STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC -- APPLICATION TO IMPLEMENT NEW RATES

Docket No. 4065

PRE-FILED EXPERT TESTIMONY OF SHANNA CLEVELAND, ESQ., ON BEHALF OF CONSERVATION LAW FOUNDATION

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September 15, 2009

Summary of Testimony

1. CLF and this witness support the Company's proposal in this Docket for revenue decoupling for reasons of public policy. CLF and this witness take no position on the other issues in this Docket. [Page 3]

2. Decoupling is a necessary, but not sufficient, condition to greater use of efficiency and conservation. [Pages 4-6]

3. Electricity decoupling is sensible and desirable for both environmental and legal reasons. [Generally, pages 4-6; as to environmental reasons, see specifically pages 18-19; as to legal reasons, see specifically pages 19-22]

4. Electricity decoupling will help to align the utility's financial interests with the public interest in efficiency and conservation [Pages 3-5; 7-9]; while maintaining ratepayer incentives to conserve. [Pages 9-10]

5. The proposal for electricity decoupling in this docket is materially different from the utility's proposal for gas decoupling in the previous Docket 3943 in three material ways [Pages 24-25]: (1) impact on time between rate cases [Pages 25-27]; (2) impact on utility profits if the number of customers increases [Pages 27-30]; and (3) potential effects on rate classes with very few members. [Pages 30-32]

Organization of Testimony

I. Introduction: Beginning at page 1, line 5

II. Decoupling (In General): Beginning at page 3, line 15

III. Grid's Decoupling Proposal in This Docket: Beginning at page 24, line 9

Pursuant to Public Utility Commission (PUC) Rule of Procedure and Practice 1.20(e)(1), Conservation Law Foundation (CLF) submits the following pre-filed testimony of its expert witness, Shanna Cleveland, Esq.

I. Introduction

Q. Please state your name, position, and office address.

A. Shanna Cleveland. I am a Staff Attorney for CLF. My office address is 62 Summer Street, Boston, MA, 02110.

Q. What is your educational background?

I graduated with a bachelor's degree, magna cum laude, from Harvard University. I hold a law degree from the University of Virginia, where I served as Executive Editor of Virginia Law Review. I also hold an LL.M. degree, also magna cum laude, from Vermont Law School. My thesis topic was: Cleaning Coal: Why Integrated Gasification Combined Cycle with Carbon Capture and Sequestration Is the Best Option for Coal in the Near Future. I am licensed to practice law in Massachusetts and Hawaii.

Q. What is your professional experience?

A. I have worked as a litigator in several law firms, as an environmental advocate, and as an environmental attorney.

I have been an associate attorney at Goodwin Proctor, LLP, in Boston, Massachusetts, and at Ashford & Wriston, LLP, in Honolulu, Hawaii.

I have been employed by the Institute for Energy and the Environment in South Royalton, Vermont. The Institute is a public-policy consulting organization associated with Vermont Law School. At the Institute I did research and analysis on topics related to renewable energy and energy efficiency.

I have also been employed by the Regulatory Assistance Project (RAP), in Montpelier, Vermont. RAP is a non-profit organization, formed in 1992 by experienced utility regulators, that provides research, analysis, and educational assistance to public officials on electric utility regulation. At RAP I performed research related to a variety of environmental and regulatory issues including carbon capture and sequestration.

I now serve as a Staff Attorney for CLF. I represent CLF as an attorney in a variety of dockets before the Massachusetts Department of Public Utilities (D.P.U.) including dockets addressing energy efficiency, decoupling, and demand-side resources. I have practiced before the Massachusetts Energy Facilities Siting Board on issues regarding renewable energy. I have litigated cases related to enforcement of the Clean Air Act. I also served on Governor Patrick's Zero Net Buildings Task Force. On the topic of decoupling, during the Massachusetts D.P.U.'s investigation into decoupling in its Docket 07-50, I appeared on multiple panels arranged by the Department and provided extensive testimony on the issues of: (1) the impact of decoupling on demand resources; (2) alternative rate-making approaches; (3) distribution service cost drivers; and (4) the

mechanics of decoupling. I was a presenter at the 2007 Annual Conference of the Northeast Energy Efficiency Council (NEEC); my topic was, "Decoupling in Massachusetts: The Next Logical Step in Energy Efficiency and Demand Resource Policy for the Commonwealth."

Q. Are you appearing in this Docket as an attorney?

A. No. Although I am an attorney, I am not licensed in Rhode Island, and I do not represent CLF in this Docket. I am appearing in this Docket as an expert witness.

Q. What is your position on the utility's proposal for decoupling in this Docket?

A. CLF and I support National Grid's (Grid's) proposal for decoupling in this Docket. As I explain in greater detail, below, CLF believes that decoupling is sound public policy. Neither CLF nor I take any position on other issues presented in this Docket.

II. Decoupling (In General)

Q. Before discussing Grid's specific proposal for decoupling contained in this Docket, can you explain in more general terms what decoupling is?

A. Yes.

Decoupling is related to efficiency and conservation. It arose as a method to address the revenue erosion that occurs under traditional regulation when a utility

successfully implements aggressive energy-efficiency and demand-resource programs. This revenue erosion creates a disincentive for utilities to invest in energy efficiency and demand resources. Therefore, decoupling is a necessary -- but not a sufficient -- condition to achieving maximum energy efficiency.

Decoupling in Rhode Island is desirable and important both for environmental reasons (to help slow the disastrous advance of climate change) and for legal reasons (to comply with Rhode Island's Comprehensive Energy Conservation and Affordability Act of 2006) (2006 Comprehensive Statute) and to comply with the conditions that must be met in order to receive substantial funding under the American Recovery and Reinvestment Act). Moreover, achieving energy efficiency has an important consumer benefit because peak electricity generating plants tend to produce the most expensive power. To the extent we can shave peak load by implementing energy efficiency, we bring down the overall cost of electricity for all ratepayers. Inasmuch as decoupling is directly related to energy efficiency, decoupling provides a real benefit for all ratepayers.

Traditional utility regulation creates a disincentive for utilities to promote energy efficiency and conservation or to support policies that advance efficiency and conservation because any reduction in sales inevitably causes a reduction in revenue and profits for the utility. This is true because traditional utility ratemaking couples a utility's revenues, and ability to capture authorized rate of return, with the volume of its sales, providing a strong incentive to sell more of the regulated commodity. This volumetric

method of compensation means that any affirmative effort to provide an incentive for the utility to provide energy efficiency and conservation services to customers (lowering the customers' bills and the customers' environmental impact) also results in a reduction in the core revenue received by the utility as the total volume of regulated commodity sold declines. Thus, the purely volumetric compensation of the utility (the current and historic model that decoupling would replace) creates an inherent tension within the business model, economics and culture of the utility that always threatens to undermine efforts to cast the utility in the role of efficiency and conservation service provider to customers.

Decoupling eliminates this problem by aligning the utility's pecuniary interest with the public interest in fostering efficiency and conservation. This is good for the environment (because reduced use of energy commodities means lower need to extract resources from the earth and reduced emissions from fuel combustion) and is good for consumers (because reduced use means lower bills and lower customer cost).

Under a full decoupling mechanism regulators determine in advance a utility's fixed costs, and set rates to produce revenue to cover those costs, and to cover a rate of profit approved in advance by the regulators. Should efficiency increases lead to reduced commodity sales, thereby reducing revenue, a periodic "true-up" ensures that utilities will recover fixed costs (plus profit) regardless of -- that is, decoupled from -- sales volume. Conversely, if the true-up shows an amount in excess of fixed costs paid by ratepayers, then the ratepayers receive a rebate or credit. The result is removal of a key disincentive to the utility providing efficiency and conservation services to its customers.

In short, decoupling is good for two reasons of public policy. First, decoupling ensures that utility financial incentives are aligned with the public interest and with helping their customers use energy more efficiently. Second, decoupling also ensures that utilities have timely cost recovery for moneys expended on advancing efficiency. Later in my testimony, I discuss further why these two specific points take on especial importance.

Q. So, does decoupling equal energy efficiency?

A. No. Implementing decoupling is not the same as achieving increased energy efficiency or conservation -- or even putting in place a positive incentive for the utility to take on the role of achieving such efficiency and conservation. Decoupling simply removes a perverse disincentive to the utility. As I indicated above, without decoupling, utilities such as Grid are given an actual disincentive to fostering efficiency and conservation that reduce demand.

It is important not to oversell the benefits of decoupling. As I indicated above, decoupling is a necessary (and even an important) condition for increased energy efficiency -- but it is not a sufficient condition for achieving efficiency. Even after decoupling, both the utility and other actors in the state will have to pay significant attention to (and expend significant funds on) achieving our energy-efficiency goals.

Decoupling won't get us where we want to go in terms of achieving energy efficiency. But it is an important and necessary step in the right direction. And while

PUC adoption of electricity decoupling in this Docket won't guarantee that we achieve greater efficiency (and cost savings) for Rhode Island ratepayers, the failure to adopt decoupling in this Docket will unequivocally leave in place a major obstacle to achieving greater efficiency (and cost savings) for ratepayers.

Q. When discussing decoupling, both supporters and opponents of decoupling seem to discuss the importance of "incentives" and "aligning incentives." For instance, Grid's expert witness on decoupling in this Docket, Dr. Susan F. Tierney, who supports decoupling, says in her pre-filed testimony that one of the main purposes of decoupling is "ensuring that . . . the Company's distribution revenue is decoupled from kWh deliveries so that its financial incentives are better aligned with customers' interests and the state's policy directives . . . ."[1] Similarly, you (who also supports decoupling) just said that what decoupling seeks to accomplish is "aligning the utility's pecuniary interest with the public interest in fostering efficiency and conservation."

And yet, in last year's gas rate case in this PUC, Docket 3943, in which there was a decoupling proposal presented, Commissioner Bray, in voting against decoupling, also discussed her vote in the context of incentives: "[Q]uite frankly, one of the reasons I am opposed to revenue decoupling is that I think -- and this may

[1] June 1, 2009, Pre-Filed Testimony of Dr. Susan F. Tierney, at page 13, lines 5-11.

change, but the customers need no real incentive to conserve. They're going to conserve [anyway] . . . ."[2]

Would you comment on this?

A. Yes.

Commissioner Bray is absolutely correct that customers need no additional incentives to conserve. However, decoupling does not, and is not intended to, have an impact on customers' incentive to conserve. Instead, decoupling is intended to affect the incentives of the utility.

As Commissioner Bray notes, consumers -- be it of gas or electricity -- have every incentive to conserve and implement efficiency with or without decoupling. High commodity prices, which everyone expects to go higher in the future, make this true. High commodity prices assure that decoupling is not necessary to align consumer incentives or to encourage consumers to conserve. In fact, it is crucial to maintain this incentive for customers by continuing to link their bills to the volume of energy they consume, and the decoupling mechanism proposed by the utility in this Docket does nothing to change or reduce this incentive.

Decoupling is necessary to properly align the utility's incentives with the public interest in conservation and efficiency. Without decoupling, effective efforts at conservation and efficiency reduce commodity through-put and, thus, reduce the utility's earnings. Decoupling is not necessary to align consumer incentives or behavior with the

[2] November 24, 2008, Open Meeting In Re Docket No. 3943, at page 25, lines 10-14.

public interest; instead, decoupling is aimed at aligning the utility's interest with the public interest in efficiency and conservation.

Decoupling is especially important in Rhode Island because Rhode Island law contemplates a major role for the utility as a purveyor of efficiency resources. Rhode Island's 2006 Comprehensive Energy Statute legally obligates the utility to do major work promoting energy efficiency, thereby reducing consumers' aggregate consumption of electricity. At the same time, the utility owes a fiduciary duty -- also a legal obligation -- to its shareholders to maximize profits by increasing consumers' aggregate consumption of electricity. This is an impossible situation. The utility cannot simultaneously be legally obligated both to reduce and to increase electricity consumption. I am reminded of the pig, Wilbur, in E. B. White's famous children's book, Charlotte's Web, who complained that he could not simultaneously run uphill while he was running downhill.

Decoupling is an effort to solve this problem -- but it is aimed at aligning the utility's incentives, not consumer's incentives. As Commissioner Bray said, quite correctly, consumers do not need anything additional to align their incentives.

Q. While we are on the subject of incentives, in what way(s), if any, does decoupling affect or change consumer incentives to conserve?

A. As I noted above, decoupling has no effect whatever on the incentives for consumers -- that is, ratepayers -- to conserve or implement efficiency. Thus, while decoupling is a

good thing because it helps to align the utility's financial interest with the public interest in efficiency and conservation, decoupling leaves customer and ratepayer incentives to conserve completely unchanged.

In fact, if decoupling is adopted by the PUC in this Docket, the pecuniary incentive to individual ratepayers to conserve would be preserved in two separate places on consumers' bills -- on the commodity component of the bill, and on the distribution component of the consumer's bill.

On the commodity component of the rate-payer's bill, the utility pass-through (without any profit) of the commodity cost remains unchanged. This commodity charge represents approximately 70% of the typical rate-payer's monthly electricity bill. Thus, with or without decoupling, the commodity charge on ratepayers' bills provides a powerful incentive to conserve.

On the distribution component of the rate-payer's bill, decoupling preserves the incentive to ratepayers to consume less energy because, even after decoupling, a consumer who uses less electricity will pay a lower monthly distribution charge. Conversely, a consumer who uses more electricity will pay a higher distribution charge.

Q. But isn't it true that electricity rates would rise under decoupling as consumers use less electricity. If the utility's ROE is, in effect, guaranteed to the utility, then wouldn't rates necessarily have to rise as more and more efficiency and conservation are utilized?

A. The crucial thing to remember here is that consumers and ratepayers pay bills not rates. As I show above, with decoupling, the incentive for every consumer to conserve is completely preserved and protected under decoupling. And every consumer who uses less electricity will pay a lower bill under decoupling. To the extent that newly ramped-up efficiency programs will lower electricity consumption for more ratepayers, then more ratepayers will be seeing the benefit of lower bills.

When a ratepayer makes out her or his check to the utility every month, what she (or he) is concerned about is the amount of that check. Electricity bills in Rhode Island can be complicated and confusing. Consumers are concerned about their bill (that is, how big the check is that they are writing); most consumers have no idea what their rate is.

Q. You say, "Decoupling is especially important in Rhode Island because Rhode Island law contemplates a major role for the utility as a purveyor of efficiency resources. Rhode Island's 2006 Comprehensive Energy Statute legally obligates the utility to do major work promoting energy efficiency. . . ." To the extent that you are correct -- that the law obligates Grid to do major work promoting efficiency -- then isn't decoupling unnecessary? We don't really need economic incentives to persuade Grid to follow the law, do we? Shouldn't the PUC just order Grid to follow the law?

A. This is definitely a recurring theme in discussions about decoupling, and the same question was raised in the PUC last year in Docket 3943, in which Grid proposed a form of decoupling.[3] I believe the question can be restated as follows: "Do we want utilities to do only the bare minimum of what is required, or do everything that is possible?"

As I have noted above, Grid, and all investor-owned utilities, have a fiduciary responsibility to their shareholders to increase profits. Under the current regulatory regime, every successful energy-efficiency program administered by Grid reduces its revenues. Therefore, although Grid must comply with the letter of the law, and must procure all energy efficiency that is funded by ratepayers, it now has a competing incentive, indeed requirement and legal obligation, to increase throughput outside of its energy-efficiency offerings to protect the earnings of its shareholders.

I agree with the premise that the State of Rhode Island could use legal means to force Grid to do minimal, technical compliance with the state's energy-efficiency mandates. But I want much, much more than that. Figuratively speaking, I want Grid's executives to stay up nights concocting ever grander and more ambitious programs for energy efficiency; I want Grid's executives to tell every Grid employee to think always of energy efficiency first; and I want Grid's shareholders to support them in this endeavor. This is not the type of culture that can easily be policed or enforced.

