



# Study of the Natural Gas Rate Stabilization Act of 2005

South Carolina  
Office of Regulatory Staff  
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## EXECUTIVE SUMMARY

On June 27, 2018, the Aiken County Legislative Delegation requested the South Carolina Office of Regulatory Staff (ORS) review the Natural Gas Rate Stabilization Act of 2005 and make recommendations to the General Assembly. Specifically, the requested examination was outlined in the following language contained in the request from the Aiken County Legislative Delegation:

*“From the funds appropriated and authorized in the current fiscal year, the Office of Regulatory Staff shall study the Natural Gas Rate Stabilization Act of 2005 and make recommendations to the General Assembly by February 5, 2019. The study shall include, but is not limited to, determining if the provisions of the Act are in the best interests of the ratepayers. The study will include a comparison of states that use innovative rates and tracking mechanisms to bill natural gas customers. Such comparison shall include, but is not limited to, the application and process, the usage of the Weather Normalization Adjustment, the benefits to the customer, and the approved rate of return.”*

The ORS completed a study of the impacts of the Natural Gas Rate Stabilization Act of 2005 (RSA) mechanism on natural gas customers. The provisions of S.C. Code Ann. § 58-5-410 have been elected by both natural gas investor-owned natural gas utilities: South Carolina Electric & Gas Company (SCE&G), and Piedmont Natural Gas Company (Piedmont).

The ORS reviewed the three alternative rate mechanisms utilized in South Carolina and compared South Carolina's practices to the use of innovative rates and tracking mechanisms by other states. While other alternative rate mechanisms exist, South Carolina's use of the RSA accomplishes many of the goals embedded in other alternative rate mechanisms.

The ORS determined the mechanisms used to set rates for investor-owned natural gas utilities in South Carolina which include the RSA, Purchased Gas Adjustment (PGA), and gas Weather Normalization Adjustment (gWNA), subject to the recommendations herein, are in the best interest of customers and preserve continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services. The ORS determined the RSA could be improved to enhance transparency and accuracy and recommends the General Assembly consider the following modifications:

1. A more frequent review of the cost of service study for natural gas utilities;
2. A change to the RSA statutory language to allow greater flexibility in rate design;  
and,
3. A limitation on the term of RSA election to no more than five years.

# SOUTH CAROLINA NATURAL GAS RATES

Alternative rate recovery mechanisms are implemented throughout the majority of the United States to encourage the replacement of aging infrastructure and ensure the safe and reliable delivery of natural gas. In South Carolina, the path to alternative rate recovery mechanisms began when the Public Service Commission of South Carolina (PSC) formally implemented the annual Purchased Gas Adjustment and Gas Purchasing Policy process for each of the two investor-owned natural gas utilities operating in South Carolina – Piedmont and SCE&G. These were approved by the PSC in 1987 and 1988.<sup>1</sup> Approval of the gWNA for both natural gas utilities followed in 1991.<sup>2</sup> Finally, the General Assembly ratified the RSA (S.C. Code Ann. § 58-5-400) in 2005.

Each of the three alternative rate mechanisms was designed to promote timelier rate recovery and investments in infrastructure, safety and reliability, and mitigate large swings in customer rates. According to the American Gas Association (AGA), South Carolina is one of twenty-three states that have implemented a gWNA mechanism.<sup>3</sup> In addition, South Carolina is one of nine states to implement the RSA as an alternative to traditional rate proceedings.<sup>4</sup> See Attachment B for the state-by-state overview of the implementation of PGA, gWNA and RSA as compiled by the AGA.

The ORS performed a comparison of natural gas rates in the southeastern United States to provide a range of the current bill amounts experienced by a residential natural gas customer in the winter months.<sup>5</sup>

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<sup>1</sup> SCE&G – PSC Order No. 1987-898 and Piedmont Order No. 1988-294.

<sup>2</sup> SCE&G – PSC Order No. 1991-971 and Piedmont Order No. 1991-1003.

<sup>3</sup> American Gas Association, *Innovative Rates, Non-Volumetric Rates, And Tracking Mechanisms: Current List, December 2016*, pg. 12

<sup>4</sup> American Gas Association, *Innovative Rates, Non-Volumetric Rates, And Tracking Mechanisms: Current List, December 2016*, pg. 10

<sup>5</sup> Based on Standard Residential Service for Winter at 100 therms. Does not include fees or taxes.

