

Revised Decoupling Mechanism

Public Service Company would adjust rates each year to recover reduced weather-normalized revenues due to reduced usage per customer to the extent that the revenue per customer declines more than 1.3% per year. This value was chosen since it equals one-half the historic rate of decline.

Each year the weather-normalized use per customer will be compared to the corresponding test year value used to set rates initially. To the extent the weather-normalized use per customer has declined by more than 1.3% per year since the test year, the rider in a given year will be designed to collect the associated revenues lost due to such decline.

The adjustment and the “dead band” of 1.3% are symmetric. That is, if weather-normalized use per customer increases, Public Service will refund moneys only to the extent that the increased use per customer exceeds 1.3%.

An Illustration: Revised Decoupling Mechanism Applied to Actual Historic Values

Annual Deadband	Year	Annual Use/Cust	Annual Change	Annual % Change	% Change from Base	Deadband	Net Adjustment
1.30%	2001	919					
	2002	912	-7	-0.8%	-0.8%	1.3%	0.0%
	2003	899	-13	-1.4%	-2.2%	2.6%	0.0%
	2004	836	-63	-7.0%	-9.0%	3.9%	5.1%
	2005	837	1	0.1%	-8.9%	5.2%	3.7%
	2006	804	-33	-3.9%	-12.5%	6.5%	6.0%

Note: The “net adjustment” in the example is not the value of the rider, but the portion of the revenue decline that the rider will collect.

Modeling the Impact of DSM required by HB 1037

DSM Goal -0.5%	DSM Impact	Year	Base Case	DSM Chg	DSM Case
		2001	919		919
	-0.1%	2002	912	-1	911
	-0.2%	2003	899	-2	896
	-0.3%	2004	836	-3	831
	-0.4%	2005	837	-3	828
	-0.5%	2006	804	-4	791

Applying Revised Decoupling Rider to DSM Case

Annual Deadband	Year	Annual Use/Cust	Annual Change	Annual % Change	% Change from Base	Deadband	Net Adjustment
1.30%	2001	919					
	2002	911	-8	-0.9%	-0.9%	1.3%	0.0%
	2003	896	-15	-1.6%	-2.5%	2.6%	0.0%
	2004	831	-66	-7.3%	-9.6%	3.9%	5.7%
	2005	828	-2	-0.3%	-9.9%	5.2%	4.7%
	2006	791	-37	-4.5%	-13.9%	6.5%	7.4%

Checking Marginal Impact of DSM on Decoupling Rider

Base Case				DSM Case			Difference	
Year	Annual Use/Cust	% Change from Base	Net Adjustment	Annual Use/Cust	% Change from Base	Net Adjustment	% Change from Base	Net Adjustment
2001	919			919				
2002	912	-0.8%	0.0%	911	-0.9%	0.0%	0.1%	0.0%
2003	899	-2.2%	0.0%	896	-2.5%	0.0%	0.3%	0.0%
2004	836	-9.0%	5.1%	831	-9.6%	5.7%	0.6%	0.6%
2005	837	-8.9%	3.7%	828	-9.9%	4.7%	1.0%	1.0%
2006	804	-12.5%	6.0%	791	-13.9%	7.4%	1.4%	1.4%