The same idea is easily understood in the realm of personal relations. Anyone who has ever attempted to get a sullen teenager to clean her room knows the difference

[3] As I explain below, the Company's proposal for decoupling in this Docket differs in major ways with the form of decoupling which the Commission considered last year in Docket 3943.

between getting grudging, unwilling cooperation from someone who does the absolute bare minimum required versus having cheerful cooperation from someone who eagerly wants to go far beyond the bare minimum required.

It is important to remember in this discussion that the decoupling proposal in this Docket actually provides no positive incentive to Grid to do anything. All the decoupling proposal would do is to remove an existing disincentive to doing the right thing. In that sense, the decoupling proposal in this Docket is very, very modest.

In that sense, the decoupling proposal in this Docket is also different from the positive incentive provided to Grid in the recently-enacted Long-Term Contracting Statute (LTC Statute) that was signed into law by Governor Carcieri on June 26, 2009, and which is the basis for the rule-making procedure now before the Commission in Docket 4069. (The LTC Statute is found at R. I. Gen. Laws § 39-26.1-1, et seq.) The LTC Statute provides a positive incentive to Grid of 2.75% of a contract's value to enter into long-term contracts for renewable energy -- and, as this Commission knows well, that incentive was controversial. It is important to remember in this Docket that the decoupling proposal before the Commission provides no incentive to Grid whatever. All decoupling would do (if approved) is remove a disincentive.

There is absolutely no doubt that, if push came to shove, the assembled might of the State of Rhode Island could force Grid to comply with the letter of the law regarding promotion of energy-efficiency resources. It might take some tens of thousands of dollars and some months or years of litigation, but, yes, the combined forces of the

Attorney General's office, CLF, perhaps PUC staff attorneys could certainly make even a company as large as Grid do the absolute, bare minimum required by law. Litigation, however, will not bring about the change in culture that we seek, and cannot push Grid beyond mere compliance with the law.

Let me add one more thing. If the Commission approves the Company's proposal for decoupling in this Docket, CLF will want in the future to see very aggressive and very assertive proposals from Grid (and from the EERMC) for energy-efficiency procurement. CLF can and will intervene in future energy-efficiency dockets here in the PUC (just as CLF was a party in Docket 3931, which considered least-cost procurement rules and Grid's energy-efficiency programs) to ensure that Grid is moving aggressively and quickly to procure all efficiency resources it can, should, and must.

In fact, let me speak plainly. If future efficiency dockets do not mandate the kind of aggressive ramp-ups in efficiency procurement that CLF believes to be absolutely necessary, CLF is prepared to litigate against Grid (and/or against the EERMC) to increase efforts in that area.

Q. I should like to direct your attention to the Division's Data Request 6-5(b) directed to Grid in this Docket; that Data Request seeks information on other utilities that have implemented decoupling concerning "[t]he magnitudes of rate adjustments that have been implemented for individual rate classes."

A. Yes, I am familiar with the Division's Data Request. Unfortunately, Grid does not answer the question. Grid's Response says that "[n]either the Company nor Dr. Tierney has performed research on the magnitude of . . . rate adjustments . . . ." Grid also states that such analysis would be difficult to perform because different utilities utilize different rate adjustment mechanisms and that the analysis would necessarily have to "assess the implications of these differences . . . ." In effect, Grid is saying that one must be careful to compare apples to apples.

Q. Why do you say, "<u>Unfortunately</u>, Grid does not answer the question."?

A. It is obvious to me that a major concern of any observer considering a decoupling proposal will be the potential for rate impacts, especially negative rate impacts, on ratepayers. This is clearly what lies behind the Division's Data Request 6-5 in this Docket. Moreover, in my view, consideration of potential rate impacts on ratepayers is a <u>legitimate</u> concern when contemplating a decoupling proposal, any decoupling proposal. The Division is right to raise the issue, and I am certain that potential impacts on ratepayers will be one consideration that the Commission will factor in when it makes its decision on whether or not to approve Grid's decoupling proposal in this Docket. In this context, I believe that Grid's non-answer to a legitimate question is, as I said, "unfortunate."

Q. But isn't Dr. Tierney correct that this is a complicated issue and that, when comparing rate adjustment mechanisms across utilities in different states, it is important, so to speak, to compare apples to apples?

A. Yes, Dr. Tierney is definitely correct that this is a complicated issue. Nevertheless, I do believe that there are data available on this subject that can be provided to the Commission in order to help the Commissioners understand what the actual, real-world experience has been for ratepayers in other jurisdictions that have already implemented decoupling. Rhode Island is by no means the first jurisdiction to contemplate decoupling. Other states have implemented decoupling, and the data and information from those states on effects on ratepayers can help inform the PUC's decision in this Docket as to whether or not to approve Grid's decoupling proposal.

Q. So let me put the question to you specifically and directly: In other jurisdictions that have implemented decoupling, what have been the magnitudes of rate adjustments that have resulted for ratepayers?

A. According to a June 2009 report by Pamela G. Lesh entitled "Rate Impacts and Key Design Elements of Gas and Electric Utility Decoupling: A Comprehensive Review," "Decoupling adjustments tend to be small, even miniscule. Compared to total residential retail rates, including gas commodity and variable electricity costs, decoupling adjustments have been most often under two percent, positive or negative, with the majority under 1 percent." This report was based on a survey of 28 natural gas utilities

and 12 electric utilities in 17 states that have operative decoupling mechanisms.[4] That is, the fact that decoupling rate adjustments tend to be small, even miniscule, is not a prediction of possible, future events, but rather a statement based on a retrospective look at actual past events in the real world.

The reasons that decoupling adjustments tend to be small, even miniscule, are easy to understand. Decoupling applies only to the distribution part of a ratepayer's bill, which is only about a quarter of the bill. The remaining three-quarters of a ratepayer's bill, the commodity portion, is not directly affected by decoupling at all. (However, to the extent that effective efficiency programs tend to put a downward pressure on the bills of all ratepayers, then decoupling may be said to have a small, indirect tendency to reduce even the commodity portion of ratepayers' bills.) And customer use only varies by a modest amount over time (even accounting for the most optimistic possible ramp-ups in efficiency and conservation). So you are looking at changes of only a few percent of a ratepayer's entire bill, and, most directly, only on the distribution portion of the bill. This works out to a very small adjustment as a percentage of the overall bill.

Q. What else does the Lesh Report say about the impact of decoupling on ratepayer bills?

[4] A complete copy of Ms. Lesh's report is attached hereto at Tab A. Ms. Lesh has worked in the electric utility industry for over 20 years. She was Vice President of Regulatory Affairs and Strategic Planning for Portland General Electric (PGE); was a Senior Advisor to the Natural Resources Defense Council (NRDC); and is currently the founder and principal of a consulting firm providing services to utilities and others on issues relating to energy.

A. The other significant finding is this: "Decoupling adjustments go both ways, providing both refunds and surcharges to customers . . . Regardless of the particular combination of causes for any given adjustment, no pattern of either rate increases or decreases emerges."

I think this second finding is also crucially important. Decoupling is sometimes portrayed by opponents as a trick or a ruse that can only increase a utility's income at the expense of ratepayers. Actual, real-world experience in jurisdictions that have implemented decoupling shows that this is just not true. When commodity use decreases -- say, because of efficiency programs or an unusually cool summer -- rates do go up (by a very small amount). But, importantly, when commodity use increases for any reason -- say, an unusually hot, humid summer -- rates actually go down. This is a two-way ratchet, not a one-way ratchet. When commodity use increases, decoupling prevents the utility from making unexpected (or even windfall) profits.

This is something that ratepayer advocates ought to be very pleased to support.

Q. You said that decoupling is desirable for environmental reasons. What do you mean by that?

In climate change, the world is facing an unprecedented global disaster. If unchecked, climate change will cause sea level rise (flooding many of the most densely populated areas on earth, including significant portions of Rhode Island); droughts (with concomitant famines and social upheavals); and the extinction of thousands of species.

The 2007 report of the Intergovernmental Panel on Climate Change (IPCC) makes clear that climate change is real; it is anthropogenic, and it is accelerating. The IPCC was the co-recipient of the Nobel Peace Prize for its "efforts to build up and disseminate greater knowledge about man-made [sic] climate change, and to lay the foundations for the measures that are needed to counteract such change."

In the short-term, energy efficiency will be the single most effective way that human society will be able to achieve reductions in the greenhouse gas emissions that cause climate change. Although in the longer term, many other things will also be necessary -- including development of new, non-polluting, renewable-energy sources -- in the next few years, achieving greater energy efficiency is the most important single tool we can use to help slow climate change. And implementing decoupling removes a major barrier to maximizing energy efficiency.

The relevance of the global climate change crisis to this Docket should not go unremarked. The Commission can, in this Docket, take a step that, while small, is nevertheless truly significant in addressing climate change. The Commission can approve electricity decoupling in this Docket, thereby removing an important disincentive to achieving efficiency.

Q. You also said that decoupling is important "for legal reasons." What did you mean by that?

I was referring to specific provisions of both Rhode Island law and Federal law. I'll discuss each of these in turn.

As for Rhode Island law, in 2006, the Rhode Island General Assembly passed the Comprehensive Energy Statute. The Comprehensive Energy Statute expressly announced that Rhode Island public policy is to achieve all cost-effective energy conservation and energy efficiency. As described above, decoupling is an important step in achieving that public policy because decoupling removes a major disincentive that structurally pushes the utility, a major player in the statutory and administrative scheme put in place by the Comprehensive Energy Statute, away from fully and completely playing the role of conservation and efficiency provider to its customers.

The Comprehensive Energy Statute also created the Energy Efficiency and Resource Management Council (EERMC). In creating the EERMC, the General Assembly expressly found that "Energy conservation and energy efficiency have enormous, untapped potential for controlling energy costs and mitigating the effects of the energy crisis for Rhode Island residents and the Rhode Island economy." Decoupling is closely related to achieving energy efficiency, which the General Assembly has declared to be the public policy of Rhode Island. Indeed, because the EERMC recognizes the connection between decoupling and achieving the energy efficiency mandated by the General Assembly, the EERMC has intervened in this Docket to support Grid's decoupling proposal.

As for Federal law, the American Recovery and Reinvestment Act of 2009 (which I shall refer to here by its popular name, the federal Stimulus Bill) provides $3.1 billion in special funding for states that have implemented decoupling. I attach, at Tab B, the specific provision of the Stimulus Bill to which I am referring.

As a condition to a state receiving its share of this funding, the Governor of that state must have certified by March 1, 2009, to the Secretary of Energy that "the State regulatory authority [that] has ratemaking authority" (in Rhode Island that is the PUC) has implemented "a general policy that ensures that utility financial incentives are aligned with helping their customers use energy more efficiently and that provide timely cost recovery and a timely earnings opportunity for utilities . . ." (that is, decoupling) (emphasis supplied). Importantly, the reader will note that these two points are exactly the two objectives that I testified earlier decoupling accomplishes. (See page 6, lines 1-6, above.) Decoupling aligns utility financial incentives with the public interest and with helping customers use energy more efficiently; and decoupling ensures that utilities have timely cost recovery.

On February 26, 2009, Governor Carcieri sent the required certification letter to U.S. Secretary of Energy Steven Chu. I attach a copy of Governor Carcieri's letter at Tab C. You will note the operative sentence in Governor Carcieri's letter: "I have written to our public utilities commission and requested that they consider additional actions to promote energy efficiency . . . ." The letter to which Governor Carcieri refers

is his letter to this Commission, also dated February 26, 2009. I attach a copy of that letter at Tab D.

Unfortunately, the requirement of the Stimulus Bill (to receive the funding I refer to above) is that the state actually has implemented decoupling -- not that the Governor writes to the PUC "requesting" that the PUC "consider" decoupling. That is, if this Commission, faced with a sensible, reasonable proposal for decoupling (I discuss the specifics of the decoupling mechanism in this Docket below) were to turn down the proposal (which, of course, the Commission has the authority to do) then tens of millions of dollars in stimulus funding coming to Rhode Island could be jeopardized.

I choose my words, "could be jeopardized," carefully. If the Commission does not approve decoupling in this Docket, CLF has no intention of filing a lawsuit arguing that the Secretary of Energy should (or must) deny the specified stimulus funds to Rhode Island. Indeed, as a lawyer, it is not even clear to me that, under applicable law, any individual person or organization would have legal standing to commence such a suit.

Nevertheless, tens of millions of dollars that would otherwise flow to Rhode Island could be in jeopardy. The Stimulus Bill requires the Governor to certify that something has been implemented. So far, all he is done is certify that he has requested that something be considered. These are two very different things. While I do not assert that a lawsuit challenging distribution of these funds to Rhode Island would necessarily be successful, the Energy Department could very well, on its own initiative, inquire as to

what this Commission has done in response to the February 26 letter from Governor Carcieri.

In short, it is very clear that approving decoupling in some form was what the Congress meant when this provision of the Stimulus Bill was enacted.

Q. I should like to direct your attention to the George Wiley Center's Data Request 1-4 directed to Grid in this Docket; that Data Request asks: "Does National Grid object to exempting the A-60 rate class from the decoupling program?" What is your and CLF's position on this issue?

A. The A-60 rate class consists of low-income ratepayers. CLF and I support the Wiley Center's suggestion that the A-60 class be exempt from decoupling, and we hope that Grid will agree with the suggestion and that the Commission will approve decoupling with that slight modification. I say this for two reasons, one practical and the other political.

First, as a practical matter, to the extent that decoupling may, in some cases, result in (very slightly) higher rates (not necessarily higher bills, but higher rates; see above) for some ratepayers, the ratepayers who would be most adversely affected would be the low-income class. In this context, it makes eminent good sense to exempt just the A-60 class of low-income ratepayers from the provisions of decoupling.

Second, as a political matter, it is my understanding that in last year's Docket

3943, the Wiley Center opposed decoupling; but that in this Docket the Wiley Center is prepared not to oppose decoupling if the A-60 rate class is exempted. As a political matter, I hope that decoupling will receive the broadest possible support from a variety of parties to this Docket. For example, I am pleased that Environment Northeast (ENE) and the EERMC -- in addition to CLF and Grid -- are all supporting the Company's decoupling proposal. If exempting the relatively small A-60 rate class builds even broader support for decoupling (or reduces active opposition) then I think such an action is sensible.

III. Grid's Decoupling Proposal in This Docket

Q. Now that you have discussed decoupling as a general concept, are there specific aspects of Grid's decoupling plan in this Docket that you wish to highlight?

A. Yes. As I mentioned above, and as the Commissioners are well aware, Grid proposed a decoupling mechanism on the gas side in last year's gas rate case, Docket 3943. During the course of that Docket, several specific criticisms of the proposed decoupling mechanism were presented by witnesses Bruce Oliver, who testified on behalf of the Division of Public Utilities and Carriers (the Division), and John Farley, who testified on behalf of The Energy Council of Rhode Island (TEC-RI). The decoupling proposal in last year's Docket 3943 was turned down by the PUC.

I want to highlight three of the specific criticisms these witnesses had of the earlier decoupling proposal in the previous Docket because I am impressed that all three

of these issues have been addressed and cured by Grid in its decoupling proposal in this Docket. Those three specific issues in the previous Docket were: (1) that decoupling could or would increase time between rate cases and so reduce review and oversight by the Commission; (2) Grid's chosen "Revenue Per Customer" (RPC) mechanism could produce windfall profits to Grid if the number of its customers increased; and (3) the potentially large and inappropriate effect of decoupling in customer classes with very few members.

I would like to discuss how each of these prior objections to decoupling in the previous Docket have been addressed by Grid in its decoupling proposal in this Docket.

Q. Let's start with the first issue, that decoupling could or would increase time between rate cases and thus reduce review and oversight by the Commission. What evidence do you see that this issue arose in Docket 3943 last year?