NG Utility	State	Basic Facilities Charge	Energy Charge	Rate per therm	Therms	Total Bill
SCE&G	SC	\$10.90	\$0	\$1.05594	100	\$116.49
Piedmont	SC	\$10.00	\$0	\$0.80572	100	\$90.57
PSNC	NC	\$10.00	\$0	\$1.00362	100	\$110.36
Piedmont	NC	\$10.00	\$0	\$1.09640	100	\$119.64
Piedmont	TN	\$17.45	\$0	\$0.86060	100	\$103.51
Florida Public Utilities	FL	\$11.00	\$0.49828	\$0.85000	100	\$145.83
SCANA Energy <sup>6</sup>	GA	\$44.10	\$0	\$0.59000	100	\$103.10

## Purchased Gas Adjustment (PGA)

It is common practice that natural gas utilities typically include in base per therm rates the cost of gas (including demand and transportation costs) the utilities purchase for distribution to customers. The cost of gas is not marked-up and provides no return to the natural gas utility.

Base rates allow natural gas utilities to recover only the cost of the gas purchased for distribution to customers. Natural gas utilities request base rate adjustments through a general rate proceeding before the PSC. Due to the frequent changes in the cost of gas and the continuous need to purchase gas, the cost of gas component embedded in base rates changes during the time between general rate proceedings. To mitigate these frequent cost fluctuations, a PGA allows a natural gas utility to charge customers for cost of gas changes on a more regular basis. The AGA indicates that every state in the US has some alternative mechanism to adjust for fluctuations in gas cost.

Both SCE&G and Piedmont have PSC-approved Gas Cost Recovery Mechanisms and an annual PGA proceeding. This allows the natural gas utilities to respond to cost

<sup>6</sup> Georgia is open for competition in the natural gas market.

fluctuations throughout the year. The PGA process requires the natural gas utility to file monthly reports with the PSC and the ORS which detail gas costs for each month, the amount of gas cost recovered each month, and amounts deferred from month to month. The ORS and other interested parties have an opportunity to review and challenge the utility's gas purchasing practices and cost of gas. The PSC holds annual hearings to ensure that natural gas utilities are prudently purchasing gas and implementing the gas cost recovery mechanism in compliance with the PSC order.

The PGA provides a balanced benefit to the natural gas utility and the customer by allowing timely adjustment of the cost of gas which mitigates large rate increases or decreases. The PGA process established by the PSC provides transparency to those adjustments through an annual review of the gas purchasing policies of the utilities and an opportunity for public participation during the annual hearing. The ORS determined the PGA benefits natural gas customers in South Carolina and preserves continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

### **Gas Weather Normalization Adjustment (gWNA)**

gWNA is a mechanism applied by many natural gas utilities to stabilize revenues and to reduce the impact of abnormal weather on customers' bills. Natural gas utilities recover most of the fixed cost to provide service through sales of natural gas which are sensitive to fluctuations in the weather. Because a significant portion of SCE&G's and Piedmont's fixed costs are not recovered through a base facilities charge, if the gWNA was not implemented, changes in weather could cause significant swings in customers' bills and trigger frequent general rate proceedings.

SCE&G's implementation of the gWNA is reflected as a charge applied to the customer's bill during warmer than normal bill cycles and a credit applied during those that are colder. The gWNA mechanism used by SCE&G adjusts the per therm rate for deviations from normal weather during the winter heating season which extends from November 1 through April 30. The ORS prepared an extensive review of the SCE&G gWNA at the



request of the Aiken Legislative Delegation in 2017. The 2017 ORS Review is available on the ORS website.<sup>7</sup>

Piedmont's implementation of the gWNA is reflected as a tracker within the PGA mechanism to determine if an over/under recovery adjustment is needed when adjusting rates. The gWNA mechanism used by Piedmont adjusts the over/under recovery of purchased gas for deviations from normal weather during the winter heating season which extends from November 1 through March 31.

