

A FRAMEWORK FOR RESOLVING CONFLICTS AND IDENTIFYING TRADE-OFFS

EXAMPLES FROM THE ELECTRICITY AND WATER SECTORS

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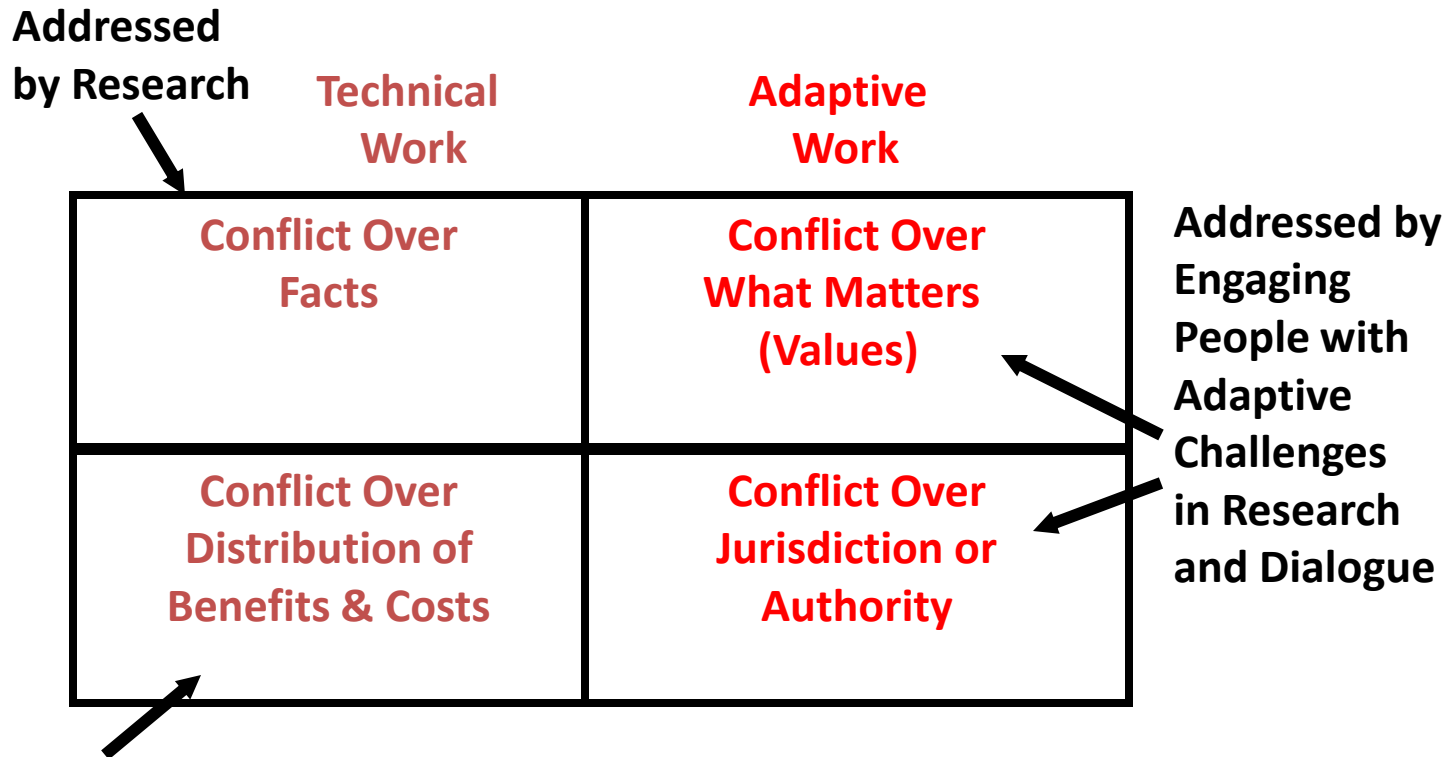


Four Types of Conflict

- Authority Conflicts: **who** should make decisions?
- Cognitive (Factual) Conflicts: what **can** be done or what is feasible?
- Values Conflicts: what **should** be done?
- Interest Conflicts: who should **benefit** from decisions? How should gains and costs be allocated?

