

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on August 22, 2007

COMMISSIONERS PRESENT:

Patricia L. Acampora, Chairwoman
Maureen F. Harris, recused
Robert E. Curry, Jr.
Cheryl A. Buley

CASE 07-E-0996 - Proceeding on Motion of the Commission to
Consider a Revenue Decoupling Mechanism for New
York State Electric & Gas Corporation.

ORDER INSTITUTING PROCEEDING

(Issued and Effective August 29, 2007)

BY THE COMMISSION:

Recently, we examined potential disincentives to utilities to engage in energy efficiency programs and to adopt other measures that might conserve non-renewable resources. That inquiry led to our Order Requiring Proposals for Revenue Decoupling Mechanisms, issued April 20, 2007.¹ In that order, we required utilities to develop and implement mechanisms that true-up forecast and actual delivery service revenues. Procedurally, we concluded that the utilities' proposals for revenue decoupling mechanisms (RDMs) should be filed and considered in ongoing and new rate cases, so that Department of Public Service Staff and other interested parties could participate and so that the design details could be considered in a utility-specific context.

In Case 07-E-0479, which we are deciding today, parties submitted a Joint Proposal establishing a commodity supply plan

¹ Cases 03-E-0640 & 06-G-0746, Potential Delivery Rate Disincentives, Against the Promotion of Energy Efficiency, Renewable Technologies and Distributed Generation, Order Requiring Proposals for Revenue Decoupling Mechanisms (issued and effective April 20, 2007).

for New York State Electric & Gas Corporation (NYSEG).² That plan, as currently constituted, provides for profits on NYSEG's sale of electricity commodity to customers that select the utility's fixed price option as their source of supply. The linkage of sales and profits may conflict with the philosophy of an RDM, which decouples that link in order to remove an incentive for the utility to increase sales.³

The Joint Proposal provides that an RDM could be considered for NYSEG in another proceeding and that such consideration would encompass commodity sales issues. We see no reason to delay such consideration and instead find there is a strong public interest basis for commencing a proceeding on RDM issues at NYSEG forthwith. Therefore, this order commences a proceeding to examine a revenue decoupling mechanism for NYSEG. Moreover, both in the interest of administrative economy and because there may be a substantive linkage between the electric and gas sides of NYSEG in considering or implementing an RDM, the proceeding will consider an RDM for sales of both electricity and gas.

The Commission orders:

1. A proceeding is instituted to examine the development and implementation of a revenue decoupling mechanism for New York State Electric & Gas Corporation.

² Case 07-E-0479, New York State Electric & Gas Corporation. - Fixed Supply Service, Order Establishing Commodity Program, (issued and effective August 29, 2007).

³ An increase in revenues to NYSEG under its fixed price option (FPO) due to increased FPO sales might not necessarily be due to increased consumption by FPO customers but instead could result merely from the shift of customers from default service to the FPO, without any increase in overall sales volume.

2. This matter is referred to the Office of Hearings and Alternative Dispute Resolution for assignment to an Administrative Law Judge, who shall establish further procedures consistent with this order.

3. This proceeding is continued.

By the Commission,

(SIGNED)

JACLYN A. BRILLING
Secretary