The Electric Utility Business Model Going Forward: Maximalist, Minimalist or Somewhere in Between?

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Prepared for the Harvard Electricity Policy Group
The Regulatory Compact

- Duty to Serve
- Cost of Service Pricing
- Average Cost Pricing
- Resource Planning Process
- Utility / Affiliate Separation
- Regulated Monopoly
- Cost Recovery
- Reasonable Return
From 1980 – 2006, retail electricity sales growth in the U.S. averaged 2.4% per year compared with annual average GDP growth of 6.6%.

Sources: U.S. Bureau of Economic Analysis, U.S. Energy Information Administration
Even with the downturn caused by the recent financial crisis, GDP growth from 2006 to 2012 averaged 2.7% per year. Retail electricity sales were essentially flat over that time period.

Sources: U.S. Bureau of Economic Analysis, U.S. Energy Information Administration
Higher Rates + More Customers + Higher Usage = Earnings Growth
The Future: Limited Growth & Rapid Tech Changes

- Customer Experience
- Large Customer Needs
- New Technology
- Customer Demographics
- Nielsen Data
- Individual Customer Usage
- Meter Data Management
- JD Power & Customer Surveys
- Key Account Management & Officers

Regulatory Formula
- Low Cost
- System Reliability
- High Customer Satisfaction
- Following Rules
- Success

Future Success Dependent Upon
- New Revenue Streams + Higher Customer Satisfaction + Brand Identification + Innovative Service Offers
The Future: Seizing Opportunities

Customer

Military/airports
Campuses
Industrial
Neighborhoods

Micro grids
New Gen Tech
Self Gen

Reliability?
Green?
Cost?
Security?

Guaranteed reliability?
Choose your supply mix?
Micro rate design?

Cost?
Service?
Experience?
Reputation?
Economies of Scale?
Security?

Competitive Advantage

Rules
OUR HIGHEST PRIORITY IS SATISFYING OUR CUSTOMERS. . . EXCEPT WHEN IT IS HARD. . . OR UNPROFITABLE. . . OR WE'RE BUSY.