

Objectively determining the two-part tariff (Blank and Gegax, 2014, under review for publication).

1. Residential load research sample gives us kWh and max kW for each household for 12 months.
2. First, we derive a demand charge as if residential customers had demand meters.
3. Second, we calculate the bills for all the customers in our sample.
4. Third, we now have observations of monthly bill totals for the sample households and monthly kWh usage for each of these customers.
5. We compute the line of best fit (regression line) within the bill/kWh space.
6. The intercept estimate is the best fit customer charge and the slope is the best fit energy charge.

## Objective Two-Part Tariff

Total Bill = (customer charge) + (energy charge)\*(kWh consumed)

$$Y = \alpha + \beta * X$$