A. This came up several times in the previous Docket. For example, the Division's witness, Bruce Oliver, in his Direct Testimony, said if there were decoupling that "problems are likely to grow as the time periods between rate cases expand."[5]

In his Direct Testimony in the prior Docket, TEC-RI's witness John Farley seemed to assume that decoupling would increase the time between rate cases and that this is a bad thing: "Decoupling eliminates regulatory lag, the feature of ratemaking whereby, over time, changes to costs and revenues impact the utility's margin until it

[5] July 25, 2008, Direct Testimony of Bruce Oliver, page 16, lines 6-7.

becomes necessary to file a rate case. Rate cases are the most effective tool that regula[to]rs have to, well, regulate the utility. While it is understandable that the utility would want to avoid oversight of its operation and scrutiny of its books, rate cases serve a vital purpose. Rate cases are an important safeguard to the interests of the ratepayers . . . ."[6]

Similarly, in the opening statement of TEC-RI's lawyer in the prior Docket, the attorney argued that increasing the time between rate cases was a reason to oppose decoupling: "[T]he company could avoid a new rate case for a longer time period, and we agree with Mr. Roberti, rate cases promote the effective function of regulation. Without them [Grid] coming in with a rate case, we believe this Commission cannot effectively regulate the company."[7]

Q. How has Grid sought to address this issue in the current Docket?

A. The Revenue Decoupling Mechanism proposed in the current Docket requires that the Company come before the PUC annually for a revenue reconciliation process. For example, I direct the reader's attention to the testimony in this Docket of Dr. Tierney who states: "[R]evenue decoupling would mean that the utility would come before the Commission annually for the purpose of revenue reconciliation. Depending upon the nature of the reconciliation process, this would provide the Commission and other

[6] July 25, 2008, Direct Testimony of John Farley, page 20, lines 3-9.
[7] August 27, 2008, Hearing Transcript, page 197, lines 18-21, Opening Statement of Michael McElroy, Esq., representing TEC-RI.

stakeholders with relatively transparent metrics about certain aspects of the Company's operations (e.g., revenue, kWh sales levels, customer counts, etc.)."[8] Dr. Tierney provides additional detailed information on the type of revenue information and reconciliation that would be provided in these annual filings by the utility in her testimony on pages 89 to 92 of her June 1, 2009, Pre-Filed Direct Testimony, including both the "look-ahead" estimates and the "look-back" based on actual figures.

While these annual filings would not be full-bore rate cases (and, indeed, are not meant to be that), these annual filings will give the Commission an opportunity to examine regularly just how the decoupling mechanism is working out in actual practice. It would provide an opportunity, if the Commission so desired, to examine the impacts of decoupling on ratepayers. And it would provide this opportunity each and every year, and in as much detail (or lack of detail) as the Commission deemed appropriate to the circumstances.

Thus, I believe that, to the extent that possibly reduced or attenuated oversight opportunities for the Commission were a reason for the Commission's turning down gas decoupling last year in Docket 3943, that issue has been satisfactorily addressed and cured by Grid's proposal for electricity decoupling in this Docket. The annual filings that would be required provide oversight opportunities with sufficient frequency and depth for meaningful oversight.

[8] June 1, 2009, Pre-Filed Direct Testimony of Susan F. Tierney, at page 48, lines 17-21.

Q. Let's move on to the next issue, that Grid's chosen RPC mechanism could produce windfall profits to Grid if the number of its customers increased. What evidence do you see that this issue arose in Docket 3943 last year?

A. Let's start again with the Division's witness, Bruce Oliver. Mr. Oliver criticized the decoupling proposal in last year's gas Docket, in part, because it "provides the Company opportunities for growth in allowed distribution revenue between rate cases if the number of customers served continues to grow."[9]

Similarly, in his live testimony, TEC-RI witness John Farley said, "[A]ll this comes down to is the company . . . is allowed to collect its target revenue per customer times the number of customers in the class. Whenever that number of customers goes up, it's [the company is] allowed to collect more revenue."[10]

The witnesses I have just quoted were correct. As the Commission will recall, the entire decoupling mechanism in last year's gas Docket was based upon the RPC calculation -- that is, Revenue Per Customer. If the number of Grid's gas customers went up, Grid would have been entitled to more money -- because its revenue per customer would have stayed exactly the same, but would have been multiplied by more total customers.

Q. How has Grid sought to address this issue in the current Docket?

[9] July 25, 2008, Direct Testimony of Bruce Oliver, page 15, lines 2-4.
[10] Transcript of September 29, 2008, live testimony of John Farley, page 34 line 22 to page 35 line 3 (speaking in response to question from Commissioner Holbrook (at page 32 lines 9-11)).

A. In the current electricity Docket, there is no revenue per customer (RPC) concept whatever. Instead, the entire proposal is based on something entirely different: Annual Target Revenues (ATR). This is not based on individual customers or even classes of customers (this latter is something I will discuss further below). Instead, it is based on ATR for the entire Company. Thus, the problem perceived last year by these witnesses for the Division and TEC-RI -- that Company revenue could grow beyond the ROE allowed by the Commission if the number of customers increased -- is not a problem and not an issue in this Docket.

Q. Let me be clear here. Are you saying that the decoupling mechanism proposed in this Docket would not, to use Mr. Oliver's words "provide[] the Company opportunities for growth in allowed distribution revenue between rate cases if the number of customers served [were] to grow?"

A. That is absolutely correct. The decoupling mechanism that failed to win Commission approval in Docket 3943 did allow utility revenue to grow any time and every time there was a rise in the number of customers. The decoupling mechanism that the Company is proposing in this Docket does not allow utility revenue to grow based on changes in the number of customers. That is because the critical, central mechanism in this docket is not at all a revenue per customer system, but rather a revenue-for-the-whole-company system.

In short, this entire criticism of the decoupling proposal in the prior Docket is completely fixed in the decoupling proposal in this Docket.

Q. Let's move on to the next issue, the potentially large and inappropriate effect of decoupling in customer classes with very few members. What evidence do you see that this issue arose in Docket 3943 last year?

A. Perhaps the best example of this issue arising comes from the testimony of TEC-RI's witness John Farley, who said: "The Large and Extra Large rate classes have a relatively small number of customers in each, and those customers are relatively heterogeneous, meaning that their loads and revenues are highly diverse. Under the Company's revenue per customer decoupling proposal, customers in such a small count, heterogeneous rate class can be unduly impacted by events such as customer migration or significant reductions in load due to aggressive implementation of demand resources by other customers in the same rate class. For example, revenues could drop dramatically when an extremely large commercial customer migrates from firm to non-firm service, and this would result in the remaining customers in that rate class seeing a disproportionate increase in rates as a result of the decoupling true-up."[11]

Q. Leaving aside Mr. Farley's views about whether this is a good thing or not, was Mr. Farley correct as a factual matter that Grid's prior proposal for decoupling in

[11] July 25, 2008, Direct Testimony of John Farley, page 32 line 16 to page 33 line 5.

last year's gas Docket could have had a large impact especially in rate classes that had very few members?

A. Yes. As a factual matter Mr. Farley was correct about a potential result of decoupling in last year's gas case. That is because Grid's decoupling proposal in last year's gas case was based on a revenue per customer concept on a rate-class-by-rate-class basis. Applying such a RPC mechanism rate class by rate class, obviously, could have substantial impact in rate classes with very few members. That is what Mr. Farley was referring to in his testimony that I just quoted.

Q. How has Grid sought to address this issue in the current Docket?

A. As I mentioned earlier, in the current electricity Docket, there is no revenue per customer (RPC) concept and the annual true-ups are not done on a rate-class-by-rate-class basis. Instead, Grid's proposed decoupling mechanism in this Docket is based on Annual Target Revenues (ATR) for the entire company. In this way, Grid has obviated the potential problem of having major impacts based on small changes in rate classes that have very few members.

In this regard, I make reference to the Division's Data Request 6-4 in this Docket, and to Dr. Susan F. Tierney's response to Division Data Request 6-4. The Division's Data Request 6-4 addresses the same issue that I am discussing here: that "customers in classes that have comparatively small numbers of customers and significant diversity of use among those customers could be subject to disproportionately or unacceptably large

annual rate adjustments in percentage terms under the provisions of the company's [decoupling] plan." Dr. Tierney's response makes clear -- just as I said in the previous paragraph -- that Grid's decoupling plan in this Docket applies the annual reconciliation adjustment in a uniform manner across all rate classes. (See Grid's Response to Division Data Request 6-4, page 2, final paragraph.)

Q. In conclusion, would you please sum up your testimony?

A. Yes.

CLF and I support Grid's proposal for decoupling in this Docket. Decoupling is an important and necessary (but, alone, not sufficient) prerequisite for achieving all available energy efficiency. Energy efficiency, in turn, is an important first step in reducing carbon emissions and addressing the problem of climate change.

CLF takes no position on the other issues presented in this Docket.

CLF and I believe that decoupling also has important benefits for all electricity ratepayers. In particular, by reducing aggregate demand at periods of peak consumption, efficiency (enabled, in part, through decoupling) can reduce the overall cost of electricity to all ratepayers by reducing the quantity of highest-cost electricity at times of peak load.

Decoupling is contemplated by Rhode Island's 2006 Comprehensive Energy Statute and by the 2009 Federal Stimulus Bill.

I am aware of the fact that the PUC turned down a proposal to decouple gas-distribution rates in last year's Docket 3943. Grid's proposal to decouple electricity

prices in this Docket differs in significant ways from the proposal that was turned down last year. More specifically three specific objections to decoupling that emerged in last year's gas Docket have been addressed and corrected in the plan submitted in this Docket.

For all those reasons, CLF and I urge the Commission to approve Grid's plan for decoupling of electricity rates presented in this Docket.

Q. Does this conclude your testimony?

A. Yes, it does.

EXHIBIT A

GRACEFUL SYSTEMS LLC

RATE IMPACTS AND KEY DESIGN ELEMENTS OF GAS AND ELECTRIC UTILITY DECOUPLING

A COMPREHENSIVE REVIEW

Pamela G. Lesh

6/30/2009

This report catalogues all of the decoupling mechanisms in place for electric or gas utilities as of Spring 2009, and discusses several older, now expired, mechanisms as well. Where the information was obtainable, it includes the rate adjustments made under the decoupling mechanisms and expresses those as a percentage of rates. It also reviews major features of the mechanisms studied.

RATE IMPACTS AND KEY DESIGN ELEMENTS OF GAS AND ELECTRIC UTILITY DECOUPLING:
A COMPREHENSIVE REVIEW
Prepared by Pamela G. Lesh
June 2009

This report compiles the rate impact experience during this decade with decoupling of retail gas and electric utility revenues from sales volumes and provides, along with this, information on relevant order numbers, statutes, mechanism descriptions, and implementing tariffs. Sources included utility and state regulatory commission websites, the American Gas Association and the Edison Electric Institute, and, in a few cases, helpful utilities. Immediately below is a brief explanation of "decoupling" as used in this report, followed by a summary of the findings and a short description of methodology. The report concludes with observations about utility ratemaking.

Decoupling

Decoupling is a regulatory term indicating that, through any one of several means, a given energy utility does not derive the portion of its revenues necessary to provide it an opportunity to recover its fixed costs of service on the basis of its sales of natural gas or electricity. Fixed costs of service include such things as the capital recovery cost of installed plant and equipment (depreciation, debt interest, and equity return), most operations and maintenance expenses and taxes. The largest cost that is not fixed is typically the cost of fuel or purchased power.

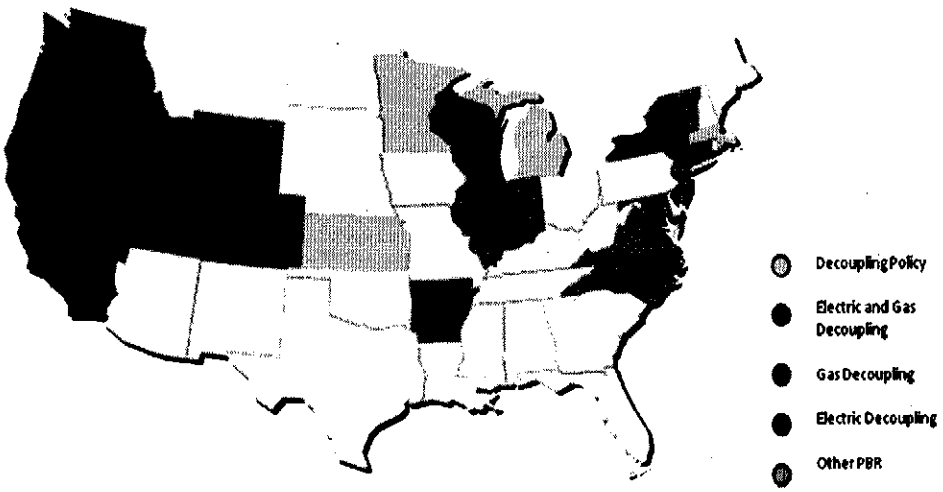
One primary means of decoupling, albeit with many variations, is through a regulatory adjustment mechanism that adjusts rates periodically to ensure that a utility records as revenue for fixed cost recovery no more and no less than the amount of revenue authorized for that cost coverage. This means of accomplishing decoupling does not affect how customers pay for energy utility services, enabling utilities to maintain volumetric rates and the incentive for customers to conserve or use energy more efficiently. In general, current rate designs include some amount of fixed customer charge per month and a per unit charge based on either gas or electricity consumption, or demand, or both. Although the utility continues to receive revenues from customers on this basis under a decoupling mechanism, it books only the revenue to cover fixed costs that its regulator has authorized, typically in a rate case or through the operation of a formula for calculating a change in fixed costs over time. For example, some such formulas change revenues authorized for fixed cost recovery according to the change in the number of customer accounts (often called revenue per customer); others change revenues for fixed cost recovery according to an inflation index, decreased for an assumed amount of productivity improvement (often called an attrition adjustment). On some regular basis, the decoupling mechanism provides a rate adjustment to ensure that customers, in effect, receive refunds or pay surcharges based on whether the revenues the utility actually received from customers were less or greater than the revenues the regulator authorized. This difference can occur for many reasons, primary among which

are weather, economic conditions, and customer behavior that differ from assumptions in the ratemaking process.

It is also possible to break the link between fixed cost recovery and electricity or natural gas consumption by changing how customers pay for energy utility services. In general, this is called "straight fixed-variable" rate design, in which the fixed monthly customer charge recovers all of the utility's fixed costs of service and the variable, energy-related charge, covers only the variable cost of energy. Some Commissions adopting this type of rate design have called it 'decoupling." While this rate design does break the link between sales and fixed cost recovery, it does so by greatly diminishing customer incentives to conserve or invest in energy efficiency. Moreover, the change in rate design from a more traditional form can significantly shift costs within and between classes of customers. In particular, those customers with lower than average consumption can experience much higher bills as costs shift from variable, usage-based, charges to fixed, billing period, charges. This decoupling report excludes examples of this rate design because it does not result in adjustments to rates as the regulatory mechanism method does.

Review Summary

A total of 28 natural gas local distribution gas utilities (LDCs) and 12 electric utilities, across 17 states, have operative decoupling mechanisms.[1] Six other states have approved decoupling in concept, through legislation or regulatory order, but specific utility mechanisms are not yet in place. The map below shows the states covered by this report:

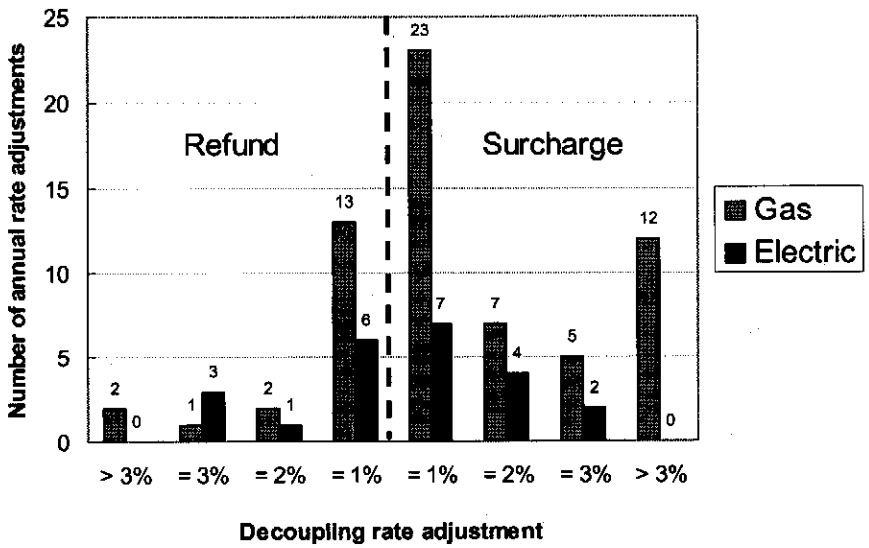


[1] This report includes two other current electric regulatory mechanisms that operate to some extent to decouple utility revenues from sales but do not permit calculation of decoupling adjustments. It also includes information on a few now-expired decoupling mechanisms, to the extent such information was discoverable.

