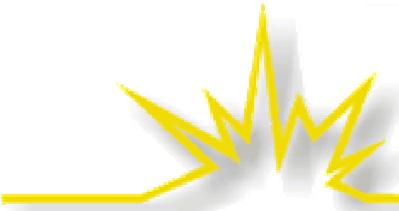
Richard Sedano was Commissioner of the Vermont Department of Public Service, 1991-2001, and presently serves on the Montpelier Planning Commission



# “The Movement You Need Is on Your Shoulder”

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- Yogi Berra: "You've got to be careful, if you don't know where you're going, because you might end up someplace else."
- To paraphrase further: "Getting climate change right is 90% mental; the other half is political."

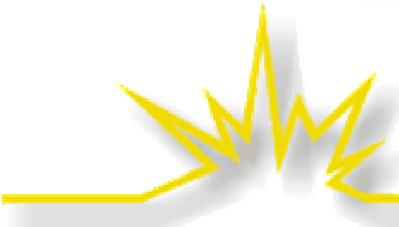


# Where Is the Climate “Going?” That Depends.

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- Less Energy Use
  - ❖ Efficiency – More
  - ❖ Waste – Less
- Cleaner Energy
  - ❖ More efficient generation
  - ❖ Less combustion
  - ❖ Sequestration

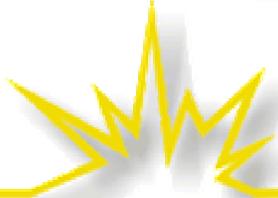
*How to  
Change  
Business-  
As-Usual?*



# The Art of Fact-based Utility Regulation

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- Incentives (regulation presents incentives)
  - ❖ Can regulation motivate climate solutions through profits and savings?
- Risk (regulation inherently addresses risks)
  - ❖ Can utilities better factor climate risk into their decision-making?
- Fairness (regulation seeks to be equitable)
  - ❖ Does fairness block some climate solutions?



# Policy Levers in Regulation

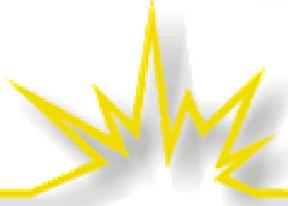
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## ➤ Fairness

- ❖ Motivate customers that can to use clean energy and less energy
  - ◆ Some customers better able to respond than others

## ➤ Incentives

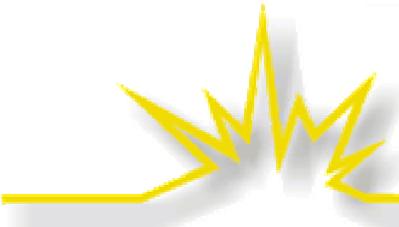
- ❖ Motivate utilities to sell clean energy and less energy
  - ◆ Are financial incentives the answer?



# What about Risk?

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- No one knows the future
- We expect utilities to make investments to serve our future needs
- Are we all in this together? (Utilities implement the plan we all choose)
  - ❖ Or will utilities face a choice (subject to review):
    - ◆ Take a “safe,” well-worn, yet risk-laden path or
    - ◆ Take a risk-informed path that addresses climate that may have some new costs with long term returns?

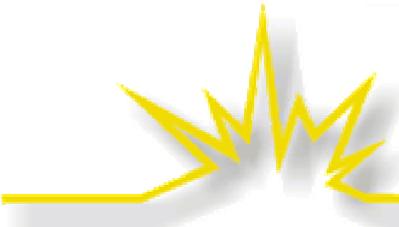


# Outlines in the Periscope

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## ➤ Foresight

- ❖ The future is suggested:
  - ◆ Higher, more volatile fuel costs;
  - ◆ increased chance of scarcity;
  - ◆ increased reliance on fuels from unreliable sources;
  - ◆ increased reliance on new, unproven technologies
- ❖ Why do climate change discussions focus so much on supply answers when **efficiency** dampens or negates all these adverse effects?



