As can be seen with the utilities studied above, the larger fluctuations are attributable to adjustment mechanisms that are reconciled more frequently, such as monthly, as those are less able to smooth out anomalies as an annual adjustment would do. From a dollar perspective, for the roughly 64 percent of adjustments that fall within the plus or minus two-percent range, the monthly bill impact is approximately $2.30 for average electric customers and $1.40 for average gas customers.[60]

Of the six utilities studied, the fluctuations in adjustment have for the most part stayed within the one- to three-percent range as shown below.

- PG&E from 2005 to 2012 has had annual revenue regulation adjustments ranging from –1.43 percent to 4.15 percent, with an average adjustment of 1.97 percent.
- For IPC, the adjustments are separated between residential and commercial customers. For residential customers, the annual adjustments from 2007 through 2011 ranged from 0.77 percent to 2.58 percent for an average of 1.62 percent. As for the commercial customers, the annual adjustments for that same period were higher, ranging from 1.04 percent to 4.24 percent, with an average adjustment of 2.52 percent.
- BGE has monthly adjustments that ranged from –1.853 percent to 3.013 percent, with an average of 0.57 percent for residential customers from March 2008 through August 2012. For General Service Customers, the monthly adjustment ranged from –2.264 percent to 2.462 percent. The average adjustment was 1.308 percent.
- For WPS, the annual adjustments from 2009 through 2011 ranged from –1.45 percent to 3.78 percent for residential and small commercial, and from –3.14 percent to 8.99 percent for commercial. Note that because of a $14 million per year cap, some of these percentages were carried over. The average annual adjustment for residential and small commercial and for commercial was 1.63 percent and 2.15 percent, respectively, with carry-overs to subsequent years.
- For Massachusetts Electric and Nantucket Electric, both of which operate under National Grid, the annual revenue regulation adjustment for all for 2011 and 2012 was –0.105 percent and 0.315 percent, for an average revenue regulation adjustment over the two years of 0.105 percent.
- HECO, like National Grid, has one annual revenue regulation mechanism for its customers, which resulted in adjustments in 2011 and 2012 of 0.63 percent and 1.07 percent, respectively, for an average adjustment of 0.85 percent.

As can be gleaned from the above information, the range of average adjustments for small use customers was a low of 0.105 percent for National Grid to a high of 1.97 percent for PG&E. For larger use customers, the range was a low of 0.105 percent for National Grid to a high of 2.52 percent for IPC. This demonstrates that on average for these utilities with well-developed and diversely designed revenue regulation proposals, their adjustments on average stayed at or below approximately 2.5 percent.

One of the metrics for determining if a revenue regulation program is working successfully that was discussed above was the impact on rates of a revenue regulation mechanism. As can be seen by the analysis of the adjustment levels for each of the utilities, they are within a reasonable range.

Complementary Policies

Although a revenue regulation mechanism does not need to be accompanied by other policies, energy efficiency is frequently at the root of the reason revenue regulation was proposed in the first place. The states examined in this paper have various obligations for energy efficiency achievement placed upon their utilities. Only Idaho does not have an Energy Efficiency Resource Standard, but energy efficiency objectives are developed through an integrated resource plan process. Energy efficiency spending at IPC has increased dramatically in recent years.[61]

In recognition of the fact that revenue regulation only removes the disincentive to pursue energy efficiency, several states have instituted some form of incentives to reward the desired outcome. This mechanism can not only incentivize management to aggressively pursue energy efficiency, but also make shareholders supportive in the face of lost investment opportunity.

Rate design can also play an important part in assisting the utility in achieving favorable energy efficiency outcomes. Inclining block rates penalize inefficient use of electricity and shorten payback times from the customer perspective. Because efficiency reduces consumption at

60 Id, p 3.

61 Schultz, T. Energy Efficiency at Idaho Power. Available at: http://www.energy.idaho.gov/energyalliance/d/ida_power.pdf