Many of the mechanisms that exist began operation only within the last few years, although the California utilities have had some form of decoupling for much longer. Based on the available data, this review supports two definitive conclusions:

- Decoupling adjustments tend to be small, even miniscule. Compared to total residential retail rates, including gas commodity and variable electricity costs, decoupling adjustments have been most often under two percent, positive or negative, with the majority under 1 percent.[2] Using Energy Information Administration (EIA) data for 2007 on gas and electric consumption per customer and average rates, this amounts to less than $1.50 per month in higher or lower charges for residential gas customers and less than $2.00 per month in higher or lower charges for residential electric customers.
- Decoupling adjustments go both ways, providing both refunds and surcharges to customers. This is particularly true for those mechanisms that operate on a monthly basis, but also is true for those adjusted annually or semi-annually. There are many reasons, of course, that actual revenues can deviate from the revenues assumed in ratemaking. Most of the mechanisms do not adjust revenues for the effects of weather, leaving that as the primary cause of greater and lower sales volumes, particularly for residential rate schedules. Other causes include energy efficiency, programmatic and otherwise, customer conservation, price elasticity, and economic conditions. Regardless of the particular combination of causes for any given adjustment, no pattern of either rate increases or decreases emerges.

The figure below summarizes the distribution of decoupling adjustments.



[2] These are not actual rate changes, simply a comparison of the decoupling adjustment to the total rate at or near the time of the adjustment. See methodology summary for an explanation of why it is impossible to determine actual decoupling rate changes that customers may have experienced. Counts in the figure include only the annual average of those mechanisms that have monthly adjustments.

By comparison, rate adjustments under purchased gas cost adjustment or fuel/purchased power cost adjustment clauses tend to be much larger. Although a review of actual adjustments under these clauses was beyond the scope of this study, the following history for one electric (Idaho Power Company) and one gas utility (Northwest Natural Gas Company), both of which had decoupling mechanisms for part of the period, provides an example for context:

	Northwest Natural		Idaho Power	
Year	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

The information gathered below supports several other observations about decoupling:

- The mechanisms have a great variety of names, almost none of which contain the word "decoupling." Names ranged from "Billing Determinant Adjustment" to "Volume Balancing Adjustment" to "Bill Stabilization Rider" and more.
- Most mechanisms appear in a separate tariff page, although in one or two cases the mechanism is combined with an energy efficiency program tariff and the California utilities do not have a tariff for decoupling. Instead, the California utilities have regulatory authority to make the calculations and rate adjustments as part of an "Annual True-up" procedure.
- Almost all of the gas utilities with decoupling mechanisms also adjust rates to account for the effects of weather on revenues. For some, this occurs logically under the decoupling mechanism, which performs calculations based on actual, not weather-adjusted, revenues. For others, eliminating the effects of weather on the revenues the utility collects to cover fixed costs occurs under a separate tariff. Under either approach, the utilities no longer face a risk of under-

[3] For Northwest Natural, the decoupling adjustment is included in the overall PGA; thus, these are not additive.

recovering fixed costs or reaping a windfall if weather is different from that assumed in the ratemaking process. In contrast, a couple of electric utilities calculate decoupling adjustments on the basis of weather-adjusted revenues. For these, the utility keeps revenues associated with sales caused by weather more extreme, and forgoes revenues lost because of weather milder, than that assumed for ratemaking purposes.

- Most of the mechanisms produce an annual adjustment, but a handful of utilities adjust rates monthly and one or two semi-annually. The monthly adjustments tend to be very small but can go up and down six times in as many months. The tables below show only the annual average of monthly adjustments and, in a few cases, high and low adjustments during the year.
- Most mechanisms perform the calculation of the difference between actual fixed cost revenues and authorized fixed costs revenues on a per customer class or per rate schedule basis, refunding or surcharging the result only to that schedule or class.
- A number of these decoupling mechanisms are in place only on a "pilot" basis, subject to cancellation or further regulatory process after 3-4 years.
- Most of the mechanisms allow utilities to keep additional revenues from growth in the number of customer accounts during a decoupling period. This can occur either by expressing the fixed costs as a revenue-per-customer amount and reconciling actual revenues to the revenue per customer amount times the current number of customers, or by adjusting the allowed revenue requirement for customer growth and reconciling actual revenues to that adjusted amount. A few utilities receive an explicit attrition adjustment, approved by the Commission and not dependent on the number of customers.
- Some of the 28 mechanisms include some unusual features. For three utilities, adjustments only occur if they are surcharges; the mechanism does not require refunds. Another two utilities can collect surcharges only if savings in gas costs offset the lost margin. Some mechanisms limit the dollar amount or percentage of rate change permitted, either deferring any excess for later recovery/credit or simply eliminating it.

The table below summarizes some of the different features of decoupling mechanisms, indicating how many of the mechanisms have each type of feature.

Feature	Gas Decoupling	Electric Decoupling
Revenue change between rate cases		
Revenue-per-customer[1]	23	4
Attrition adjustment[2]	3	4
No change	3	1
No separate tariff	3	3
Timing of Rate True-ups		
Annual	19	8
Semi-annual/quarterly	2	1
Monthly	4	3

Weather[3]		
Not weather-adjusted	20	10
Weather-adjusted	8	2
Limit on adjustments and/or dead-band[4]	9	6
Per class calculation and adjustments[5]	25	7
Earnings Test[6]	4	
Pilot/known expiration date	11	4
Surcharges only	3	
Total Utilities Analyzed	**28**	**12**

Notes to table

1. "Revenue per customer" means that the decoupling mechanism calculates the authorized revenue to which the utility will reconcile its actual revenues by dividing the last approved fixed cost revenue requirement by the number of customer accounts assumed in that ratemaking process, and then multiplying the per-customer amount by the number of customers in the current decoupling period. For example, if the authorized fixed cost revenue requirement was $1 billion and the ratemaking number of accounts was 1 million, the fixed cost per customer amount would be $1000/year. If, during a given decoupling year, the actual number of customer accounts was 1,050,000, the utility would refund any amount by which its actual revenues exceeded $1.05 billion. Thus, the additional customer accounts contribute $50 million to fixed cost recovery.
2. "Revenue requirement true-up" means that the decoupling mechanism simply compares the actual foxed cost revenues to the amount authorized for fixed cost recovery in the utility's last rate case, even if that was several years prior. Thus, the utility may face declining income as inflation and other factors increase fixed costs. The sub-category of these that are "with attrition" indicate the utilities for whom that authorized revenue requirement changes from year to year according some formula, generally an inflation index less an assumed amount of productivity improvement. This may be part of the decoupling mechanism, done as a means of calculating the comparator for the actual revenues collected, or external to the decoupling mechanism and causing its own rate adjustment.
3. "Weather" refers to revenue variances attributable to actual weather differing from the weather conditions assumed in the ratemaking process. If a decoupling mechanism uses actual revenues that are not weather-adjusted, that means that revenue variances attributable to weather will affect the size of the customer refund or surcharge.
4. "Limit on adjustments or a dead-band" refers to features in a given decoupling mechanism that limit the size of any (or a cumulative set of) customer refund or surcharge, or in the case of a dead-band, exclude a certain amount of the variance (again, refund or surcharge) before calculating the positive or negative decoupling rate increment. For most of the mechanisms that have a limit on the size of decoupling adjustments, any amount not refunded or surcharged carries over to the next decoupling period. That is not always the case, however.

5. "Per class calculation and spread of adjustments" means that the mechanism determines the difference between the authorized fixed cost revenue and the actual revenue on a per class or per rate schedule basis and refunds or surcharges the resulting amount only to that rate schedule or customer class. Included in the count are utilities for which the decoupling mechanism applies only to one customer class or rate schedule. Only eight utilities have mechanisms that do not do this.
6. "Earnings test" refers to a limitation on decoupling surcharges by which the utility may not recover revenue differences calculated by the mechanism to the extent that recovery would increase its earnings over a specified return on common equity, whether the last authorized or another amount.

The next several years will significantly increase experience with decoupling, both for those utilities for whom decoupling is of relatively long-standing and for those that have just begun their implementation. It would be worthwhile to update this review at some point to determine whether these conclusions hold true with additional experience, particularly among the electric utilities for whom data is presently scarcer than for gas utilities.

Methodology

Generally, it was possible to find a tariff stating the decoupling adjustment, either in cents or dollars per therm, or cents per kWh. This was not the case only for the California utilities, whose decoupling does not occur under a separate tariff but as part of a much larger annual filing. Those utilities very helpfully provided the information needed for this report. Amounts in ( ) are rebates to customers; other amounts are surcharges. In general, amounts are rounded to two to three digits.

It was much more difficult to find a total retail rate for the rate classes covered by the decoupling mechanism and, thus, to calculate the size of the decoupling adjustment as a percentage of the total rate. This was particularly problematic where the adjustments were for prior years or the commodity portion of the rate changed frequently, as is common for gas utilities and restructured electric utilities. In many cases, this report uses average annual (or monthly for 2009) retail gas and electric price information for the appropriate state found on the EIA website. The goal was to provide context for the decoupling adjustment, not state precise percentages and the EIA data served well for the purpose.

For a couple of reasons, it is impossible to determine from the sources available what changes in rates actually occurred when. First and foremost, whether a given decoupling adjustment caused a rate increase or decrease depends on what was in rates before for decoupling. For example, if a decoupling adjustment produced a refund one year and a somewhat smaller refund the second year, the rate change customers would experience would be a small increase, as the prior credit expired and was not fully replaced by the current credit. The reverse can also happen: the expiration of a decoupling surcharge will produce a rate decrease unless the subsequent decoupling adjustment is the same or a larger surcharge. Second, many utilities combine one or more rate changes at one time.

Changes in commodity costs or balancing accounts or other tariff riders along with the decoupling adjustment are common and could easily offset or mask the decoupling adjustment. For two utilities, such offsetting was the deliberate design.

STATE/UTILITY INFORMATION

Arkansas

Arkansas Oklahoma (gas)
Case/Order No.: 07-026-U, Order No. 7 (11/20/07)
http://www.apscservices.info/efilings/docket_search_results.asp
Type of decoupling: Reconciles actual weather-adjusted revenues to rate case revenues for the residential and small business classes. No refund for over-recovery; only surcharge for under-recovery (net across all schedules). Deficiencies recovered within each class where a deficiency occurs. There is a separate weather adjustment.
Decoupling tariff: Billing Determinant Adjustment
http://www.apscservices.info/tariffs/112_gas_1.PDF
The tariff expires August 31, 2011; the utility must re-file to continue decoupling.
Energy efficiency cost recovery: incremental costs per the Energy Efficiency cost recovery tariff (adopted in Docket 07-077-TF); forecast and true-up procedure filed by April, for June adjustments.
History of Adjustments: The October 2008 filing was for no adjustment because sales were above those used in ratemaking.

Arkansas Western (gas)
Case/Order No.: 06-124-U, Order No. 6 (7/13/07)
http://www.apscservices.info/efilings/docket_search_results.asp
Type of decoupling: Reconciles actual weather-adjusted revenues to rate case revenues for the residential and small business classes only. No refund for over-recovery; only surcharge for under-recovery (net across all schedules). Deficiencies recovered within each class where a deficiency occurs. There is a separate weather adjustment.
Decoupling tariff: Billing Determinant Adjustment Tariff, Rider No. 3.6
http://www.apscservices.info/tariffs/145_gas_1.PDF
The tariff expires July 31, 2010; the utility must re-file to continue decoupling.
Energy efficiency cost recovery: Incremental costs per the Energy Efficiency cost recovery tariff (for programs approved in Docket 07-078-TF); forecast and true-up procedure; April filings for January 1 adjustment.
History of Adjustments: The October 2008 filing was for no adjustment because sales were above those used in ratemaking.

CenterPoint Energy Resources (gas)
Case/Order No.: 06-161-U; Order No. 6 (10/25/07)
http://www.apscservices.info/efilings/docket_search_results.asp
Type of decoupling: Reconciles actual weather-adjusted revenues to rate case revenues for the residential and small business classes only. No refund for over-recovery; only

surcharge for under-recovery (net across all schedules). Deficiencies recovered within each class where a deficiency occurs. There is a separate weather adjustment.
Decoupling tariff: Billing Determinant Adjustment Tariff, Rider No. 6
http://www.apscservices.info/tariffs/64_gas_2.PDF
Tariff expires on December 31, 2010; the utility must re-file to continue.
Energy efficiency cost recovery: Incremental costs per the Energy Efficiency cost recovery tariff (for programs approved in Docket 07-081-TF); forecast and true-up procedure; April filings for January adjustment.
History of Adjustments: The first filing under the tariff was March 31, 2009. CenterPoint made no adjustment because sales slightly exceeded revenue requirement sales.

California

California first adopted decoupling, through the Supply Adjustment Mechanism (SAM), for gas utilities in 1978 in Decision 88835. By 1982, similar mechanisms were in place for the three electric IOUs. The ratemaking construct worked by establishing a revenue requirement for each utility annually and then reconciling actual revenues to the allowed revenues. Information on the electric decoupling adjustments during this first period is available for most years from 1983 through 1993 through an analysis done by Lawrence Berkeley Labs in 1994.[4] The authors compared the rate adjustments that took place with those that would have occurred without the decoupling amounts. The following were the decoupling-only rate adjustments identified:

Year	PG&E (% of total rates)	SCE (% of total rates)	SDG&E[5] (% of total rates)
1983	2.3	Not available	1.2
1984	(3.4)	(0.5)	1.0
1985	(4.8)	(2.1)	(6.8)
1986	1.9	2.1	1.8
1987	2.1	(1.0)	11.0
1988	5.0	(1.5)	(12.0)
1989	(4.3)	2.4	0.7
1990	(5.4)	(2.1)	4.8
1991	3.9	3.5	(1.8)
1992	3.4	(0.6)	1.4
1993	0.0	(1.9)	Not available

As the gas industry restructured, gas utilities began to serve large (non-core) customers under a straight fixed-variable rate design, which continues through today. For core customers (commonly residential and smaller commercial), decoupling continued.

[4] The Theory and Practice of Decoupling, Joeseph Eto et al., Lawrence Berkeley Laboratory, January 1994 Website: http://eetd.lbl.gov/EA/emp/reports/34555.pdf

[5] The article providing these historical decoupling adjustments does not explain the outlying double-digit increase and decrease for SDG&E. Given that the two are in consecutive years, one might surmise that a load forecasting or mathematical error caused the decoupling increase in the one year only to correct it and reverse the amount in the following year.

The CPUC largely stopped the electric decoupling mechanisms in 1996, with the advent of electric restructuring. It is unclear whether the last reconciliation adjustment was 1995 or 1996. In 2001, however, the Legislature passed Public Utilities Code section 739.10, which required that the CPUC resume decoupling.

739.10. The commission shall ensure that errors in estimates of demand elasticity or sales do not result in material over or under-collections of the electrical corporations.

In individual rate cases following this, the CPUC approved resumption of electric.[6]

Pacific Gas and Electric (electric)

Case/Order Nos.: A.02-11-017 et al.

http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/37086.htm

The first adjustment under the various mechanisms occurred at the end of 2004 to be effective during 2005.

Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years. PG&E has three specific accounts that combine to accomplish decoupling: the Distribution Revenue Adjustment Mechanism, the Nuclear Decommissioning Revenue Adjustment Mechanism, and the Utility Generation Balancing Account.

