

CONSUMER GROUPS'  
AMENDMENTS TO HOUSE BILL 1782

Sponsor: \_\_\_\_\_

PRINTER'S NO. 3324

**REASON FOR AMENDMENT 1: Avoids disputes with energy efficiency and conservation advocates that rates should be modified to be based solely on kWh and MCf sales because this is "efficient"; Large Consumers prefer fixed charges and demand-based charges.**

Amend Bill, Page 4, lines 28-29 by striking out "and be consistent with the efficient consumption of utility service"

**REASON FOR AMENDMENT 2: Confirms the options that the PUC has when processing an Application for an alternative rate mechanism, consistent with the options that the PUC has regarding the existing alternative rate mechanism in Section 1355 of the Public Utility Code (the Distribution System Improvement Charge or DSIC):**

Amend Bill, Page 5, line 5 by inserting after "approve"  
, modify or reject

**REASON FOR AMENDMENT 3: Adds a requirement for the utility to consult with stakeholders prior to proposing the alternative rate mechanism and a requirement for the articulation of policy goals, metrics and consumer protections for the mechanism.**

Amend Bill, Page 5 by inserting between lines 16 and 17

(2) Any utility that files an application in a base rate proceeding to establish alternative rates and rate mechanisms must demonstrate that they have utilized an alternative rates and rate mechanisms design process which allowed for review and comment from all interested stakeholders. Such alternative rates and rate mechanisms design process shall include the following:

(i) identification of the regulatory policy goals to be achieved by the alternative rates and rate mechanisms. (examples of goals include customer focus, operational effectiveness, public policy responsiveness and financial performance.)

(ii) identification of the desired regulatory outcomes including how the alternative rates and rate mechanisms will affect ratepayers.

(iii) identification of metrics and the reporting that will be used to measure the utility's performance in achieving the outcomes. Each metric should be quantifiable, verifiable and controllable by the utility.

(iv) identification of consumer protections proposed for the mechanism.

**REASON FOR AMENDMENT 4:** Ensures that traditional ratemaking principles regarding the avoidance of interclass and intraclass cost shifting, and regarding the assurance that rates cannot be unduly discriminatory, are applicable to alternative rate mechanisms. This assurance is needed because Subsection b(1) starts with the expansive phrase “Notwithstanding any other provision of the law”, which means that other provisions of the public utility code and ratemaking precedent do not need to be followed in establishing alternative rate mechanisms.

Amend Bill, Page 5 by inserting between lines 29 and 30

(4) An alternative rate mechanism shall be implemented in a manner that does not unreasonably discriminate against one customer class for the benefit of another and that avoids intraclass and interclass cost shifting.

**REASON FOR AMENDMENT 5:** Requires the PUC to promulgate regulations to implement this section and to commence the process within six months of the effective date. A rulemaking is the appropriate way to implement such a sweeping and major change to the utility ratemaking requirements. Unlike the DSIC statute, this alternative ratemaking bill does not contain consumer protections such as caps on the magnitude of the rate increases, the requirement for periodic rate cases and credits to consumers if the utility earns more than its authorized rate of return. Requiring the PUC to conduct a rulemaking ensures that the legislature can review the consumer protection implementation requirements prior to finalization. It will also provide consumers and utilities with clarity and certainty regarding the types of consumer protections that will apply to various types of mechanisms. Policy statements and other implementation orders that the PUC could issue to implement the bill do not have the level of permanence and precedential value that regulations possess.

Amend Bill, Page 6, lines 16- 18 by striking out “, by regulation or order, shall prescribe the specific procedures for approval of an application to establish alternative rates” and inserting in place of the stricken language

shall commence a rulemaking to establish regulations to implement this section

**REASON FOR AMENDMENT 6:** Modifies the “revenue decoupling” definition to allow the PUC to address the sales variability that is the basis for this legislation without limiting the Commission’s discretion to apply or reject other elements.

Amend Bill, Page 6, line 30; Page7, lines 1 and 2, by striking out “which may include, but not be limited to, adjustments resulting from fluctuations in the number of customers served”

Amend Bill, Page 7, lines 7-9, by striking out “which may include, but not be limited to, adjustments resulting from fluctuations in the number of customers served”

**REASON FOR AMENDMENT 7:** Ensures that a “performance based ratemaking” proposal is limited to superior operational performance (e.g., service reliability, customer service, etc.). The performance bonus for alternative ratemaking should not reward the utility for financial performance because the utility is already being rewarded through better profits. Ratepayers should not pay twice.

Amend Bill, Page 7, line 21 by striking out “financial or”