

Rate Impacts and Key Design Elements of Gas and Electric Utility Decoupling: A Comprehensive View

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- What we mean by decoupling
- Results
 - Size and symmetry of adjustments
 - Jurisdiction-specific nuances
- Conclusion
- Methodology

What do we mean by decoupling?

Generally

A utility's opportunity to recover its fixed costs of service is not based on its sales of natural gas or energy

NRDC

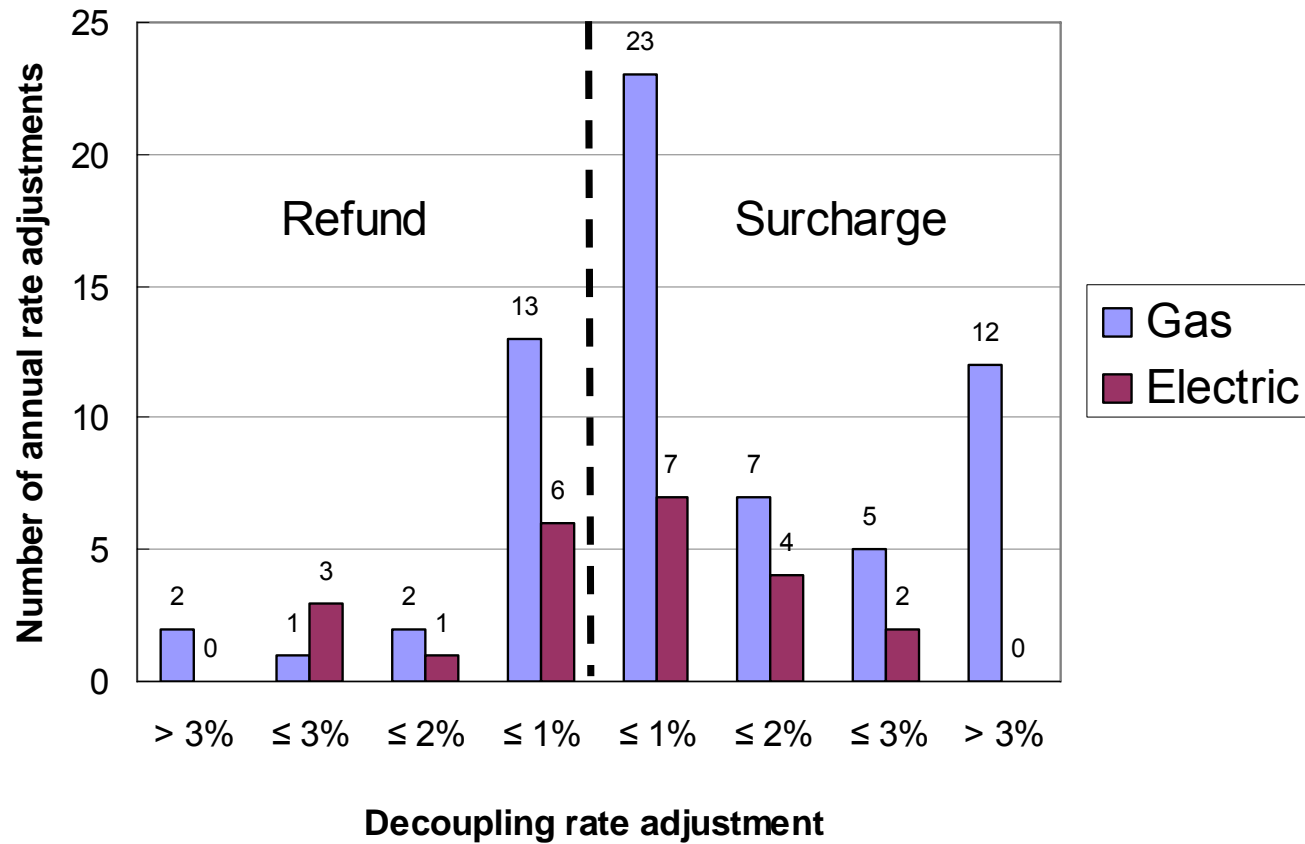
Modest, regular true-ups in rates to ensure that any authorized fixed costs recovered in kWh charges are recovered notwithstanding sales volume

What do we mean by decoupling?