# Let Not Your Reach Exceed Your Grasp

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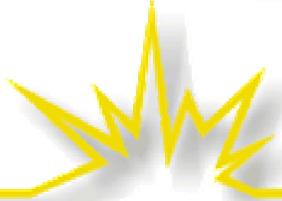
## ➤ Control – a small state perspective

### ❖ Direct

- ◆ Utility regulation via incentives to companies and users
- ◆ State government is a big energy user
  - Identify and implement good societal investments
  - Identify where regulation, etc. lead customers to choices that promote GHG and pollution and work to change them
- ◆ Building local businesses and industries via incentives

### ❖ Indirect

- ◆ Example to other states and interests
- ◆ Advocacy



# Many Paths Converge

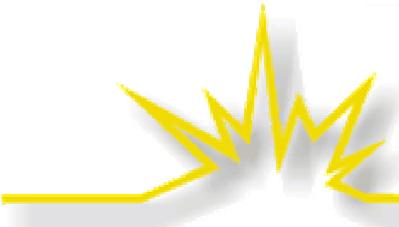
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➤ Good news: Complementary Strategy is  
**Efficient Energy Use**

❖ Good answers to climate change are also good answers to:

- ◆ Long term lower and more stable costs
- ◆ Local economic development
- ◆ Better working communities
- ◆ Air quality improved (ozone, mercury, particulates...)
- ◆ Address Limited Supply options, Energy Security
- ◆ Avoid/Delay expensive supply (plus T&D) options...

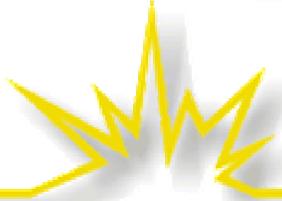
*You don't have  
to worry about  
climate change  
to want these*



# Action Agenda for Efficient Energy Use (Stationary Sources)

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- Programs to Help People Make the Efficient Choice (via EVT – extend to other fuels?)
- Voluntary Actions (via PR and State Leading)
- Better Buildings (via codes, tax and Act 250)
- Better Equipment and Appliances (via standards, tax and Act 250)
- Time Sensitive Rates (incentives for users)
- Utility incentives (reduce sales, cleaner power)



# Design Principle

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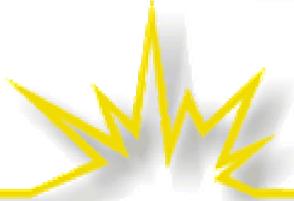
- Does this (law, regulation, rule, rate or decision) **promote climate change mitigation**, or does it make the problem worse?
- If it makes the problem worse, what competing reason compels this result?
- Change laws, etc. that make the problem worse for no good purpose.



# Time for Action

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- Climate Change is the biggest policy ocean liner you have ever seen  
*Can Do It*
  - ❖ Early action valuable, not costly
- Businesses need certainty  
*Clarify strategies*
  - ❖ Especially energy businesses
- Citizen-Consumers want leadership  
*Counter hopelessness*
  - ❖ What can towns do?
  - ❖ What can families do?

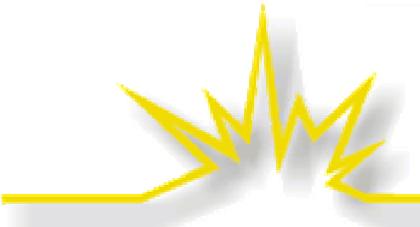


# Commitment

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➤ “This ain't no party, this ain't no disco, this ain't no fooling around”

--- Talking Heads, from *Life During Wartime*



# Thanks for your attention

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- ❖ [rapsedano@aol.com](mailto:rapsedano@aol.com)
- ❖ <http://www.raponline.org>
- ❖ RAP Mission: *RAP is committed to fostering regulatory policies for the electric industry that encourage economic efficiency, protect environmental quality, assure system reliability, and allocate system benefits fairly to all customers.*