

Protect consumers by prohibiting the use of revenue decoupling

THE PROBLEM

Theoretically, revenue decoupling sounds so sensible: help ensure that energy efficiency efforts are being promoted by Michigan utilities to their customers by breaking, or “decoupling,” the link between energy sold and revenue received by the utility. That is: the utilities will not be financially harmed — even if their customers are using less energy due to the use of greater energy efficiencies. The thought behind revenue decoupling was to remove any economic incentive the utilities might have to discourage energy efficiency.

The result: a huge hit to customers’ pocketbooks. The decoupling mechanism **automatically increases customer rates** if the utilities sales are lower than projected — regardless of whether the utility still earned its authorized rate of return.

In fact, revenue decoupling is a redundant, double-revenue enhancing mechanism for the utilities. They are **already protected from any reduced revenues** due to energy efficiencies by the utility rate case timing process in Public Act 341.

There is no need to have an additional, hold-the-utilities-harmless mechanism in place for energy efficiencies, which is what revenue decoupling process is.

Finally, the unintended consequences of revenue decoupling: it disincentivizes economic development because it eliminates sales volume as a factor in profitability, particularly among large industrial customers. Removing all incentives to encourage customers to increase consumption, which is what revenue decoupling has done, is in direct conflict with growing Michigan’s economy.

Does that sound fair? We don’t think so.

Consumers should only pay for the electricity they use!

THE SOLUTION

Protect all MI energy consumers – both gas and electric -- from paying even higher energy rates than they already pay by amending PA 342 to eliminate current and future use of revenue decoupling mechanisms.