

Written Statement and Opening Remarks for Michelle Bertolino
Quadrennial Energy Review
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Panel 2 – Electricity Distribution and End-Use: How Do We Manage Challenges and Opportunities?

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Introduction

Good afternoon, I'm Michelle Bertolino, Director for Roseville Electric Utility and President for the California Municipal Utilities Association (or CMUA). I would like to thank the Department of Energy (DOE) for the opportunity to be a part of the Quadrennial Energy Review and this panel discussion. As a brief introduction, Roseville Electric Utility operates as part of a full service city in northern California, and is a medium size municipal electric utility serving a community of over 130,000 residents. The utility has a diverse resource portfolio and has among the highest penetration of rooftop solar in the continental United States (approximately 5 percent). Like many electric utilities in California and across the United States, we are in the midst of changing our business model and positioning the utility to adapt to technology advancements, legislative and regulatory changes, and evolving customer expectations.

CMUA is California's largest coalition of publically-owned utilities, representing 102 members, consisting of both electric and water utilities, as well as irrigation and special districts throughout the state. CMUA represents the common interests of a diverse coalition of California's publicly owned utilities before statewide jurisdictional bodies and provides a forum to develop and discuss statewide policy issues affecting its members. Also noteworthy, along with Roseville Electric Utility, many of CMUA's members are Preference Customers of the Western Area Power Administration, both in the Sierra Nevada Region and Desert Southwest Region.

The Municipal Model

In addressing some of the challenges and opportunities regarding electricity distribution and customer end-use, I want to first share the municipal utility perspective. Although many electric utilities may be facing similar challenges, all utilities are not the same and a "one-size-fits-all" approach to policy development will not work.

- *Municipal entities are community focused service providers.* For municipal utilities, a key objective is to be responsive to the community and this occurs through their local regulatory authorities - City Councils, Boards, and Commissions. For customers, this provides a venue for direct interaction and communication with the officials that govern utility operations in their community. This has served Roseville Electric Utility well, as well as other municipal utilities in the state, as it allows decisions to be made at a local level and in the best interest of the community.

- *The municipal model is built on cost-based rates (not-for-profit).* This is important to recognize as this industry and its state and federal regulatory agencies often focus on incentive based policies to motivate utilities to change structurally or to invest in infrastructure. Financial incentives may be effective in certain areas, but financial incentives will not resonate the same for municipal utilities as for other participants in the industry. As such, municipal entities do not have a financial incentive to “build to profit”, but rather the motivation is to manage cost exposure, maintain reliability, and be the responsible load serving entity in their communities. This distinction is important to understand when considering the policy framework for building the utility of the future.

Key Points

With that said, there are few points I would like to focus on regarding electricity distribution and end use. These points (or observations in some regards) are relevant for Roseville Electric Utility, and I believe also for many other municipal utilities in California.

1. *Customers are embracing technology:* First of all, customers are embracing technology and it has raised their awareness of the way they receive services from their electric utility and the role of their electric utility. Just as our customers have adopted new technology in all other aspects of their lives, they’re now doing the same in our industry and it will continue to have meaningful impacts on the manner utilities’ conduct their business. This has come in the form of behind-the-meter generation (e.g. rooftop PV), new energy efficiency measures, smart control devices, battery storage, and electric vehicles, to mention a few. I believe technology will prevail and we must be prepared to meet changing customer demands and expectations. We must be sure to focus on meeting customer needs as the customer is in charge, and not place ourselves in a position where we are competing with our customers.
2. *Modernizing the distribution system:* Just like our customers are embracing technology to influence their energy usage, utilities are now more widely embracing technology as well. It is clear that distribution system and technology enhancements must be made to meet the needs of the future. For instance, although many utilities have already installed Advanced Metering Infrastructure (AMI), others, including Roseville Electric Utility, are just in process of moving forward with AMI (it is worth mentioning that several municipal utilities have benefited from federal funding in this area to help advance their technology projects). There are various elements of AMI that should be thoughtfully considered, but it is apparent that AMI will be an essential tool for operating the utility of the future. It will be a tool to enable new services for customers, provide signals to influence customer behavior, and provide greater visibility into distribution system operations. Other enhancements to the customer interface include more sophisticated customer information systems and interfaces to access customer data.
3. *Customer education and outreach:* As customers and utilities embrace new technology, it will be essential to ensure that customers are well informed and educated about their options and the efforts being advanced by their utility. With greater customer choice and new entrants in the market, utilities must help customers understand the application of new technologies, along with the benefits and risks so that they can make informed decisions. Customer outreach and communication must not get lost in the shuffle as electric utilities work to restructure their business models. As the transition to a new business model progresses, customers should be part of the process, and part of the solution for utilities to help define and shape their service offerings and utility programs.

4. *Business Model Changes*: Business model changes will be necessary in order for electric utilities to continue to meet changing customer demands and expectations. The business model changes can include a range of items, but certainly will need to include restructuring electric rates. Rate structures will need to change to reflect the way customers will use the electric system in the future, and to ensure fair and equitable cost recovery for that system. However, it's not only about cost recovery, utilities must understand customer expectations and redefine their service offerings. New approaches for providing options to customers have to be considered, such as community solar. Also, with the electrification of the transportation sector, there will be significant questions raised regarding the role of electric utilities in the electric vehicle charging business. These are all items that Roseville Electric Utility is assessing as it looks to the future and the role of the electric utility in the community.

Conclusion

Although there has been significant work already completed by utilities to address distribution system enhancements and meeting changing customer demands, there is still much more work that needs to be done. As DOE gathers feedback through this QER and solicits public comment on potential federal actions and policies, the following items should be taken into consideration:

- Federal policies should encourage diversity of resources and technology to address distribution system modernization and customer needs
- Federal policies should avoid being overly prescriptive and not attempt to create winner and losers in technology or resource types
- Federal policies should provide flexibility in implementation and recognize that not all utilities and customers are the same
- Federal policies should provide opportunities for regional collaboration on lessons learned addressing opportunities and challenges
- Federal policies should continue to provide access to public funding as utilities and customers begin to embrace technology on a larger scale
- Federal policies should reflect a comprehensive and balanced approach to identifying solutions, considering implications on costs, reliability, customer impact, and environmental goals