

**Consumer Help Line**  
888-333-WUTC (9882)  
consumer@utc.wa.gov

**TTY**  
800-416-5289

**Education and Outreach**  
360-664-1125

**Media Line**  
360-664-1116

The UTC regulates the services of private or investor-owned utility and transportation companies. Our mission is to ensure that services are fairly priced, available, reliable and safe.

**Regulated companies:**

- Telephone
- Electricity
- Natural Gas
- Water
- Garbage
- Recycling
- Residential Movers
- Charter Buses
- Airport Shuttles
- Commercial Ferries
- Natural Gas Pipeline

**General Information**

360-664-1160  
www.utc.wa.gov

PO Box 47250  
1300 S Evergreen Pk Dr SW  
Olympia WA 98504



## Regulated Utility Decoupling

The Utilities and Transportation Commission regulates the rates and services of investor-owned electric and natural gas companies within the state of Washington. Regulated companies are required to gain approval from the commission to raise rates or change their fee structure. The commission must determine if the requested rates are fair, just, and reasonable – ultimately approving or revising the request from the company.

Regulatory utility decoupling is a tool the commission can utilize when reviewing a electric or natural gas company's rates to help set a rate of return that is both fair to the consumer and the utility. Decoupling breaks the link between a utility's cost recovery and a consumer's energy consumption. It also requires the company to refund any additional revenue collected from changes in weather or other causes.

The two types of decoupling the commission uses are:

- **Limited decoupling** – This allows a utility to recover its lost revenue due to conservation efforts of the utility, including customer education and information efforts. This mechanism only makes sense when sales to existing customers are declining.
- **Full decoupling** – This is designed to minimize the risk to both the company, and the ratepayer, of volatility in average-use-per-customer regardless of cause, including the effects of weather.

### **Why are utilities allowed to raise their rates to offset revenue lost to conservation?**

The cost of conservation is a small part of any utility's rate structure. Most rate increases are based on much larger costs – inflation, new equipment, labor, new environmental regulations, etc.

In 2006, voters approved Initiative 937, which resulted in the Washington Energy Independence Act (EIA). The EIA requires electric utilities to "pursue all available conservation that is cost-effective, reliable and feasible." The EIA also gives the commission the tool, known as decoupling, to help regulated utilities meet and exceed their EIA obligations.

Without decoupling, utilities have to balance state and federal conservation laws with the fact that their business model is based on selling electricity and natural gas.

In the end, the commission considers the cost of a utility's conservation efforts in setting a rate of return that is both fair to consumer and the utility. It considers conservation costs along with how much power and gas a utility sells.

# Regulated Utility Decoupling

## **Does the commission automatically require that customers pay for the company's lost revenue related to customer conservation?**

No. It is important to know the commission does not give utilities blanket authority to recover losses attributed to customer conservation. The commission allows utilities to propose decoupling plans during general rate cases for gas utilities, and during conservation filings for electric utilities, which are decided on a case-by-case basis.

### **For More Information**

Consumer Protection Help Line  
Toll Free: 1-888-333-WUTC (9882)  
[consumer@utc.wa.gov](mailto:consumer@utc.wa.gov)  
[www.utc.wa.gov/consumer](http://www.utc.wa.gov/consumer)