

NASUCA UPDATE

NARUC Gas Committee

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National Association of State Utility Consumer Advocates "NASUCA"

- NASUCA is an association of 44 consumer advocates in 40 states and the District of Columbia. NASUCA's members are designated by the laws of their respective jurisdictions to represent the interests of utility consumers before state and federal regulators and in the courts.
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Topics

- NASUCA Decoupling Resolution
- Energy Efficiency Principles
- Natural Gas Prices

NASUCA Decoupling Resolution

NASUCA Resolves:

- “To continue its long tradition of support for the adoption of effective energy efficiency programs.”
- “and to oppose decoupling mechanisms that would guarantee utilities recovery of a predetermined level of revenue without regard to the number of energy units sold and the cause of lost revenues between rate cases.

NASUCA Decoupling Resolution

Be it further resolved:

NASUCA urges Public Utilities Commissions to disallow revenue true-ups between rate cases that violate the matching principle, the prohibition against retroactive ratemaking, the prohibition against single-issue ratemaking, or that diminish the incentives to control costs that would otherwise apply between rate cases

NASUCA Decoupling Resolution

“Prior to using decoupling as a means to blunt utility opposition to energy efficiency and other demand side measures

(1) Consider alternative measures that more efficiently promote energy efficiency and other demand side measures

NASUCA Decoupling Resolution

(2) Evaluate whether a utility proposing the adoption of a decoupling mechanism has demonstrated a commitment to efficiency programs in the past.

(3) Examine whether a utility proposing adoption....has a history of prudently and reasonably utilizing alternative marketing tools

NASUCA Decoupling Resolution

If decoupling is allowed, NASUCA recommends the mechanism be structured to:

- (1) prevent over-earnings and provide a significant downward adjustment to the utilities ROE in recognition of the significant reduction in risk associated with a decoupling mechanism.

Who has the risk?

- Historically

- Periodic rate case
- Due process to all parties
- Rates set and fixed, including returns
- Low customer charges, higher volumetric rate
- Utility manages all cost variables between rate cases
- Regulatory lag provides valuable incentive to manage costs well

Who has the risk now?

- Modern LDC in Kansas
 - Gas costs flow directly to customer (PGA)
 - 70-75% of the customer bill
 - Customer charges increased to recover between 50% and 65% of revenue requirements
 - Weather normalization adjustments
 - 70% of bad debt costs through PGA

Who has the risk?

- Mandatory CWIP (K.S.A. 66-128)
- Capital cost recovery surcharges between rate cases (K.S.A. 66-2201)
- Annual ad valorem tax surcharge adjustment (K.S.A. 66-117(f))
- Customers fund hedging programs
- Incentive rate of return for conservation investments. (K.S.A. 66-117(e))

Theme: Far less revenue risk on LDC

NASUCA Decoupling Resolution

(2) Ensure the utility engages in incremental conservation efforts, such as including conservation targets and reduced or withheld recovery should the utility fail to meet those targets

(3) Require utilities to demonstrate that the reduced usage reflected in monthly decoupling adjustments are specifically linked to the utilities promotion of energy efficiency programs

Per Household Annual Consumption is decreasing



NASUCA Decoupling Resolution

Summary:

NASUCA

- Supports Energy Efficiency
- Opposed to decoupling that is not balanced, does not recognize reduced risk and does not hold utility accountable for confirmed results