(Conflicts identified by Leonard Shabman, 2005)

Conflict Resolution Matrix



Addressed by Research and Negotiation

(Mark Jamison, PURC)



Electricity Sector at a Crossroads*

- Incentives for more distributed generation (state RPS, net metering statutes, stimulus funding for smart grid pilot projects)
- Increased investments in transmission in past five years but problems remain (jurisdictional issues, siting issues, cost allocation issues)
- Federal and, in some cases, state incentives for new nuclear plant construction but uncertainties remain (looming, undefined national carbon reduction policy, volatile fuel prices)

*(Ensuing questions derived from Lynne Holt et al., PURC)



Example—Distributed Generation/ Smart Grids

Authority Conflicts: **Who** should make decision?

- How much of the distributed generation and stored power will electric utilities be able to control and integrate into their system?
- How much of distributed energy would be available for utility use? For consumer use?
- How much of the transmission and distribution assets would be owned and controlled by the utility as opposed to consumer?



Example—Distributed Generation/ Smart Grids

Cognitive (Factual) Conflicts: what **can** be done?

- What factors affect location of distributed generation? Implications of location?
- How can distributed generation be aggregated? Implications?
- What happens to load management when generation is distributed? Under what scenarios?



Example—Distributed Generation/ Smart Grids

Values Conflicts: what **should** be done?

- What do consumers want? Would they prefer other options to smart meters?
- How much control over devices on smart grid do consumers want?
- How should smart grid pilots be designed?



Example—Distributed Generation/ Smart Grids

Interest Conflicts: who should **benefit** from decisions? How should gains and costs be allocated?

- Who pays for smart meters?
- How should any stranded assets be addressed?
- What is the impact of smart grid deployments on consumers in single family homes vs. multi-family homes? High-income vs. low-income?



Water Utilities at a Crossroads*

- Problems with accessing capital, lack of liquidity
- Very long depreciation schedules and asset life
- Often remote locations
- Rising expenses (electric costs, chemicals, pensions)
- Delays in non-mandated CAPEX
- Water utilities most capital intensive of all traditional utilities— investors have other choices
- Ever-increasing water quality standards
- Regulatory lag

(*Many of ensuing questions derived from 2009 NAWC Water Policy Forum)



Example – Improving Private Water Utility Performance

Authority Conflicts: **Who** should make decision?

- To improve utility cash flow, is the PUC authorized to allow distribution system investment charges and automatic adjustment clauses for non-capital costs? CWIP for major projects?
- Who should choose the test year for rate proceedings – the PUC or utility?



Example – Improving Private Water Utility Performance

Cognitive (Factual) Conflicts: what **can** be done?

- Is the water utility providing efficient service? Does the PUC use benchmarking tools? Are the targets realistic? Are the data available to make sound comparisons? How can benchmarking studies help identify strong and weak performance?
- If per capita water usage is reduced, why? Consumer conservation? New housing and developments with more water efficient appliances and landscaping? Do we know?



Example – Improving Private Water Utility Performance

Values Conflicts: what **should** be done?

- Are proper incentives in place to encourage consumers to conserve water and will consumers respond to them? (Decoupling, inclining block rates, water supply restrictions)
- Should there be incentives for utilities to promote conservation when most of their costs are fixed?
- Does the PUC help clarify water scarcity, the need for conservation, and the rising costs of water service?



Example – Improving Private Water Utility Performance

Interest Conflicts: who should **benefit** from decisions?
How should gains and costs be allocated?

- If per capita demand goes down, how will the PUC treat fixed costs? Increase rates for consumers who conserve?
- Would PUC incentives (e.g., adjustment acquisitions) for the purchase of nonviable small water utilities affect the behavior of other water utilities? Consumers?



References

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