	Breaks throughput incentive	Preserves customer incentives to conserve	Shifts costs within and between rate classes
Revenue decoupling	Yes	Yes	No
Straight fixed-variable rate design	Yes	No	Yes
Lost revenue adjustment	No	Yes	No

Results

Decoupling adjustments small and symmetrical



Results

Decoupling adjustments smaller than other rate adjustments

Year	Northwest Natural		Idaho Power	
	PGA % Change	Decoupling % Change ³	PCA % Change (Res)	Decoupling % Change
1995	(6.2)			
1996	(4.8)			
1997	10.5			
1998	9.2			
1999	7.2			
2000	21.4			
2001	20.8			
2002	(12.7)		7.5	
2003	4.9	0.6	(18.9)	
2004	20.1	0.36	0	
2005	16.6	0.77	0	
2006	3.8	(0.27)	(14.0)	
2007	(8.7)	(0.1)	11.0	
2008	15.6	<(1.0)	8.45	(0.8)
2009			10.2	0.8

Mechanisms are tailored to each jurisdiction

- Mechanisms go by many names
 - “Billing Determinant Adjustment”
 - “Volume Balancing Adjustment”
 - “Bill Stabilization Rider”

Mechanisms are tailored to each jurisdiction

- Most mechanisms appear on separate tariff page
 - Sometimes combined with energy efficiency program tariff
 - California utilities have regulatory authority to conduct annual true-up

Feature	Gas Decoupling (28)	Electric Decoupling (12)
No separate tariff	3	3

Mechanisms are tailored to each jurisdiction

- Almost all gas utilities with mechanisms also adjust rates to account for the effect of weather on revenue
 - Either logically through decoupling mechanism
 - Or through separate weather adjustment tariff
- Two electric utilities calculate adjustments based on weather-adjusted revenues

Feature	Gas Decoupling (28)	Electric Decoupling (12)
Weather adjusted	8	2
Not weather adjusted	20	10

Mechanisms are tailored to each jurisdiction

- Most mechanisms produce annual adjustment
- Monthly adjustments tend to be very small but can go up and down monthly

Timing of rate true-ups	Gas Decoupling (28)	Electric Decoupling (12)
Annual	19	8
Semi-annual/quarterly	2	1
Monthly	4	3

Mechanisms are tailored to each jurisdiction

- Most mechanisms isolate the adjustment within a rate class or rate schedule
 - Refunds or surcharges only to that schedule or class

	Gas Decoupling (28)	Electric Decoupling (12)
Per-class calculation and rate adjustments	25	7

Mechanisms are tailored to each jurisdiction

- Many mechanisms are adopted on a “pilot” basis, subject to cancellation or further regulatory processes after 3-4 years

	Gas Decoupling (28)	Electric Decoupling (12)
Pilot/known expiration date	11	4

Mechanisms are tailored to each jurisdiction

- Most mechanisms allow utility to keep additional revenues from growth in the number accounts during a decoupling period

	Gas Decoupling (28)	Electric Decoupling (12)
Revenue-per customer	23	4
Attrition adjustment	3	4
No change	3	1

Mechanisms are tailored to each jurisdiction

- Some mechanisms have unusual features
 - Adjustments only if surcharges, no refunds (3)
 - Surcharge collection only if gas cost savings offset the lost margin (2)
 - Some mechanisms limit dollar amount or percent of rate change (9 gas, 6 electric)

What to remember

- Revenue decoupling adjustments small (majority less than 2%)
- Revenue decoupling adjustments symmetrical
- Revenue decoupling mechanisms can be tailored to each jurisdiction
- Finding each mechanism and summarizing the adjustments was “an exceedingly difficult task,” even for someone with 25 years of experience in utility matters
 - Should be made easier

Methodology

- Examination of tariff, or from utilities (California)
- Comparison to total rate where available, or EIA retail gas and electric price information
 - provides context for decoupling adjustment, not precise percentages