Playbook for Advocates and Regulators

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Cost allocation and recovery approaches can serve as guardrails for distribution investments by clarifying who pays, how costs are recovered, and who is at risk if forecasts are wrong. For advocates and regulators, the key is asking the right questions early enough to shape planning, before project proposals and rate recovery decisions are locked in. This checklist can help make clear how risk is created, who is exposed under different scenarios, and what protections are in place.

Prior to planning proceedings

Use any pre-filing venue, whether it's working groups (e.g., working groups for proactive investment frameworks in Minnesota and Massachusetts), stakeholder meetings, electrification proceedings, or rulemakings tied to MRPs or targeted cost recovery, to get clear answers on cost allocation and cost recovery before specific projects are evaluated:

- How does the utility propose to allocate costs for investments sensitive to load forecasts?
- Does the current approach specify how costs will be split among DER customers, large data center/manufacturing customers, building and transportation electrification load customers, and general ratepayers?
- Who pays if load or DER forecasts turn out to be wrong? And how would that shift under different allocation and recovery approaches?
- What recovery mechanism is likely to be used, and what conditions must be met for those costs to be approved or continue to be recovered?

During the planning proceedings

Use planning to test the assumptions that will later shape cost recovery and bill impacts:

- How is the utility forecasting load by location, timing, and customer type?
- How were load flexibility, non-wires alternatives, flexible interconnection, and other potential lower-cost options considered?
- What benefits is the upgrade expected to deliver, for whom, and on what timeline; and how will those benefits be measured?
- What metrics and outcomes will be used to evaluate performance and inform future cost recovery decisions?
- What criteria did the utility use to propose investments over a certain threshold, and what alternatives were assessed?

Prioritize stress testing:

- Has the range of ratepayer impacts been mapped out if load or DER uptake materializes more slowly than expected?
- What is the range of bill impacts under different scenarios?
- What guardrails, such as cost caps, reconciliation rules, or staged approvals, are in place to contain cost shifts to residential customers?

In the ratemaking proceedings

Tie the cost recovery discussion back to the expectations set at the planning dockets and ask the utilities to show how cost recovery aligns with the planning outcomes.

For backward-looking cost recovery:

- Have the metrics/desired outcomes specified in the planning dockets been met? If not, what contributed to not meeting the desired outcome?
- In the event forecasts materialize differently than expected, how have costs and benefits shifted from what was reviewed during the planning process? Were there guardrails in place to mitigate the cost exposure and bill impacts across ratepayers, and how effective were they?

For forward-looking cost recovery:

- What metrics/desired outcomes in planning dockets are investments expected to meet in order to be eligible for cost recovery?
- In the event forecasts materialize differently than expected, what guardrails are in place to adjust utility revenues? Are there guardrails in place to mitigate the cost exposure and bill impacts across ratepayers?

For additional support on cost allocation, cost recovery, or related distribution planning questions, please contact Becky Li (bli@rmi.org) or Stephanie Bieler (stephanie.bieler@rmi.org).

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