Decoupling tariff: No specific tariff.

Filing Schedule: Adjustments occur through the Annual Electric True-Up filing.

Energy efficiency cost recovery: Yes

History of Adjustments

Year of Adjustment[7]	Revenue Rqmt ($ millions)	Decoupling Adjustment ($ millions)	Decoupling as % of Total Revenue[8]
2005	9,715	99.41	1.0
2006	9,875	24.64	0.25
2007	10,371	148.9	1.4
2008	10,609	11.4	0.11
2009	11,169	103.55	0.9

Pacific Gas and Electric (gas)

Case/Order Nos.: A.02-11-017 et al.

http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/37086.htm

The first adjustment under the various mechanisms occurred at the end of 2004 to be effective during 2005.

Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years.

[6] Some amount of decoupling, for some of the utilities, may have occurred between adoption of restructuring and the adoption of section 739.10. It is unclear.

[7] The adjustment is collected in the year following the year that the revenue variance occurred.

[8] Because the decoupling adjustments occur along with other adjustments, it is not possible to determine specific adjustments (dollars or percentages) by rate schedule. It is possible to identify the total decoupling adjustment as a percentage of total revenues for the year to which the adjustment relates.

Decoupling tariff: No specific tariff; adjustment occurs in Annual True-Up filing
Filing Schedule: Filings occur in December for January 1 effective dates
Energy efficiency cost recovery: Yes
History of Adjustments

Year of Adjustment	Revenue Rqmt ($ millions)	Decoupling Adjustment ($ millions)	Decoupling as a % of Delivery Revenue[9]
2006	982.8	37.95	3.9
2007	1,026	46.77	4.6
2008	1,095	11.26	1
2009	1,091	50.86	4.7

Southern California Edison (electric)
Case/Order Nos.: A.93-120-29; Decision 02-04-055. The first adjustment under the various mechanisms occurred at the end of 2004 to be effective during 2005.
Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years.
Decoupling tariff: No specific tariff.
Filing Schedule: Adjustments occur through the Annual Electric True-Up filing.
Energy efficiency cost recovery: Yes
History of Adjustments

Year	Annual Change in Rates for Decoupling[10] (%)
2004	(2.1)
2005	(2.1)
2006	0.1
2007	(1.0)
2008	2.2

San Diego Gas & Electric (electric)
Case/Order No.: Case/Order No.: A.02-12-027
http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/44820.htm

[9] The percentages would be much smaller with commodity reflected in the total as well. Because PG&E could not provide the per-therm adjustment related to decoupling, it was not possible to calculate the decoupling as a percentage of the total rate to customers, even using EIA data.
[10] Rate changes reflect the difference between the rate change without the base revenue requirement balancing account (BRRBA) and the rate change with the BRRBA. Because the decoupling adjustments occur along with other adjustments, it is not possible to determine specific adjustments (dollars or percentages) by rate schedule. It is possible to identify the total decoupling adjustment as a percentage of total revenues for the year to which the adjustment relates.

Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years.
Decoupling tariff: No separate tariff
Filing Schedule: Adjustments occur in annual filings that combine many adjustments, including both revenue and cost reconciliations.
Energy efficiency cost recovery: Yes
History of Adjustments[11]

Year	Rate (¢/kWh)	Decoupling Rate Change (¢/kWh)	Decoupling change compared to Rate (%)
2005	13.773	(0.055)	(0.40)
2006	13.935	(0.210)	(1.5)
2007	13.997	(0.051)	(0.36)
2008	13.606	(0.044	0.32
2009	16.726	0.128	0.76

SoCal Gas/SDG&E (gas)
Case/Order No.: A.02-12-027; D.05-03-023
http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/44820.htm
Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years.
Decoupling tariff: No separate tariff
Filing Schedule: Adjustments occur in annual filings that combine many adjustments, including both revenue and cost reconciliations
Energy efficiency cost recovery: Yes
History of Adjustments[12]

Year/ Core/Non-Core	Rate (¢/therm)	Decoupling Rate Change (¢/therm)	Decoupling Change compared to Rate (%)
2006			
Core	48.348	0.012	0.02
Non-Core	5.36	0	0
2007			
Core	50.196	0.024	0.05
Non-Core	4.852	(0.001)	(0.01)
2008			
Core	51.526	0.001	0

[11] The numbers are estimates only and reflect the best efforts of SDG&E to isolate the decoupling elements. Contact Lisa Davidson at 858-636-3928 for information or updates.
[12] The numbers below are estimates only and reflect the company's best efforts to isolate the decoupling elements. Rates shown are for delivery services only.

Non-Core	3.576	(0.001)	(0.04)
2009			
Core	55.052	0.003	0.01
Non-Core	2.954	0.002	0.07

Southwest Gas Corporation (gas)
Case/Order No.: A.02-02-012, Order 04-03-034
http://docs.cpuc.ca.gov/Published/Final_decision/35920.htm
Type of decoupling: Reconciles actual, non-weather-adjusted revenues to approved revenue requirement. An attrition adjustment increases revenue requirement in non-rate case years.
Decoupling tariff: Core Fixed Cost Adjustment Mechanism (line item in cost of gas)
http://www.swgas.com/tariffs/catariff/rates/historic/2009/06-07-2009/rates-nocal.pdf and
http://www.swgas.com/tariffs/catariff/cover/ca_gas_tariff.pdf (see Sheet 6739-G)
Filing Schedule: Changes occur every January 1
Energy efficiency cost recovery: Yes
History of Adjustments

Year	Average Commercial Rate[13] ($/therm)	Northern Territory Decoupling Adj ($/therm)	% of Retail Rate (est[14])	Southern Territory Decoupling Adj ($/therm)	% of Retail Rate[15]
2005	1.07	0.004	0.4	0.05	4.7
2006	1.04	0	0	0.05	4.8
2007	1.02	(0.0006)	<(.01)	0.004	0.4
2008	1.17	(0.016)	(1.4)	0.010	0.9
2009	0.94	(0.051)	(5)	0.013	1.4

Colorado

Colorado has adopted decoupling only for one utility – gas – and then only for a three-year experiment. Recent legislation authorizes the Commission to ensure cost recovery for both electric and natural gas energy efficiency programs but does not address decoupling. See §40-3.2-103 and 104.

[13] Source: EIA data, annual through 2008 and January 2009. For simplicity, this assumes translates MCF into therms without the small additional amount of btu associated with a therm.
[14] This is an estimate only, using EIA average California commercial retail prices for each of the years above. Although the core class includes both residential and commercial, the percentage estimate uses the lower commercial number to be conservative regarding the size of the adjustment as a percentage of customer rates.
[15] This is an estimate only, using EIA average California commercial retail prices for each of the years above. Although the core class includes both residential and commercial, the percentage estimate uses the lower commercial number to be conservative regarding the size of the adjustment as a percentage of customer rates.

Public Service of Colorado (gas)
Case/Order No.: 06S-656G; Order No. C07-0568
http://www.dora.state.co.us/puc/DocketsDecisions/HighprofileDockets/06S-656G.htm
Type of decoupling: Reconciliation of residential use-per-customer times ratemaking margin to actual, weather-normalized use-per-customer times ratemaking margin; utility allowed to recover only differences greater than or equal to 1.3% decline in use per customer (cumulates every year of mechanism); increases in use-per-customer accrue to offset losses in use-per-customer in prior or future years.
Decoupling Tariff: Partial Decoupling Rate Adjustment, Sheet 51
http://www.xcelenergy.com/SiteCollectionDocuments/docs/psco_gas_entire_tariff.pdf
The tariff expires October 1, 2011; the utility must re-file to continue decoupling. Filing Schedule: Adjusts every year on October 1
Energy efficiency cost recovery: Cost recovery reconciled to actual costs; semi-annual filing for July 1 and January 1 rate changes
History of adjustments

September 2008 filing for margin differences July 2007 through June 2008: $0

Connecticut

2007 Connecticut legislation requires that the Commission adopt decoupling mechanisms for the states' electric and natural gas utilities. CT Public Act No. 07-242
http://www.cga.ct.gov/2007/ACT/PA/2007PA-00242-R00HB-07432-PA.htm

United Illuminating (electric)
Case/Order No.: 08-07-04 (February 2009 and June 2009)
http://www.dpuc.state.ct.us/FINALDEC.NSF/0d1e102026cb64d98525644800691cfe/f4217b3542e2b08b852575530075d08c?OpenDocument and
http://www.dpuc.state.ct.us/FINALDEC.NSF/2b40c6ef76b67c43852564480069294 3/3b76f3e31c22cb19852575cb005cea73?OpenDocument
Type of decoupling: Reconciliation of actual, non-weather adjusted revenues to ratemaking revenues. Refunds or surcharges allocated to all classes based on revenue.
Decoupling Tariff: United Illuminating has not yet filed a tariff to implement the Commission's approval of its decoupling mechanism because it was awaiting the results of a request for reconsideration. A tariff will likely be filed shortly. Extension beyond 2010 requires specific Commission approval.
Filing Schedule: Within 14 months after new rates effective
Energy efficiency cost recovery: Yes
History of Adjustments

There will not be any adjustments under this order for approximately 14 months.

Idaho

Idaho Power Company (electric)
Case/Order No.: IPC-E-04-15; Order No. 30267
http://www.puc.idaho.gov/search/search.htm (Search under order number).

Type of decoupling: For residential and small commercial customers, the mechanism reconciles actual number of customers to ratemaking number of customers times a set fixed cost per customer and weather-adjusted sales per customer to ratemaking sales per customer for a set fixed cost per kWh amount. Adjustments are capped at 3% over the previous year, with carry-over to subsequent years. Although the mechanism specifies calculating and refunding/charging any adjustment on a per class basis, the Commission departed from this in the first two adjustments because of concern regarding the lack of current cost of service studies to support the underlying cost allocations. This is a three-year pilot program, expiring May 31, 2010.
Decoupling tariff: Schedule 54
http://www.puc.state.id.us/tariff/approved/Electric/Idaho%20Power%20Company.pdf
Filing Schedule: Adjustments occur each June 1 (filed March 15), with adjustments based on results from the prior calendar year.
Energy efficiency cost recovery: Incremental costs per the Energy Efficiency cost recovery tariff (adopted in Docket 07-077-TF); forecast and reconciliation procedure filed by April for June adjustments.
History of Adjustments

Year	Residential Decoupling ($ million)	Adjustment[16] (¢/kWh)	Rate change (%)	Small Commercial Decoupling ($ million)	Adjustment (¢/kWh)	Rate change (%)
2008	(3.6)	(0.0457)	(0.71)[17]	1.2	(0.0457)	(0.71)
2009[18]	1.3	0.0529	0.82	1.4	0.0529	0.82

Kansas

In 2008, the Commission issued an order addressing generally cost recovery and incentives associated with utility energy efficiency programs. Docket No. 08-GIMX-441-GIV (November 14, 2008)
http://www.kcc.state.ks.us/scan/200811/20081114142730.pdf. The Commission endorsed the concept of using a tariff rider to recover program costs on a timely basis, with pre-filing of programs and budgets to provide utilities assurance of concurrence in their plans. In the order, the Commission also determined that decoupling was the best method of addressing the throughput incentive that utilities otherwise face, rejecting both a straight fixed-variable rate design and lost revenue recovery as reasonable alternatives. It invited utilities to file decoupling proposals in connection with their energy efficiency programs.

[16] The Commission ordered that the decoupling adjustments be summed and the result designed into an even adjustment across the two customer classes. This was, in part, because Idaho Power lacked a recent cost of service study suitable to allocate fixed costs between the two classes.
[17] This is an estimate using the 2009 retail rate implied by the filing of the 2009 adjustment and the 2008 adjustment.
[18] Filed March 15, but not yet approved.

Illinois

North Shore Gas (gas)
Case/Order No.: 07-0241/07-0242 (Cons)
http://www.icc.illinois.gov/docket/files.aspx?no=07-0241&docId=119858
Type of decoupling: Reconciles actual, non-weather-adjusted margin revenue per customer to ratemaking margin per customer, on a per-class basis.
Decoupling tariff: Volume Balancing Adjustment (VBA), sheets 60-64
http://www.northshoregasdelivery.com/news/tariffs/vba.pdf
This is a four-year pilot only; to continue, the utility must make a general rate filing in which the Commission extends the program.
Filing Schedule: Monthly adjustments began March 2008. The utility will make a reconciliation filing every February. The first filing was in February 2009 for the ten months of 2008 included in the mechanism.
Energy efficiency cost recovery: Rider Energy Efficiency Program (EEP); program period runs July 1 to June 30 each year.
History of adjustments[19]

North Shore Gas Service Classification	True-up: rate case to actual margin ($)	True-up: percentage of margin (%)	True-up: percentage of total revenues (%)[20]
Residential Sales	(547,804.42)	(3.3)	(0.46)
Residential Transportation	(5,101.34)	(1.3)	(0.1)
Comm/Ind Sales	(89,053.00)	(3)	(0.33)
Comm/Ind Transportation	(327,781.95)	(0.5)	(0.5)

Peoples Gas and Coke (gas)
Case/Order No.: 07-0241/07-0242 (Cons)
http://www.icc.illinois.gov/docket/files.aspx?no=07-0241&docId=119858
Type of decoupling: Reconciles actual, non-weather-adjusted margin revenue per customer to ratemaking margin per customer, on a per class basis.
Decoupling tariff: Volume Balancing Adjustment (VBA), Sheets 61-65
http://www.peoplesgasdelivery.com/news/tariffs/vba.pdf
This is a four-year pilot only; to continue, the utility must make a general rate filing in which the Commission extends the program.
Filing Schedule: Monthly adjustments began March 2008. The utility will make a reconciliation filing every February. The first filing was in February 2009 for the ten months of 2008 included in the mechanism.
Energy efficiency cost recovery: Rider Energy Efficiency Program (EEP); program period runs July 1 to June 30 each year.

[19] Prepared from the annual reconciliation filing.
[20] Commodity rates change frequently. The percentage was estimated using average city gate gas cost for Illinois per EIA data, annual 2008, $8.48/Mcf.

History of adjustments[21]

Peoples Gas Service Classification	True-up: rate case to actual margin ($)	True-up: percentage of margin (%)	True-up: percentage of total revenues (est.)[22] (%)
Residential Sales	(2,035,714.64)	(2)	(0.43)
Residential Transportation	(53,882.01)	(2.4)	(0.15)
Comm/Ind Sales	(431,457.89)	(1)	(0.19)
Comm/Ind Transportation	(2,217,245.22)	(6.9)	(0.73)

Indiana

Vectren Indiana Gas (gas)
Case/Order No.: 42943 (December 2006)
https://myweb.in.gov/IURC/eds/Modules/Ecms/Cases/Docketed_Cases/ViewDocument.aspx?DocID=0900b631800befe7
Type of decoupling: Reconciles actual, non-weather-adjusted margin revenues per customer to ratemaking margin revenues per customer, with an adjustment for customer additions and reductions; only 85% of amount (positive or negative) included in rates; earnings capped at allowed return on common equity, with earnings shortfalls from prior periods allowed to offset potential returns to customers. The mechanism operates on a per class basis. The utility also has a separate weather adjustment tariff that applies only during the seven winter months.
Decoupling tariff: Appendix I, Energy Efficiency Rider, Sheet 38
https://www.vectrenenergy.com/cms/assets/pdfs/indiana_gas_tariff.pdf
Energy efficiency cost recovery: Yes, in the same tariff
History of adjustments

Rate Schedule/Year	Decoupling Adjustment ($/therm)	Adjustment as a % of Margin	Adjustment as a % of Total Rate
2008			
Residential (210)	0.017	6.4	1.5
General (220/225)	0.0034	2.0	0.3
2009			
Residential (210)	0.00364	1.4	0.4
General (220/225)	(0.00762)	4.4	(0.86)

[21] Prepared from the annual reconciliation filing.
[22] Commodity rates change frequently. The percentage was estimated using average city gate gas cost for Illinois per EIA data, annual 2008, $8.48/Mcf.

