AFFORDABILITY

Short- and Long-term Solutions to Rising Costs

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We know for certain utilities are going to need to invest billions to meet load growth, modernize, and make our grid more resilient; but how and where those investments will be made, not to mention who will pay for these changes, has yet to be decided. By supporting incentives for utilities to control spending, empowering customers, and allocating costs we can ensure affordability even with the transformational work to come.

RMI has produced an array of resources that can help electric sector stakeholders meet the needs of a growing economy while safeguarding the short- and long-term financial health of utility customers who need relief.

Using residential load growth to reduce residential rates

Strategic and proactive grid upgrades to meet electrification demand within the residential customer class can produce savings and reduce rates. A major challenge for regulators is not only considering when and where these investments are needed, but also how their costs should be fairly allocated across the customer base in ways that maintain affordability. Strategies to help ensure these efforts promote affordability include:

- **Adopt guardrails** — such as cost caps, income-based credits, or refund mechanisms — to protect customers and mitigate risks from uncertain load forecasts.
- **Minimize regressive cross-subsidization** by preventing costs from being shifted to already energy-burdened customers, especially for end uses they do not directly benefit from.
- **Consider resilient, usage-based approaches** that adjust recovery based on actual asset utilization, rather than relying solely on long-term forecasts.

RMIs new report How to Leverage Cost Allocation to Enable Rapid, Affordable, and Equitable Electrification *explores the options available to regulators for proactive cost allocation and how three states handled these challenges.*

Fixing the foundation of multi-year rate plans

The electric grid is facing multiple pressures that require increased levels of utility investment. Meanwhile, the affordability crisis is creating growing pressure for regulators and utilities to limit cost growth and avoid unnecessary spending.

Multi-year rate plans (MRPs) are a ratemaking tool that can help balance necessary investments with the opportunity for utilities to spend more efficiently. As such, MRPs have the potential to limit utility cost growth more effectively than traditional cost-of-service regulation.

However, the strength of an MRP's cost-containment incentive is heavily dependent on several design choices, and many MRPs in the United States are implemented in ways that stray far from the original intent.

RMI and Synapse Energy Economics' new report, Fixing the Foundation: Harnessing the Potential of Multi-year Rate Plans to Control Costs, provides regulators and stakeholders with a checklist of MRP design choices to avoid, describes remedies where these pitfalls are already present, and offers a set of recommendations to strengthen the cost-containment incentives of any MRP.

Protecting the utility customers most at risk

Across the United States, utilities conduct millions of electric service disconnections due to nonpayment every year.

Disconnections can have severe impacts on a household, including adverse health consequences, interventions from Child Protective Services, and even death.

RMI's Disconnections Handbook demonstrates the scale of the energy poverty crisis that leads to mass utility disconnections, explores the current landscape of utility disconnection protections, and provides state policymakers with a comprehensive overview of how to reduce disconnections via protections and policies to alleviate energy poverty.

Disconnections Handbook

Energy Poverty Policy Simulator (EPPS)

Building on the insights of the Disconnections Handbook, RMI's Energy Poverty Policy Simulator (EPPS) shows the specific actions that can be taken to end energy poverty in each state. EPPS is a new tool that empowers state-level decision makers to have data-driven conversations on the costs and impacts of implementing safeguard policies for low-income customers. Ending energy poverty is closer than you think.