

## 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%	<u>DSM Impact</u>				
	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

Year	Base Case			DSM Case			Difference	
	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%