Vectren Southern Indiana Gas (gas)
Case/Order No.: 42943 (December 2006)
https://myweb.in.gov/IURC/eds/Modules/Ecms/Cases/Docketed_Cases/ViewDocument.aspx?DocID=0900b631800befe7
Type of decoupling: Reconciles actual, non-weather-adjusted margin revenues per customer to ratemaking margin revenues per customer, with an adjustment for customer additions and reductions; only 85% of amount (positive or negative) included in rates; earnings capped at allowed return on common equity, with earnings shortfalls from prior periods allowed to offset potential returns to customers. The mechanism operates on a per class basis. The utility also has a separate weather adjustment tariff that applies only during the seven winter months.
Decoupling tariff: Appendix I, Energy Efficiency Rider, Sheet 38
https://www.vectrenenergy.com/cms/assets/pdfs/south_services_gas_tariff.pdf
Energy efficiency cost recovery: Yes, in the same tariff
History of adjustments

Rate Schedule/Year	Decoupling Adjustment ($/therm)	Adjustment as a % of Margin	Adjustment as a % of Total Rate
2008			
Residential (110)	0.0085	4.7	0.8
General (120/125)	0.0035	2.9	0.3
2009			
Residential (110)	0.00152	0.8	0.2
General (120/125)	(0.00469)	(4)	(0.6)

Citizen's Gas & Coke (gas)
Case/Order No.: 42767 (April 2007)
https://myweb.in.gov/IURC/eds/Modules/Ecms/Cases/Docketed_Cases/ViewDocument.aspx?DocID=0900b631800dd673
Type of decoupling: Reconciles actual, non-weather-adjusted margin revenues per customer to ratemaking margin revenues per customer, with an adjustment for customer additions and reductions. The mechanism operates on a per class basis. The utility also has a separate weather adjustment tariff that applies only during the seven winter months.
Decoupling tariff: Rider E, page 505
http://www.citizensgas.com/pdf/NGRatesRidersTC/RiderE.pdf
Energy efficiency cost recovery: Yes, through Rider E
History of adjustments

Rate Schedule/Year	Decoupling Adjustment ($/therm)	Adjustment as a % of Margin	Adjustment as a % of Total Rate
2008			
Res Non-Heat	0.002	0.45	0.16
Res Heat	(0.0002)	(0.067)	(0.02)
General Non-Heat	(0.0006)	(0.5)	(0.006)

General Heat	0	0	0
2009			
Res Non-Heat	0.0133	3	1.2
Res Heat	0.0223	7.3	2.2
General Non-Heat	0.0157	12.86	1.9
General Heat	0.0212	12.9	2.4

Maryland

Maryland has both gas and electric decoupling in place; the former began in the early 2000s, and the latter just within the last few years. All of the mechanisms make monthly adjustments. The amounts below are averages of the monthly adjustments for the periods shown. For several of the utilities, the largest and smallest adjustments within a given year are also shown.

Baltimore Gas & Electric (electric)
Case/Order No.: [Unable to locate]
Type of Decoupling: Reconciles actual, non-weather-adjusted revenue to ratemaking revenue, adjusted for net customers added, on distribution only, by rate schedule. Maximum change in rates per month is 10%, with any adjustment amount in excess of that carried over to future periods.
Decoupling Tariff: Monthly Rate Adjustment, Rider 25
http://www.bge.com/portal/site/bge/menuitem.b0ab2663e7ca6787047eb471016176a0/
Filing Schedule: Monthly
Energy efficiency cost recovery: Yes
History of Adjustments

Period	Res. Dec. Adj (¢/kWh)	Dec. Adj % of Retail Rate[23]	Small Comm. Dec. Adj (¢/kWh)	Dec. Adj % of Retail Rate	Gen'l Comm. Dec. Adj (¢/kWh)	Dec. Adj % of Retail Rate
2008[24]						
Largest Adj	0.445		0.215		0.2303	
Smallest Adj	(0.066)		(0.215)		0.1456	
Average Adj	0.136	1.1	0.025	0.22	0.21	2.1
2009						
Largest Adj	0.237		0.119		0.23	
Smallest Adj	(0.237)		(0.215)		(0.215)	
Average Adj	(0.069)	(0.5)	(0.048)	(0.4)	(0.043)	(0.4)

Delmarva (electric)

[23] EIA data on Maryland retail rates for the respective years used as a proxy to determine percentages.
[24] The mechanism was effective January 2008, with the first adjustment occurring in March 2008 based on January variances. The filing for the November 2008 adjustment was missing from the Maryland Commission website.

Case/Order No.: Case Jacket 9093; Order 81518, July 2007
http://webapp.psc.state.md.us/Intranet/Casenum/CaseAction_new.cfm?RequestTimeout=500
Type of decoupling: Reconciles actual, non-weather-adjusted revenue to ratemaking revenue, adjusted for net customers added, on distribution only, by rate schedule. Maximum change in rates per month is 10%, with any adjustment amount in excess of that carried over to future periods. Adjusts monthly.
Decoupling Tariff: Bill Stabilization Adjustment Rider, Leaf 102
http://www.delmarva.com/home/choice/md/tariffs/
Energy efficiency cost recovery: Yes, Demand-Side Management Surcharge Rider, Leaf 132
History of adjustments

Period/Rate	Average Decoupling Adjustment[25] (¢/kWh)	Estimated Total Rate[26] (¢/kWh)	Decoupling as % of Rate[27]
11/07 – 10/08			
Residential	0.16	11.09	1.4
General	0.21	11.80	1.8
11/08 – 4/09			
Residential	0.16	10.69	1.5
General	0.29	11.40	2.5

PEPCO (electric)
Case/Order No.: Case Jacket 9092, Order 81517, July 2007
http://webapp.psc.state.md.us/Intranet/Casenum/CaseAction_new.cfm?RequestTimeout=500
Type of decoupling: Reconciles actual, non-weather-adjusted revenue to ratemaking revenue, adjusted for net customers added, on distribution only, by rate schedule. Maximum change in rates per month is 10%, with any adjustment amount in excess of that carried over to future periods. Adjusts monthly.
Decoupling tariff: Bill Stabilization Adjustment Rider, page 47
http://www.pepco.com/_res/documents/md_tariff.pdf
Energy efficiency cost recovery: Yes, Demand-Side Management Surcharge Rider, page 48
History of Adjustments

[25] PEPCO makes a monthly adjustment. The numbers shown are the average across the periods identified. For the year 11/07 to 10/08, there were 14 downward adjustments across the three classes and 22 upward adjustments. For the partial period 11/08 to 2/09, there were 2 downward adjustments and 10 upward.
[26] For residential, this is the average (summer/winter) standard offer rate for the decoupling periods. For general, the rate is estimated from the price to compare on PEPCO's website. For large industrial, the rate is from EIA 2006 price data for Maryland.
[27] The percentage shown is only as of total rate for residential and general service. The percentage is of delivery costs only for large industrial; with added commodity, the percentage change would be much lower.

Period/Rate	Average Decoupling Adjustment[28] (¢/kWh)	Estimated Total Rate[29] (¢/kWh)	Decoupling as % of Rate
11/07 – 10/08			
Residential	0.06	10.75	0.56
General	0.08	12.74	0.63
Large	0.013	8.14	0.16
11/08 – 2/09			
Residential	0.25	10.75	2.3
General	0.14	12.74	1.1
Large	0.02	8.14	0.25

Baltimore Gas & Electric (gas)

Case/Order No.: Case 9036; Order 80460

http://webapp.psc.state.md.us/Intranet/Casenum/submit_new.cfm?DirPath=C:\Casenum\9000-9099\9036\Item_116\&CaseN=9036\Item_116

Type of decoupling: Reconciles actual, non-weather-adjusted revenue to ratemaking revenue, adjusted for net customers added, on distribution only, by rate schedule. Maximum change in rates per month is 10%, with any adjustment amount in excess of that carried over to future periods. Adjusts monthly.

Decoupling tariff: Monthly Rate Adjustment, Rider 8

http://www.bge.com/portal/site/bge/menuitem.d7305449a99570c7047eb471016176a0/

Energy efficiency cost recovery: Yes. Gas Efficiency Charge, Rider 1

History of Adjustments

Period	Residential Decoupling Adjustment ($/therm)	Decoupling Adjustment % of Retail Rate[30]	Commercial Decoupling Adjustment ($/therm)	Decoupling Adjustment % of Retail Rate
2006[31]				
Largest Adj	0.05		0.05	
Smallest Adj	(0.01)		(0.05)	
Average Adj	0.0316	1.9	(0.005)	(0.4)
2007[32]				

[28] PEPCO makes a monthly adjustment. The numbers shown are the average across the periods identified. For the year 11/07 to 10/08, there were 14 downward adjustments across the three classes and 22 upward adjustments. For he partial period 11/08 to 2/09, there were 2 downward adjustments and 10 upward.

[29] For residential, this is the average (summer/winter) standard offer rate for the decoupling periods. For general, the rate is estimated from the price to compare on PEPCO's website. For large industrial, the rate is from EIA 2006 price data for Maryland. It is not clear if the standard offer rate is with or without distribution charges built in. This analysis assumes these are included. If they are not, the decoupling adjustment as a percentage of the total rate would be even lower.

[30] EIA data for the respective years used as a proxy for the retail rate.

[31] The first decoupling adjustment appears to have occurred in July 2006. The filing for the 09/06 adjustment was missing from the Maryland Commission website.

Largest Adj	0.0397		0.0159	
Smallest Adj	(0.05)		(0.05)	
Average Adj	(0.0323)	(2.1)	(0.043)	(3.5)
2008[33]				
Largest Adj	0.073		0.05	
Smallest Adj	(0.05)		(0.05)	
Average Adj	0.02	1.2	(0.0223)	(1.7)
2009				
Largest Adj	0.008		0.0212	
Smallest Adj	(0.0272)		(0.05)	
Average Adj	(0.014)	<(0.1)	(0.01)	(0.8)

Washington Gas Light (gas)

Case/Order No.: Case 8990; Order No. 80130

http://webapp.psc.state.md.us/Intranet/Casenum/CaseAction_new.cfm?RequestTimeout=500

Type of decoupling: Reconciles actual, non-weather-adjusted revenue to ratemaking revenue, adjusted for net customers added, on distribution only, by rate schedule. Maximum change in rates per month is 5¢, with any adjustment amount in excess of that carried over to future periods. Adjusts monthly.

Decoupling tariff: Revenue Normalization Adjustment, General Service Provisions No. 30 http://www.washgas.com/FileUpload/File/Tariffs/MD/md9899.pdf

Energy efficiency cost recovery: Yes. Demand-side Management Surcharge Adjustment, General Service Provisions No. 22

History of Adjustments:

Period	Residential Decoupling $/therm	Decoupling Adjustment % of Retail[34]	Commercial Decoupling $/therm	Decoupling Adjustment % of Retail
December 2005	0.0258	1.7	0.0139	1.2
2006				
Largest Adj	0.05		0.045	
Smallest Adj	0.0146		(0.05)	
Average Adj	0.0415	2.5	(0.02)	(1.5)
2007				
Largest Adj	0.0323		0.0499	
Smallest Adj	(0.05)		(0.05)	
Average Adj	(0.0085)	(0.56)	(0.027)	(2.2)
2008				
Largest Adj	0.05		0.05	
Smallest Adj	(0.05)		(0.05)	

[32] Filings for adjustments for January, March and April were missing from the Maryland Commission website.

[33] Filings for adjustments in April, October and November were mission from the Maryland Commission website.

[34] Retail prices based on EIA data for Maryland for respective years.

Average Adj	(0.0013)	(0.08)	(0.005)	(0.39)
2009[35]				
Largest Adj	0.0344		0.0245	
Smallest Adj	(0.05)		(0.0386)	
Average Adj	(0.018)	(1.5)	(0.022)	(2.0)

Massachusetts

Massachusetts has announced a regulatory policy in favor of decoupling for all of its gas and electric utilities. D.P.U 07-50-A (July 2008) http://www.mass.gov/Eoeea/docs/dpu/electric/07-50/71608dpuord.pdf. None of the utilities have mechanisms in place yet.

Minnesota

In 2007, the Minnesota legislature enacted Section 216B.2412, https://www.revisor.leg.state.mn.us/statutes/?id=216B.2412 in which it defined an alternative approach to utility regulation, *decoupling*, and directed the Public Utilities Commission to "establish criteria and standards" by which it could adopt decoupling for the state's rate-regulated utilities. In addition, the legislation authorized the PUC to allow one or more utilities "to participate in a pilot program to assess the merits of a rate-decoupling strategy to promote energy efficiency and conservation," subject to the criteria and standards that the PUC will have established. To date, no utility pilots are in place.

Michigan

In 2008, Michigan passed PA 295, http://legislature.mi.gov/doc.aspx?2007-SB-0213 a comprehensive bill adopting a renewable energy portfolio standard and an energy efficiency portfolio standard for state electric and natural gas utilities. Section 89(6) states that the commission shall authorize any natural gas utility that spends a minimum of 0.5% of total natural gas retail sales revenues, including natural gas commodity costs, in a year on commission-approved energy efficiency programs to implement a symmetrical revenue decoupling true-up mechanism that adjusts for sales volumes that are above or below the projected levels that were used to determine the authorized revenue requirement. The Commission has not yet approved a decoupling mechanism under this section.

Nevada

In 2008, the Nevada Public Service Commission adopted temporary rules allowing gas utilities to propose a decoupling mechanism in a general rate case filed within one year of the approval of a set of energy efficiency programs for that utility. Docket No. 07-06046. http://pucweb1.state.nv.us/wx/DocView.aspx?DataSource=PUCN+Imaging&ParamEnc=

[35] Through May 2009.

28%3a4D605690F11E27F012E1E60C8921FD1EEDD79CFEA0229DFE8B7EB14452A
F2C471C7CEAA1CF970B67CDA2AD4AE0CDFC51ED5922B5E6DD1B98989E303F
B8F15D5D6D08D6153BAE4347AB1F5BA1161334F5CABA7968A9E94DA44ABC5B
285CF46983F6774787FD62A42DC2948DCD8AA319003AF71485E3D7CE47887E970
27141DC1825216D42A37388884DCB825AF30A075ADD824901B04B3682834A110E
C55B357C08408C4D4732131396D0FDA84963BDD583915C2B541AC56C896E054A5
B867D68DE185F5C7EA0D65E1F97F262BB32E527A71B4540EC51FFAA201E818A3
E9D5315 The rules specify revenue per customer mechanism design, with adjustments done on a per class basis. NAC (Nevada Administrative Code) 704.953.
http://pucweb1.state.nv.us/PUCN/general/pucnac.aspx

New Jersey

South Jersey Gas Company (gas)
Case/Order No.: Order No. GR05121019 (October 2006) (Link not available)
Type of decoupling: Reconciles ratemaking margin revenue per customer with actual, non-weather adjusted margin per customer, adjusted for net customers added, on a per rate schedule basis. Any revenue deficiency related to non-weather (calculated pursuant to a separate schedule – Rider D) causes is limited to the amount of offsetting revenue from sales of surplus gas. Surcharges recoveries may not occur if the utility would earn more than its allowed return on common equity but amounts excluded carry over.
Decoupling tariff: Conservation Incentive Program, Rider M, Sheet 97c
http://www.southjerseygas.com/108/tariff/Tariff060109.pdf
Energy efficiency cost recovery: Yes. Rider K, Clean Energy Program Clause (CLEP) Note that this includes lost revenue associated with programmatic savings.
History of Adjustments[36]

Class/Year	Decoupling Adjustment[37] ($/therm)	Decoupling amount as % of margin[38]	Decoupling amount as % of rate[39]
2008			
Residential	0.0443	9.8	2.8
General	0.0392	10.9	2.6
General Large Volume	(0.0037)	(1.3)	(0.3)
2009			
Residential	0.0707	15.6	4.8
General	0.0684	19	5
General Large Volume	0.0062	2.1	0.5

[36] The mechanism began in October 2006, with the first adjustment in October 2007.
[37] South Jersey does not make rate changes for the decoupling adjustments because its tariff requires that it offset the amounts against revenues it earns from the release of gas supplies.
[38] Margin based on currently published tariffs.
[39] This is an estimate using the EIA natural gas city gate price for 2008 and January 2009, respectively. These amounts are not rate changes per se. In particular, the 2009 decoupling adjustments as a percentage of the total rate is shown without regard to the prior 2008 rate change. On a cumulative basis, the increase was only approximately 1.6% for residential customers.

