



NEW FULL REVENUE DECOUPLING PILOT PROGRAM STARTS JULY 2015

Decoupled rates approved in 2013 rate case

In August 2013, CenterPoint Energy filed a request, called a rate case, with the Minnesota Public Utilities Commission (MPUC) to change its rates for utility distribution service. The final rates approved by the MPUC included a new three-year pilot program for full revenue decoupling to begin July 2015 with annual **revenue decoupling** adjustments on customers' bills **starting in fall 2016**. The MPUC will evaluate the decoupling pilot program on an annual basis.

Revenue decoupling is a regulatory tool designed to separate a utility's revenue from changes in energy sales. When a utility's revenues are closely tied to the amount of energy it sells, the utility is discouraged from promoting energy conservation. Revenue decoupling provides for adjusting a utility's rates periodically to provide a mechanism to recover approved revenues independent of the amount of energy sold.

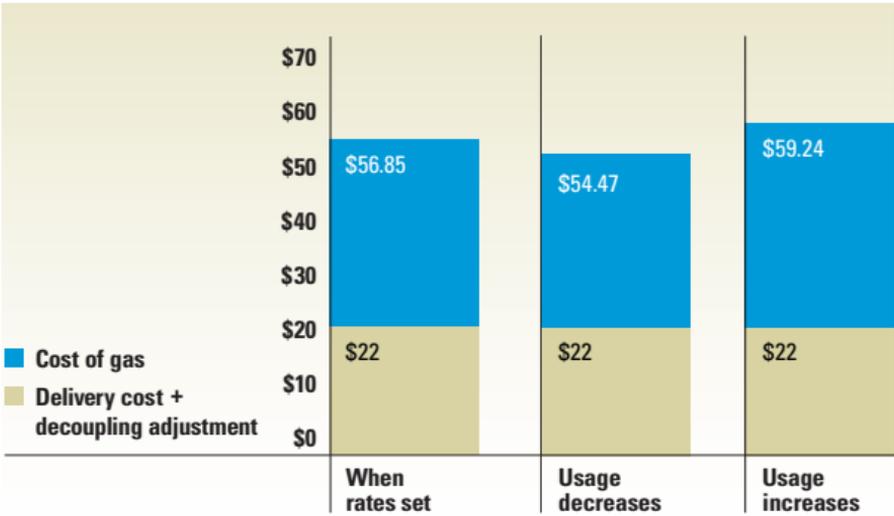


How decoupling works

Decoupling is a mechanism that breaks the link between the amount of natural gas sold and recovery of costs to deliver gas and maintain a safe and reliable distribution system. Under decoupling, an individual bill for natural gas is still based on the amount of natural gas used, so individual customers who use less will pay less and customers who use more will pay more.

Decoupling adjustments will vary by customer type/class. Revenue decoupling adjustments will affect individual monthly bills differently depending on the amount of natural gas used and the customer's rate class. Bills will also vary because the wholesale cost of natural gas changes each month.

Average monthly customer bill under decoupling, with an example of lower and higher usage



With a decoupling adjustment, recovery of fixed delivery costs (shown in tan) remains the same, as set in a rate case, even if usage goes up or down. However, customers will pay more in gas costs when they consume more gas and less for gas costs when they consume less gas. This is the same under decoupled rates and under traditional regulation.

At the end of a 12-month period, the company calculates the difference between actual usage and expected usage and the impact on utility revenue.

- If usage is higher than expected, then total revenue is more than needed to cover utility costs and customers get a refund.
- If usage is lower than expected, then total revenue is less than needed to cover utility costs and customers will be surcharged.

DECOUPLING INCLUDES CHECKS AND BALANCES

The MPUC put a cap on the amount that CenterPoint Energy can surcharge customers in years where the approved rate case revenue was not achieved. The surcharge is capped at 10 percent of the utility's non-gas commodity costs, which is equal to approximately 3 to 4 percent of your total bill. However, under the decoupling pilot, there is no cap on the amount that CenterPoint Energy must refund customers in years where the company recovers more than the rate case approved revenue.

Decoupling does not guarantee that CenterPoint Energy will earn a profit. It only determines how much revenue a utility can make. The utility must still manage costs so that expenses aren't more than what was approved in the rate case.

Revenue decoupling removes the motivation to sell more natural gas

Helping customers use energy more wisely and efficiently is the cheapest and easiest way to lower energy bills – and also reduces greenhouse gas emissions. Under traditional regulation, a utility that successfully helps its customers become more energy efficient reduces its revenue and risks not being able to cover the fixed costs of serving customers.

Regulators of public utilities, such as the MPUC, are attempting to resolve this tension by applying a decoupling mechanism, which uses regular rate reconciliations every year to compensate for under/over-collection of fixed costs during the previous year. The decoupling mechanism is designed to remove the motivation for a public utility to encourage increased natural gas usage. More than half of the states in the U.S. have adopted a decoupling mechanism for either electric or natural gas utilities.

For more information about CenterPoint Energy's Conservation Improvement Programs, visit our website at CenterPointEnergy.com/SaveEnergy.

HOW TO LEARN MORE

To maximize interest in learning about revenue decoupling, CenterPoint Energy is making available to its customers a newly developed educational interactive experience to play on a smart phone or computer. To play the game for a chance to win prizes visit UntangleMyBill.com.

Or visit our website at CenterPointEnergy.com/Decoupling and take advantage of our online calculator to learn how reducing your natural gas consumption can lower your monthly bill.

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