gWNA reduces customers' bills in months with colder-than-normal temperatures (when customers' gas usage tends to be higher) and increases bills in months with warmer-than-normal temperatures (when customers' gas usage tends to be lower). As a result, gWNA mitigates the impact of abnormal weather on customers' bills and stabilizes the impact of abnormal weather on utility revenue. The ORS concludes the gWNA benefits natural gas customers in South Carolina and preserves continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

## **Rate Stabilization Act (RSA)**

### **Legislative Background**

The preamble, included by the General Assembly when it ratified the RSA in 2005, concisely outlined the public benefits to South Carolina associated with the implementation of an alternative rate mechanism. These important benefits included:

- Increase the stability and predictability of rates charged by natural gas distribution utilities in South Carolina;
- Provide the state's natural gas consumers and utilities with an efficient rate setting mechanism that will allow for more periodic yet generally smaller rate adjustments;
- Encourage investment in new, updated, and expanded natural gas infrastructure, to encourage additional economic development in South Carolina; and,

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<sup>7</sup>

<https://regulatorystaff.sc.gov/sites/default/files/Documents/Regulatory/electricNaturalGas/naturalGas/FINAL%20WNA%20Report%209-20-17.pdf>

- Reduce the costs of proceedings to adjust natural gas rates and reduce costs for consumers and the public.

### **Statutory Requirements and Commission Procedure**

The RSA is an alternative rate mechanism available to any investor-owned natural gas utility. Both Piedmont and SCE&G have elected to have their natural gas rates set on an annual basis using the provisions of the RSA. The RSA provides a structure for on-going monitoring of the utility's financial and operating experience and earnings balanced with safeguards to allow annual audits and opportunities for interested stakeholders to comment and challenge utility rate adjustments.

To summarize, the RSA requires the following annual actions:

1. The natural gas utility to file quarterly Monitoring Reports with the PSC for each 12-month period ending on March 31, June 30, September 30, and December 31 of each year.<sup>8</sup>
2. The Monitoring Reports contain an extensive breakdown of the natural gas utility's financial and operating experience, rate base, capital structure, cost of capital/debt, accounting/pro-forma adjustments and earned return on equity.
3. An opportunity for interested parties to file comments on the Monitoring Report submitted by the utility by July 15 for the quarter ending March 31.
4. An audit by the ORS of the Monitoring Report submitted for the quarter ending March 31. The results of the ORS audit are published by September 1 of each year.
5. An opportunity for interested parties to comment on the ORS audit report by September 15 of each year.
6. An Order from the PSC, by no later than October 15, setting out any changes to the rates requested by the utility.
7. The rates as ordered by the PSC become effective in the first billing cycle of November.

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<sup>8</sup> The March 31 Monitoring Report must also contain detailed revenue adjustments and tariffs to reflect a change in rates as prescribed by S.C. Code Ann. § 58-5-440.

8. An opportunity for any aggrieved party to request the PSC review the order setting annual rates under the RSA and a right to be heard on the issues.

The RSA requires the PSC to set a financial baseline metric to include the rates, charges, revenues, expenses, capital structure, returns, and other matters approved by the PSC in the utility's most recent general rate proceeding. If the utility's last general rate proceeding occurred more than five years before the election to operate under the RSA, the utility must complete a general rate proceeding to establish the financial baseline metric to be used in the RSA.

The financial baseline metric specifies the method for the utility to record and report its cost of service, revenue allocation, accounting and pro-forma adjustments and range of return on equity. Once the PSC establishes a financial baseline metric, the electing natural gas utility is required to adhere to the financial baseline metric to remain in compliance with the RSA. The ratemaking treatment for cost of service, revenue allocation, accounting/pro-forma adjustments and return on equity by the PSC is not adjusted until the utility's next general rate proceeding.

#### **Piedmont's Application of the RSA**

On April 26, 2005, Piedmont elected to have rates set in accordance with the provisions of the RSA.<sup>9</sup> On September 28, 2005, the PSC issued Order No. 2005-491 to establish a financial baseline metric for Piedmont and address the procedure for Piedmont to implement the annual RSA.