New Jersey Natural Gas Company (gas)
Case/Order No.: Order No. GR05121020 (October 2006) (link not available)
Type of decoupling: Reconciles ratemaking margin revenues per customer with actual, non-weather adjusted margin per customer, adjusted for net customers added, on a per rate schedule basis. Any revenue deficiency attributable to non-weather (calculated pursuant to a separate schedule – Rider D) causes is limited to the amount of offsetting revenue from sales of surplus gas. Surcharges recoveries may not occur if the utility would earn more than its allowed return on common equity but any recovery so excluded carries over.
Decoupling tariff: Conservation Incentive Program, Rider I
http://www.njng.com/regulatory/pdf/060109.pdf
Energy efficiency cost recovery: Yes. Rider E, Clean Energy Program Clause (CLEP)

History of Adjustments[40]

Class/Year	Decoupling Adjustment[41] ($/therm)	Decoupling amount as % of rate[42]
2008		
Residential	0.0261	1.7
General	0.0248	2.0
2009		
Residential	0.0378	2.5
General	0.0424	2.8

New York

Consolidated Edison (gas)
Case/Order No.: 06-G-1332; 1-102-06G1332 (September 2007)
http://documents.dps.state.ny.us/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=06-G-1332&submit=Search+for+Case%2FMatter+Number
Type of decoupling: Reconciles actual, non-weather-adjusted revenues per customer with ratemaking revenues per customer, according to several service classification groupings.
Decoupling tariff: General Information Special Adjustment No. 14, leaf 181-182; apparently in force only 10/07 through 9/08
http://www.coned.com/documents/gas_tariff/pdf/0003(09)-General_Information.pdf#page=12
Energy efficiency cost recovery: Yes
History of Adjustments (Unable to locate)

[40] The mechanism began in October 2006, with the first adjustment in October 2007.
[41] New Jersey Natural Gas does not make rate changes for the decoupling adjustments because its tariff requires that it offset the amounts against revenues it earns from the release of gas supplies.
[42] This is an estimate using the EIA natural gas city gate price for 2008 and January 2009, respectively. These amounts are not rate changes per se. 2008 EIA commercial retail gas price data for New Jersey was not available; this uses the 2007 annual.

Consolidated Edison (electric)
Case/Order No.: 07-E-0523; 1-301-07E0523 (March 25, 2008)[43]
http://documents.dps.state.ny.us/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=07-E-0523&submit=Search+for+Case%2FMatter+Number
Type of decoupling: Reconciles actual, non-weather adjusted revenues to ratemaking revenues on a per class basis. Adjusts semi-annually.
Decoupling tariff: PSC No. 9-Electricity, Leaf 168F
http://www.coned.com/documents/elec/165-168i.pdf
Energy efficiency cost recovery: Pending; decoupling specifically adopted without connection to an approved energy efficiency program
History of Adjustments[44]

Service Class	Adjustment	Percent of Delivery Charge[45]
Residential (1)	(0.1502)	(2.3)
General Commercial (2)	(0.0071)	(0.8)

National Fuel Gas Distribution (gas)
Case/Order No.: 07-G-0141, 1-102-07G0141 (December 2007)
http://documents.dps.state.ny.us/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=07-G-0141&submit=Search+for+Case%2FMatter+Number
Type of decoupling: Reconciles actual, weather-normalized margin revenue per customer with ratemaking margin per customer, adjusted for net customers added. There is a separate weather adjustment that applies for October through May only.
Decoupling tariff: Conservation Incentive Program Cost Recovery, Sheet 148.9; adjustments effective on annual basis, December through November
https://www2.dps.state.ny.us/ETS/jobs/display/download/4677590.pdf
Energy efficiency cost recovery: Yes
History of Adjustments

Service Class	Adjustment $/Mcf	Percent of Rates[46]
Residential	(0.082)	(0.77)
General Service	(0.082)	(0.87)

[43] The order included a 10 basis point ROE reduction ordered to account for the effect of the decoupling mechanism on the utility's risk.
[44] The decoupling mechanism applies to 10 schedules in total. Many of those contain demand charges that make calculation of the per kWh decupling adjustment as a percentage of the rate difficult. The two shown above contain by far the greatest number of customers.
[45] This charge does not include electricity commodity. The decoupling adjustments as a percentage of that amount would be even smaller.
[46] Based on May 2009 retail rates. These rates change monthly.

Orange & Rockland (electric)
Case/Order No.: 07-E-0949; Order No. 1-302-07E0949
http://documents.dps.state.ny.us/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=07-E-0949&submit=Search+for+Case%2FMatter+Number
Type of decoupling: Reconciles actual, non-weather adjusted revenues with ratemaking revenues (delivery only) per class with certain schedules excluded: economic development, lighting, special contracts. Ratemaking revenues adjust automatically according to a three-year schedule. Program ends June 30, 2011.
Decoupling tariff: General Information Sheet 25
http://www.oru.com/documents/tariffsandregulatorydocuments/ny/electrictariff/electricGI25.pdf ;
Energy efficiency cost recovery: Programs and recovery pending in separate proceeding 07-M-0548 to be decided later in 2008.
History of Adjustments: None to date.

North Carolina

In 2007, North Carolina enacted a statute specifically authorizing the Commission to approve decoupling mechanisms for natural gas utilities.
http://www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_62/GS_62-133.7.html

Piedmont Natural Gas (gas)
Case/Order No.: Dockets G-9, Sub 499 (November 2005) and G-9, Sub 550 (November 2008) http://ncuc.commerce.state.nc.us/cgi-bin/webview/senddoc.pgm?dispfmt=&itype=Q&authorization=&parm2=KAAAAA52350B&parm3=000123283 and http://ncuc.commerce.state.nc.us/cgi-bin/webview/senddoc.pgm?dispfmt=&itype=Q&authorization=&parm2=SAAAAA89280B&parm3=000128268
Type of decoupling: Reconciles actual, non-weather adjusted margin per customer with ratemaking margin per customer, by rate schedule. Adjusts twice a year.
Decoupling tariff: Customer Utilization Tracker (CUT), now called Margin Decoupling Tracker, Appendix C
http://www.piedmontng.com/rates/tariffs/uploadedTariffs/ncTariff.pdf
Energy efficiency cost recovery: In the initial 3-year decoupling experiment, the utility donated funds totaling $750,000 for energy efficiency without recovery; in the extension, the Commission approved including $1.275 million in rates for these programs
Energy efficiency incentives: No.
History of Adjustments

Period	Residential Adjustment $/therm	% of Rate[47]	Small Comm. Adjustment $/therm	% of Rate	Med. Comm. Adjustment $/therm	% of Rate
Apr 2006	0.02262	1.3	0.0123	0.87	0.000860	<0.1
Nov 2006	0.05181	3.1	0.02339	1.7	0.011389	1.0
Apr 2007	0.07791	5.0	0.04127	3.2	0.00996	1.0
Nov 2007	0.06153	3.9	0.03118	2.4	0.01213	1.2
Apr 2008	0.08471	5.1	0.04732	3.3	0.01452	1.2
Nov 2008	0.07494	4.5	0.03819	2.7	0.02394	1.9

Public Service Company of North Carolina (gas)
Case/Order No.: G-5, Sub 495 (October 2008) http://ncuc.commerce.state.nc.us/cgi-bin/webview/senddoc.pgm?dispfmt=&itype=Q&authorization=&parm2=RAAAAA89280B&parm3=000128260
Type of decoupling: Reconciles actual, non-weather adjusted margin per customer with ratemaking margin per customer, by rate schedule. Adjusts twice a year.
Decoupling tariff: Rider C Customer Usage Tracker
http://www.psncenergy.com/NR/rdonlyres/0E0B99DA-911C-4674-AF7E-EA5602091DB6/0/Rider_C.pdf
Energy efficiency cost recovery: Yes, up to $750,000 per year, with no true-up to actual expenditures
History of Adjustments
The Commission just approved the decoupling mechanism for PS Co of North Carolina in October 2008. The first adjustment under the mechanism has not occurred as of May 2009, but will likely appear shortly.

Oregon

Cascade Natural Gas (gas)
Case/Order No.: UG 167; Order No. 06-191
http://apps.puc.state.or.us/orders/2006ords/06-191.pdf
Type of decoupling: Reconciles actual margin per customer with ratemaking margin per customer, adjusted for current customer count but does so separately for weather-related variances and all other variances. Calculations and rate adjustments done on a per rate schedule basis. Earnings sharing applies to extent earnings with adjustment clauses recoveries exceed 175 basis points over allowed return on common equity. Decoupling ends after three years unless the utility re-files.
Decoupling tariff: Rule 19, Original Sheet 30, Conservation Alliance Plan mechanism
http://www.cngc.com/post/rates_tariffs/oregon/0030_Rule_19_-_Conservation_Alliance_Plan.pdf

[47] EIA annual city gate prices for respective years used as a proxy for total rate. It is useful to remember these are not necessarily rate changes in customer bills. Assuming nothing else was occurring, slight rate increases would have occurred in April and November 2006 and April 2007, but then a decrease in November 2007 as the decoupling adjustment declined from the prior level, an increase in April 2008 and an decrease again in November 2008.

Energy efficiency cost recovery: Yes, through a public purpose charge the revenue from which goes to the Energy Trust of Oregon for programs
History of Adjustments

	Decoupling Use-Per-Customer Forecast Change ($/therm)	Decoupling True-Up ($/therm)	Average Total Rate ($/therm)	Total Decoupling as % of Rate
7/06 – 6/07				
Residential	0.01693	0.01538	1.26	2.6
Commercial	0.00934	0.01538	1.12	2.2
7/07 – 6/08				
Residential	(0.0292)	(0.02055)	1.39	(3.6)
Commercial	(0.0112)	(0.02055)	1.25	(2.5)

Northwest Natural Gas (gas)
Case/Order No.: UG 163, Order No. 07-426
http://apps.puc.state.or.us/orders/2007ords/07-426.pdf
Type of decoupling: Reconciles actual, weather-adjusted margin per customer with ratemaking margin per customer, adjusted for current customer count, by customer class. Weather-adjustment occurs through a separate tariff from which customers can choose to opt out. Program runs through October 2012.
Decoupling tariff: Schedule 190
https://www.nwnatural.com/CMS300/uploadedFiles/24190ai(3).pdf
Energy efficiency cost recovery: Through a public purpose charge – the revenues collected go to the Energy Trust of Oregon to run programs.
History of Adjustments

Year	Decoupling Adjustment ($ million)	Decoupling Adjustment (% of rate)
2003	3.6	0.6
2004	2.1	0.36
2005	6.2	0.77
2006	(2.2)	(0.27)
2007	0.8	<0.1
2008	(2.5)	<(1.0)

PacifiCorp (electric)
Case/Order No.: UE-94; Order No. 98-191 (not available electronically)
http://apps.puc.state.or.us/edockets/docket.asp?DocketID=5178
Type of decoupling: Reconciled actual weather-adjusted revenues to ratemaking revenues for distribution services only. Ratemaking revenues increased each year, automatically, by inflation less a 0.3% productivity factor. The mechanism was part of a 3-year

alternate-form-of-regulation (AFOR). The AFOR expired shortly before Oregon restructuring (February 2002).
Decoupling tariff: NA
Energy efficiency cost recovery: Yes, through a public purpose charge included in the package.
History of Adjustments[48]

Customer Class	1999	2000	2001
Residential	(0.39)	1.9	1.85
Small General Service	(0.6)	(0.22)	0.06
General Service	(0.83)	(0.31)	0.09
Large General Service	0.61	0.33	(0.3)
Irrigation	0.45	0.25	(0.2)

Portland General Electric (electric)
Case/Order No.: UE-197; Order No. 09-020 and 09-196
http://apps.puc.state.or.us/orders/2009ords/09-176.pdf
Type of decoupling: Reconciles actual, weather-adjusted fixed cost revenue per customer for residential and small general service to ratemaking fixed cost revenue per customer, by customer class. Decoupling adjustments limited to two percent per year, positive or negative; amounts in excess do not roll over to future periods.[49] Program runs two years.
Decoupling tariff: Schedule 123
http://www.portlandgeneral.com/about_pge/regulatory_affairs/pdfs/schedules/Sched_123.pdf
Energy efficiency cost recovery: Yes, through a regular and an add-on public purpose charge; virtually all of the funding goes to the Energy Trust of Oregon to run programs.
History of Adjustments: None yet. The first should occur in 2010.

Utah

Questar Gas (gas)
Case/Order No.: 05-057-T01 (October 2006)
http://www.psc.utah.gov/utilities/gas/06orders/Oct/05057t01oass.pdf
Type of decoupling: Reconciles actual, non-weather adjusted margin revenues per customer with ratemaking margin revenues per customer, only for the general service class. Accruals to the balancing account per year capped at a cumulative 1% of gross revenues per twelve-month period. Three-year program ends December 2009. Renewal dockets are pending.
Decoupling tariff: 2.08 Conservation Enabling Tariff
http://www.questargas.com/Tariffs/uttariff.pdf
Energy efficiency cost recovery: Yes, 2.09 Demand-side Management tariff
History of Adjustments

[48] The figures shown are actual rate changes (in %) attributable to decoupling within the overall alternate form of regulation.
[49] Commission order approving decoupling applied a 10 basis point return on common equity reduction.

Period	Decoupling Adjustment (% of overall rate)
7/06 – 3/07	0.27
4/07 – 8/07	0.36
9/07 – 3/08	(0.47)
4/08 – 8/08	0.01

Vermont

Central Vermont Public Service (electric)
Case/Order No.: 7336, http://www.state.vt.us/psb/orders/2008/files/7336%20Final.pdf
Type of decoupling: CVPS has an alternative regulatory plan under which it may adjust rates every year based on forecast costs and sales. This limits any benefit of increased sales during a given year to a partial year, at best. In addition, there is an adjustment mechanism for earnings that fall outside of a dead-band of 75 basis points around the allowed return on common equity. Outside of the dead-band, any excess or shortfall is first shared between the utility and customers and, beyond a certain amount, passed through in full to customers. If consumption reductions have caused revenues to fall, this mechanism may trigger a partial collection of the shortfall from customers. It will be difficult to calculate to what extent revenue changes driven by consumption changes have contributed to any adjustment, however.
Decoupling tariff: NA
Energy efficiency cost recovery: Public Purpose Charge with funds sent to Efficiency Vermont, a non-profit third-party provider
History of Adjustments: It will not be possible to isolate the effects of sales changes from other elements included in the plan.

Green Mountain Power (electric)
Case/Order No.: 7175 and 7176 http://www.state.vt.us/psb/orders/2006/files/7175-7176finalorder.pdf
Type of decoupling: As with Central Vermont Public Service (CVPS), the partial decoupling occurs through a comprehensive alternative form of regulation. Under the 3-year plan, GMP changes its rates every year based on a forecast of sales and costs. Thus, sales increases provide, at most, a partial year benefit to the Company. In addition, the earnings sharing provision operates, as CVPS' does, to minimize the loss if sales should fall significantly from forecast as well as share the benefit with customers if sales should rise. The Board explicitly found that full decoupling was unnecessary with this comprehensive plan.
Decoupling tariff: NA
Energy efficiency cost recovery: Public Purpose Charge with funds sent to Efficiency Vermont, a non-profit third-party provider
History of Adjustments: It will not be possible to isolate the effects of sales changes from other elements included in the plan.