Member Offices

- Individual opinions

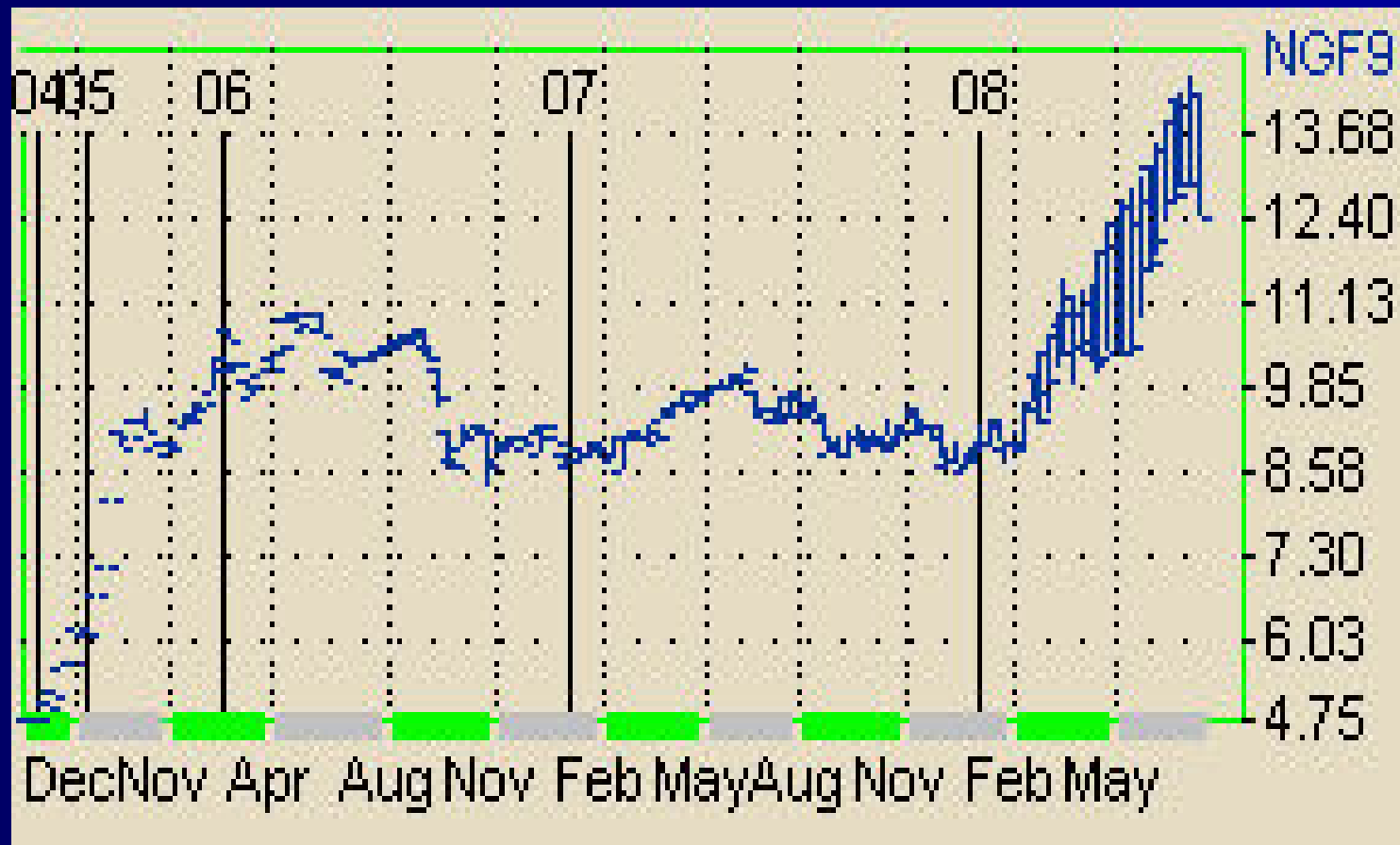
Energy Efficiency Principles

- Offshoot of an EEI dialog
- Draft Principles presented at NASUCA Summer meeting, June 2008
- Currently being reviewed by NASUCA Electric, Natural Gas and Consumer Protection Committees
- Goal: Final Principles Nov. 2008 meeting.

Natural Gas Prices

- Potential for highest winter heating bills on record.
- LIHEAP
- Media
- Engage Utilities, Commission and Advocate community in warning and preparing consumers.

NYMEX: Jan 09 contract



NYMEX: Jan. 09 contract.

