

STATE OF NEW YORK

# Public Service Commission

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## **PSC SEEKS MORE EFFICIENT ENERGY USE -Utility Revenue Decoupling Mechanisms to Eliminate Disincentives-**

Albany, NY—4/18/07—The New York State Public Service Commission (Commission) today directed the state’s major electric and gas utilities to develop proposals for true-up based delivery service revenue decoupling mechanisms. These ratemaking changes are intended to enhance the achievement of customer-initiated efficient energy use by reducing or eliminating disincentives that may discourage utilities from actively promoting customer investments in energy efficiency, renewable technologies and distributed generation. The proposals would be considered in ongoing and future rate cases.

“To the extent current design of utility delivery rates continue to link the recovery of utility fixed costs, including profits, to the volume of actual sales, disincentives exist that limit the utilities’ interest in promoting efficient energy use,” said Commission Chairwoman Patricia L. Acampora. “Creating a mechanism to reduce or eliminate the dependence of utilities’ revenues on sales, would thereby increase the utilities’ interest in the promotion of customer-initiated more efficient energy use. The resulting public benefits from new energy efficiency programs, renewable technologies and distributed generation could be substantial. Energy efficiency improvements, in particular, limit unnecessary load growth and delay or possibly avoid the installation of costly, new distribution, transmission or generation facilities.”

The Commission initiated a proceeding in 2003 to investigate potential electric delivery rate disincentives against the promotion of energy efficiency, renewable technologies and

distributed generation as part of an overall state program to facilitate customer access to existing and developing technologies for the clean production and/or conservation of energy. Subsequently in 2006, the Commission established a separate proceeding expanding its inquiry to include the gas utilities. A Notice of Proposed Rulemaking concerning each of the two proceedings was published in the State Register on July 12, 2006, in accordance with the State Administrative Procedure Act. Several interested parties filed comments in the proceedings.

Based upon a thorough review of the comments, the Commission today determined that properly designed utility revenue decoupling mechanisms are needed at this time to address potential disincentives to utilities' promoting and implementing more efficient energy use. The Commission will be requiring the utilities to develop mechanisms that true-up forecast and actual delivery service revenues resulting in significantly reduced or eliminated disincentives caused by the ongoing recovery of utility fixed delivery costs via volumetric (per kWh) rates and marginal consumption blocks. The true-up would include, among other things, any net lost revenues attributable to the achievement of more efficient energy use. The true-up would be considered no less frequently than once per year.

The Commission will be requiring the utilities to file revenue decoupling proposals in ongoing and new rate cases so that the utilities, staff of the Department of Public Service, and interested parties may consider utility-specific circumstances and customer bill impacts within service classifications before their implementation. Also, the utilities are encouraged to continue to implement cost-based delivery rate design improvements and hourly pricing tariffs for commodity service where appropriate.

In addition to the implementation of broad-based revenue decoupling mechanisms that incorporate appropriate true-ups, the Commission today stated that the promotion of customer-sited renewable resources and distributed generation technologies should be addressed through greater vigilance on the part of the utilities regarding the proper application and administration of their interconnection rules and procedures, as well as the expanded application of existing electric and gas standby delivery rate structures.

The Commission will issue a written order reflecting today's decision. That order, when available, can be obtained from the Commission's Web site at <http://www.dps.state.ny.us> by accessing the Commission Documents section of the homepage and referencing Cases 03-E-0640 and 06-G-0746. Many libraries offer free Internet access. Commission orders can also be obtained from its Files Office, 14<sup>th</sup> floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).