



Financial Analysis for the e21 Collaborative¹

Scope of Work

Seventhwave and LBNL will use financial valuation techniques to develop spreadsheet models quantifying changes in utility profitability under alternative regulatory and business models. The analysis will characterize the three performance-based compensation models developed by the e21 initiative and use bounding scenarios to demonstrate the likely creation or destruction of utility shareholder value. The project will demonstrate whether (and under what conditions) new utility regulatory and business models suggest the same or greater earnings opportunities for utilities without substantial increases in financial risk, leading to potential gains in shareholder value. This analysis necessarily has a time dimension to it since a given utility compensation approach may look unattractive in the short-term, but under certain future market conditions may look quite attractive. Understanding these nuances will, again, help inform the nature and pace of implementation for new utility compensation approaches. We will conduct this analysis with a technical subgroup of the e21 stakeholder group, which will include the utilities, striving for consensus views on the key inputs to the models.

Deliverables

We would ultimately prepare a report that reflects the consensus view of the collaborative as to the potential impacts of the various regulatory reform proposals. We would not conduct this work in isolation but rather with full involvement of the e21 group. This would require Seventhwave and LBNL staff to not only conduct analysis off-site, but also to be at the meetings, leading or moderating discussions and providing training in finance methods to participants.

Key Staff

The analysis would be led by Steve Kihm (Seventhwave), Andy Satchwell (LBNL) and Pete Cappers (LBNL).

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