



Revenue Decoupling Adjustment Starts With This Bill

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 that began in July 2015 with an annual **revenue decoupling adjustment** on customer bills **starting with this bill**. The MPUC evaluates the decoupling pilot 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.

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

- Revenue decoupling allows CenterPoint Energy to adjust its rates once each year to make up for any shortfall or excess in usage / sales revenue. For example, under revenue decoupling, if total actual natural gas usage was lower or higher

than expected in a given year, due to warmer or colder than expected weather or other changes in usage patterns, the utility will increase or lower rates the next year to charge or refund customers to level revenue from the actual usage and to adjust for the differences.

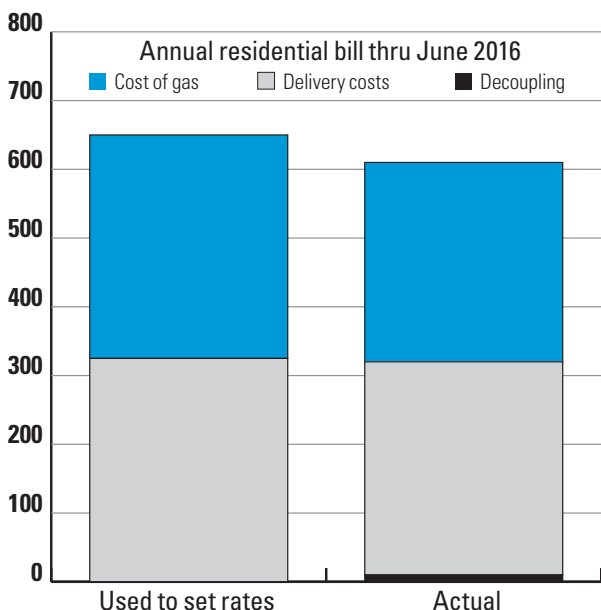
- The cost of the gas portion of customer bills continues to be passed through directly to customers without markup. The decoupling adjustment is applied only to the cost of providing utility distribution service.
- For the 12 months ended June 2016, usage was less than expected, so total revenue was less than needed to cover utility costs and a decoupling surcharge will be applied to customer bills.
- If usage had been higher than expected, total revenue would have been more than needed and refunds would be applied to customer bills.

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.

The chart below shows the decoupling adjustments that will be effective until a new decoupling adjustment is calculated in September 2017.

	Decoupling Adjustment \$/Dekatherm	Average monthly use (in therms)	Avg. monthly decoupling adjustment
Residential	\$0.02357	77	\$1.81
Commercial/Industrial A (<1,500 Therms/Yr)	\$0.03688	64	\$2.37
Commercial/Industrial B (1,500 - 5,000 Therms/Yr)	\$0.02290	250	\$5.74
Commercial/Industrial C (>5,000 Therms/Yr)	\$0.01106	1,274	\$14.09
Small Volume Dual Fuel A (<120,000 Therms/Yr)	\$0.01316	3,833	\$50.45
Small Volume Dual Fuel B (>120,000 Therms/Yr)	\$0.01184	12,833	\$151.89
Large Volume Dual Fuel (Peak Day >2,000 Therms)	\$0.00268	78,167	\$209.66
Large Volume Firm (Peak Day >2,000 Therms)	\$0.00017	443,833	\$74.84

Actual impact of decoupling – warmer than normal season



In the graph above, the bar on the left shows the average residential bill under normal weather assumptions. The bar on the right shows the effect of the warmer-than-normal weather we've experienced over the last twelve months (through June 2016.)

The bar on the right shows the **decoupling charge (black)**, which will add an adjustment amount beginning with this bill, to make up for the company's delivery costs shortfall. Even with the decoupling adjustment, customers who conserve pay less overall because they won't pay for the wholesale cost-of-gas that they didn't use.

Decoupling includes checks and balances

The MPUC put a cap on the amount that CenterPoint Energy can surcharge customers when the approved rate case revenue was not achieved. The surcharge is capped at 10 percent of non-gas commodity costs, which is approximately 4 percent of a total annual bill. However, under the decoupling pilot, there is no cap on the amount that CenterPoint Energy refunds to 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 allows CenterPoint Energy to collect the revenue

that was approved in a rate case. 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.

From lowering your thermostat when you're away from home for several hours, to replacing an aging water heater with a more energy-efficient model, there are many ways to conserve energy and save money. For more information about CenterPoint Energy's Conservation Improvement Programs, visit our website at [CenterPointEnergy.com/Save Energy](http://CenterPointEnergy.com/SaveEnergy).

How to learn more

CenterPoint Energy developed an 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.

To learn how you can save energy and money, visit CenterPointEnergy.com/SaveEnergy.

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