Virginia

Virginia Gas (gas)
Case/Order No.: PUE-2008-00060 (December 2008)
http://docket.scc.virginia.gov/vaprod/main.asp
Type of decoupling: For residential customers only, reconciles actual, weather-adjusted revenue per customer to ratemaking revenue per customer approved in an existing performance-based ratemaking plan. A separate weather adjustment rider exists.
Decoupling tariff: Revenue Normalization Adjustment Rider D (not available in utility's on-line tariff)
Energy efficiency cost recovery: Yes
History of Adjustments: None to date.

Washington

Cascade Natural Gas (gas)
Case/Order No.: UG-060256 (January 2007), Order Nos. 05, 06, and 07
http://wutc.wa.gov/rms2.nsf/177d98baa5918c7388256a550064a61e/c6d08ccab87aceb2882572610082a4df!OpenDocument ,
http://wutc.wa.gov/rms2.nsf/177d98baa5918c7388256a550064a61e/2293364b330b249c8825733900798c2c!OpenDocument,
http://wutc.wa.gov/rms2.nsf/177d98baa5918c7388256a550064a61e/67316d49ff5b839e882573670080db42!OpenDocument
Type of decoupling: Reconciles actual, weather-adjusted margin revenue per customer with ratemaking margin revenue per customer, for residential and general commercial service only, by rate schedule. Adjustments occur the annual Temporary Technical Adjustment filing.
Decoupling tariff: Original Sheet 25, Conservation Alliance Plan mechanism
http://www.cngc.com/post/rates_tariffs/washington/021_Rule_Conservation_Alliance_Plan_Mechanism.pdf
Energy efficiency cost recovery: Yes
History of Adjustments: The mechanism took effect October 2007 and the first adjustment period ran through December 2008. Cascade reported an adjustment of ($401,328.82) in March 2009. The minor rate decrease associated with this will occur along with Cascade's PGA filing in Fall 2009.

Avista (gas)
Case/Order No.: UG-060518 (February 2007)
http://wutc.wa.gov/rms2.nsf/177d98baa5918c7388256a550064a61e/f1f6a64cb9d2aa0688257275007a230d!OpenDocument
Type of decoupling: Reconciles actual, weather-adjusted margin revenue per customer with ratemaking margin revenue per customer, for general service customers only, with a positive or negative adjustment of 90% of the difference. Recoveries limited to amounts that bring the utility up to its allowed return on common equity and contingent upon meeting certain energy efficiency targets, using a sliding scale. Any surcharges resulting

from the decoupling calculation limited to two percent per year, cumulative over the program (6%). Three-year pilot program.
Decoupling tariff: Schedule 159 (applies only to General Service)
http://www.avistautilities.com/services/energypricing/tariffs/wa/gas/Documents/WA_159.pdf
Energy efficiency cost recovery: Yes, schedule 191
History of Adjustments

Period	Adjustment Effective in Rates ¢/therm	Percentage of Margin	Percentage of Total Rate[50]
1/07 – 6/07	.257	1.25	0.28
7/07 – 12/07	.257	1.18	0.25
1/08 – 6/08	.593	2.73	0.58
7/08 – 12/08	.593	2.73	0.56

Wisconsin

Wisconsin Public Service Corporation (electric and gas)
Case/Order No.: Docket No. 6690-UR-119
http://psc.wi.gov/apps/erf_share/view/viewdoc.aspx?docid=106184 and
http://psc.wi.gov/apps/erf_share/view/viewdoc.aspx?docid=108565
Type of Decoupling: For both gas and electric, reconciles actual, non-weather-adjusted margin revenues per customer, by customer class, with ratemaking margin revenues per customer, adjusted for actual number of customers. Margin determined several different ways, depending on customer class and whether distribution fixed costs or supply fixed cost. Caps apply – amounts in excess of the cap not booked for later credit or surcharge; caps based on revenue requirement value of 100 basis points of return on common equity ($8 for gas; $14 for electric). Four-year pilot program.
Decoupling Tariffs: PSCW-8, Schedule GRSM-1 (gas)
http://www.wisconsinpublicservice.com/news/gas/GRSM.pdf: PSCW-7, Schedule ERSM-1 (electric) http://www.wisconsinpublicservice.com/news/electric/ERSM.pdf ling
Weather: Revenues not weather adjusted – actual revenues used
Energy efficiency cost recovery: Yes
History of Adjustments: None to date.

Wyoming

Questar Gas Company (gas)
Case/Order No.: 30010-94-GR-8 (May 2009)[51] (order not yet available electronically)

[50] Estimated using 2007, 2008 and January 2009 City Gate gas prices for Washington from EIA. These are not actual rate changes; rather just the adjustment expressed as a percentage of the entire rate. During the period of Avista's decoupling adjustment so far, there have been only two rate changes.
[51] The order is not yet available on the Commission's website.

Type of decoupling: Reportedly similar to Utah mechanism, which reconciles actual, non-weather adjusted margin revenues per customer with ratemaking margin revenues per customer, only for one class of customer.
Decoupling tariff: (tariff not yet available electronically)
Energy efficiency cost recovery: Yes

Closing Observation

Finding all of the decoupling mechanisms and summarizing the adjustments made under them was an exceedingly difficult task. I have a total of over 25 years in utility matters, most spent in the regulatory affairs department of a mid-sized electric utility. I know my way around a tariff and am generally familiar with naming conventions and so forth used by public utility commissions. Despite this wealth of experience, the task was difficult. This caused me to wonder what those not on the "inside" can possibly think of how utilities and regulators present information? Most would not think that the obfuscation was deliberate but many would conclude that ensuring people actually understood utility rates and regulation was not the goal.

The means of tackling this issue range from the simple to the significant. As a simple matter, some conventions around what utilities and commissions call things, what information appears in filing letters and annual (perhaps) information compiling tariffs and riders into complete rate information would help. This would seem a useful place for NARUC to work, in collaboration with the AGA and EEI. A far more significant effort would be the re-thinking of the tariff structure used by virtually every utility in the country. I suspect that most have changed little, in structure, for well over 50 years. General conditions appear in one place, riders and adjustments clauses in another, "base" rates somewhere else in schedule numbers that mean nothing to anyone. Tariffs may now be "on" the Internet, but they are not Internet-enabled or Internet-friendly. It seems likely that the future holds more variation in, and personalization of, rates, not less. Again, the utilities and regulators should collaborate to envision the "tariffs" (if we still call them that) of the future and how the industry might go about the transformation.

EXHIBIT B

(b) ASSISTANCE LEVEL PER DWELLING UNIT.—Section 415(c)(1) of the Energy Conservation and Production Act (42 U.S.C. 6865(c)(1)) is amended by striking "$2,500" and inserting "$6,500".

(c) EFFECTIVE USE OF FUNDS.—In providing funds made available by this Act for the Weatherization Assistance Program, the Secretary may encourage States to give priority to using such funds for the most cost-effective efficiency activities, which may include insulation of attics, if, in the Secretary's view, such use of funds would increase the effectiveness of the program.

(d) TRAINING AND TECHNICAL ASSISTANCE.—Section 416 of the Energy Conservation and Production Act (42 U.S.C. 6866) is amended by striking "10 percent" and inserting "up to 20 percent".

(e) ASSISTANCE FOR PREVIOUSLY WEATHERIZED DWELLING UNITS.—Section 415(c)(2) of the Energy Conservation and Production Act (42 U.S.C. 6865(c)(2)) is amended by striking "September 30, 1979" and inserting "September 30, 1994".

SEC. 408. TECHNICAL CORRECTIONS TO PUBLIC UTILITY REGULATORY POLICIES ACT OF 1978. (a) Section 111(d) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2621(d)) is amended by redesignating paragraph (16) relating to consideration of smart grid investments (added by section 1307(a) of Public Law 110–140) as paragraph (18) and by redesignating paragraph (17) relating to smart grid information (added by section 1308(a) of Public Law 110–140) as paragraph (19).

(b) Subsections (b) and (d) of section 112 of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2622) are each amended by striking "(17) through (18)" in each place it appears and inserting "(16) through (19)".

SEC. 409. RENEWABLE ELECTRICITY TRANSMISSION STUDY. In completing the 2009 National Electric Transmission Congestion Study, the Secretary of Energy shall include—

(1) an analysis of the significant potential sources of renewable energy that are constrained in accessing appropriate market areas by lack of adequate transmission capacity;

(2) an analysis of the reasons for failure to develop the adequate transmission capacity;

(3) recommendations for achieving adequate transmission capacity;

(4) an analysis of the extent to which legal challenges filed at the State and Federal level are delaying the construction of transmission necessary to access renewable energy; and

(5) an explanation of assumptions and projections made in the Study, including—

(A) assumptions and projections relating to energy efficiency improvements in each load center;

(B) assumptions and projections regarding the location and type of projected new generation capacity; and

(C) assumptions and projections regarding projected deployment of distributed generation infrastructure.

SEC. 410. ADDITIONAL STATE ENERGY GRANTS. (a) IN GENERAL.—Amounts appropriated under the heading "Department of Energy—Energy Programs—Energy Efficiency and Renewable Energy" in this title shall be available to the Secretary of Energy for making additional grants under part D of title III of the Energy Policy and Conservation Act (42 U.S.C. 6321 et seq.). The Secretary shall make grants under this section in excess of the base allocation established for a State under regulations issued pursuant to the

authorization provided in section 365(f) of such Act only if the governor of the recipient State notifies the Secretary of Energy in writing that the governor has obtained necessary assurances that each of the following will occur:

(1) The applicable State regulatory authority will seek to implement, in appropriate proceedings for each electric and gas utility, with respect to which the State regulatory authority has ratemaking authority, a general policy that ensures that utility financial incentives are aligned with helping their customers use energy more efficiently and that provide timely cost recovery and a timely earnings opportunity for utilities associated with cost-effective measurable and verifiable efficiency savings, in a way that sustains or enhances utility customers' incentives to use energy more efficiently.

(2) The State, or the applicable units of local government that have authority to adopt building codes, will implement the following:

(A) A building energy code (or codes) for residential buildings that meets or exceeds the most recently published International Energy Conservation Code, or achieves equivalent or greater energy savings.

(B) A building energy code (or codes) for commercial buildings throughout the State that meets or exceeds the ANSI/ASHRAE/IESNA Standard 90.1–2007, or achieves equivalent or greater energy savings.

(C) A plan for the jurisdiction achieving compliance with the building energy code or codes described in subparagraphs (A) and (B) within 8 years of the date of enactment of this Act in at least 90 percent of new and renovated residential and commercial building space. Such plan shall include active training and enforcement programs and measurement of the rate of compliance each year.

(3) The State will to the extent practicable prioritize the grants toward funding energy efficiency and renewable energy programs, including—

(A) the expansion of existing energy efficiency programs approved by the State or the appropriate regulatory authority, including energy efficiency retrofits of buildings and industrial facilities, that are funded—

(i) by the State; or

(ii) through rates under the oversight of the applicable regulatory authority, to the extent applicable;

(B) the expansion of existing programs, approved by the State or the appropriate regulatory authority, to support renewable energy projects and deployment activities, including programs operated by entities which have the authority and capability to manage and distribute grants, loans, performance incentives, and other forms of financial assistance; and

(C) cooperation and joint activities between States to advance more efficient and effective use of this funding to support the priorities described in this paragraph.

(b) STATE MATCH.—The State cost share requirement under the item relating to "Department of Energy; Energy Conservation" in title II of the Department of the Interior and Related Agencies

Appropriations Act, 1985 (42 U.S.C. 6323a; 98 Stat. 1861) shall not apply to assistance provided under this section.

(c) EQUIPMENT AND MATERIALS FOR ENERGY EFFICIENCY MEASURES AND RENEWABLE ENERGY MEASURES.—No limitation on the percentage of funding that may be used for the purchase and installation of equipment and materials for energy efficiency measures and renewable energy measures under grants provided under part D of title III of the Energy Policy and Conservation Act (42 U.S.C. 6321 et seq.) shall apply to assistance provided under this section.

TITLE V—FINANCIAL SERVICES AND GENERAL GOVERNMENT

DEPARTMENT OF THE TREASURY

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

SALARIES AND EXPENSES

For an additional amount for necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, $7,000,000, to remain available until September 30, 2013, for oversight and audits of the administration of the making work pay tax credit and economic recovery payments under the American Recovery and Reinvestment Act of 2009.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND PROGRAM ACCOUNT

For an additional amount for "Community Development Financial Institutions Fund Program Account", $100,000,000, to remain available until September 30, 2010, for qualified applicants under the fiscal year 2009 funding round of the Community Development Financial Institutions Program, of which up to $8,000,000 may be for financial assistance, technical assistance, training and outreach programs designed to benefit Native American, Native Hawaiian, and Alaskan Native communities and provided primarily through qualified community development lender organizations with experience and expertise in community development banking and lending in Indian country, Native American organizations, tribes and tribal organizations and other suitable providers and up to $2,000,000 may be used for administrative expenses: *Provided*, That for the purpose of the fiscal year 2009 funding round, the following statutory provisions are hereby waived: 12 U.S.C. 4707(e) and 12 U.S.C. 4707(d): *Provided further*, That no awardee, together with its subsidiaries and affiliates, may be awarded more than 5 percent of the aggregate funds available during fiscal year 2009 from the Community Development Financial Institutions Program: *Provided further*, That no later than 60 days after the date of enactment of this Act, the Department of the Treasury shall submit to the Committees on Appropriations of the House of Representatives and the Senate a detailed expenditure plan for funds provided under this heading.

EXHIBIT C

State of Rhode Island and Providence Plantations
State House
Providence, Rhode Island 02903-1196
401-222-2080

Donald L. Carcieri
Governor

February 26, 2009

The Honorable Steven Chu
Secretary
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Re: State Energy Program Assurances

Dear Secretary Chu:

As a condition of receiving our State's share of the $3.1 billion funding for the State Energy Program (SEP) under the American Recovery and Renewal Act of 2009 (H.R.1) (ARRA), I am providing the following assurances. I have written to our public utilities commission and requested that they consider additional actions to promote energy efficiency, consistent with the Federal statutory language contained in H.R. 1 and their obligations to maintain just and reasonable rates, while protecting the public. I have also written to the State Legislature and requested that they consider actions to improve building energy codes, consistent with State law and State Constitutional requirements, and to consider the statutory language contained in ARRA.

We are prioritizing our energy investments to take advantage of existing programs and expand programs where appropriate.

Our State is committed to a robust improvement in energy efficiency and renewable energy, as well as a balanced State energy policy. I want to assure you that, within the limits of my authority, we will move forward in these critical areas.

We look forward to immediate distribution of the Federal SEP funds to permit my State to make progress in energy efficiency and renewable energy.

Respectfully Submitted,

Donald L. Carcieri

cc: Gil Sperling, Director, Office of Weatherization and Intergovernmental Programs, USDOE
Commisisoner Andrew Dzykewicz, RI Office of Energy Resources
David Terry, Executive Director, National Association of State Energy Officials

EXHIBIT D

State of Rhode Island and Providence Plantations
State House
Providence, Rhode Island 02903-1196
401-222-2080

Donald L. Carcieri
Governor

February 26, 2009

Elia Germani, Chairman
RI Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Mr. Robert Holbrook, Commissioner
RI Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Ms. Mary Bray, Commissioner
RI Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: State Energy Program Funding

I am attaching the relevant section of the recently passed American Recovery and Renewal Act of 2009 (H.R. 1)(ARRA), which contains a requirement that Governors make certain assurances regarding energy efficiency programs as a condition of the State receiving our share of $3.1 billion from the Federal State Energy Program (SEP).

Within the limits of my authority as Governor, and fully recognizing that you have been appointed to an independent regulatory agency, I request that you consider appropriate additional steps consistent with State law, the attached statute and relevant PURPA requirements, to implement appropriate incentives for energy efficiency programs. I am asking the Commissioner of the Office of Energy Resources to work with you and answer any questions you might have. Such coordination can benefit the public.

I further request that you inform me of your actions.

Sincerely

Donald L. Carcieri

cc: Commissioner Andrew Dzykewicz, RIOER