



May 4, 2010

Senator V. Susan Sosnowski, Chairwoman  
Senator Walter S. Felag Jr., Vice-Chairman  
Committee on Environment & Agriculture  
Rhode Island State House  
Providence, RI 02903-1105

Dear Senators Sosnowski and Felag:

On behalf of Northeast Energy Efficiency Partnerships (NEEP), I am writing in support of S2841, relative to revenue decoupling for public utility companies.

NEEP is a regional nonprofit that promotes the efficient use of energy in homes, buildings and industry in the Northeast. We advance cutting-edge products and practices through coordinated, whole-building efficiency programs and policies. We do this work because saving energy creates a stronger economy, a cleaner environment and a more reliable and affordable energy system.

As you know, utility companies exist not only for the public good, but also to make a profit for their shareholders. Historically, electric and gas distribution companies have established a sales forecast that includes both fixed and variable costs and set rates in accordance with that forecast. Once these rates are determined, the distribution companies' revenue is directly dependent on the amount of kilowatt hours or therms sold. Under this construct, a reduction in kilowatt hour sales due to the success of efficiency programs would undermine a company's financial performance.

“Decoupling” volumetric sales from revenues removes the disincentive for companies to invest in energy efficiency. NEEP has consistently supported the adoption and implementation of decoupling mechanisms that remove the disincentives to broader deployment of efficiency resources, together with appropriate shareholder incentives to encourage excellence in the delivery of energy efficiency programs.

Rewarding utility companies for their performance in efficiency program delivery is a win-win proposition. Companies are incentivized to bring greater savings to their customers, pressure on energy



infrastructure is reduced, and the state makes progress towards climate and environmental goals. With proper monitoring and evaluation, utility decoupling and performance incentives encourage energy companies to seek profits that also bring social benefits, instead of increased energy use.

In Chapter 237, “The Comprehensive Energy Conservation, Efficiency and Affordability Act of 2006,” Rhode Island sets a policy of least cost procurement, directing the utility companies to capture all cost effective energy efficiency. Implementing revenue decoupling together with performance incentives will help Rhode Island to maximize the potential that efficiency holds in meeting multiple policy goals. These include reducing energy costs, driving the economy by putting money back in people’s pockets and creating jobs, increasing system reliability, and curbing greenhouse gas emissions.

We thank you for your support of this important legislation. Please do not hesitate to contact me if you have questions relative to these comments, or other issues pertaining to the energy efficiency policies that are working in the Northeast states.

Sincerely,

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CC: Members of the Committee on Environment and Agriculture and bill sponsors