The financial baseline metric established by the PSC for Piedmont utilized the results of the last general rate case approved in 2002.<sup>10</sup> In 2002, the PSC approved a return on equity of 12.6%. Under the RSA procedures approved by the PSC in 2005, the range of return on equity for Piedmont was established as 12.1% - 13.1%. During the audit and review period, if the natural gas utility's return on equity is above or below the range of the return on equity set by the PSC, the utility is required to adjust natural gas rates to bring the utility's annual revenue requirement to a level sufficient to produce a return on

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<sup>9</sup> PSC Docket No. 2005-125-G

<sup>10</sup> PSC Docket No. 2002-63-G; Order No. 2002-761

equity in the middle of the range. For Piedmont, the middle of the approved range of return on equity is 12.6%.

Historically, the PSC approved a rate adjustment in the RSA for Piedmont that reduced the return on equity to 10.2% instead of 12.6%. These savings have been achieved due to mutual settlements between Piedmont and the ORS which resolve certain accounting, capital structure and return on equity issues.

The following table demonstrates the requested and approved rate changes for Piedmont since 2014:

Docket No.	Order No.	Amount Requested	Proposed Settlement Revenue	PSC Approved Revenue	Approved Return on Equity	Rates Effective
2014-7-G	2014-822	(\$2,620,770)	(\$7,084,417)	(\$7,084,417)	10.20%	11/1/2014
2015-7-G	2015-732	\$8,994,755	\$3,898,604	\$3,898,604	10.20%	11/1/2015
2016-7-G	2016-705	\$14,910,332	\$7,655,078	\$7,655,078	10.20%	11/1/2016
2017-7-G	2017-624	\$17,552,834	\$5,829,357	\$5,829,357	10.20%	11/1/2017
2018-7-G	2018-679	(\$5,686,837)	(\$13,855,623)	(\$13,855,623)	10.20%	11/1/2018

### **SCE&G's Application of the RSA**

On April 26, 2005, SCE&G filed a general rate proceeding for its natural gas operations and a request electing to set future natural gas rates in accordance with the RSA.<sup>11</sup> On October 31, 2005, the PSC approved a rate change and established the financial baseline metric for SCE&G to implement the annual RSA for future rate adjustments.<sup>12</sup> Under the RSA procedures approved by the PSC, the range of return on equity for SCE&G was established as 9.75% - 10.75%. During the audit and review period, if the natural gas utility's return on equity is above or below the range of the return on equity set by the PSC, the utility is required to adjust natural gas rates to bring the utility's

<sup>11</sup> PSC Docket No. 2005-113-G

<sup>12</sup> PSC Order No. 2005-619

annual revenue requirement to a level sufficient to produce a return on equity in the middle of the range. For SCE&G, the middle of the approved range of return on equity is 10.25%.

The following table demonstrates the requested and approved rate changes for SCE&G since 2014:

Docket No.	Order No.	Amount Requested	ORS Proposed Revenue	PSC Approved Revenue	Approved Return on Equity	Rates Effective
2014-6-G	2014-821	(\$2,997,170)	(\$2,647,323)	(\$2,647,323)	10.25%	11/1/2014
2015-6-G <sup>13</sup>	2015-731	\$0	\$0	\$0	9.85%	11/1/2015
2016-6-G	2016-704	\$4,386,695	\$4,086,147	\$4,086,147	10.25%	11/1/2016
2017-6-G	2017-623	\$9,022,098	\$8,633,538	\$8,633,538	10.25%	11/1/2017
2018-6-G	2018-678	(\$18,737,191)	(\$19,716,936)	(\$19,716,936)	10.25%	11/1/2018

### Benefits of the RSA

In general, the RSA primarily benefits the natural gas utility by decreasing regulatory lag, facilitating timely recovery on new infrastructure investments and decreasing revenue uncertainty. Natural gas customers benefit from the RSA as it protects against extreme rate volatility and reduces the frequency and duration of rate proceedings which translates into less cost for the customer.

As evidenced by the reductions to natural gas rates in 2014 and 2018, customers benefit greatly by a timely rate adjustment versus the traditional rate setting practice which allows the natural gas utility to select the time interval for a rate adjustment. Overall, the RSA provides greater transparency of the financial and operating experience of the

<sup>13</sup> In 2015, SCE&G was earning a return on equity of 9.85% which is within the range approved by the PSC. No adjustment in rates was necessary.

utility. It is important to note no empirical study has been conducted in South Carolina to quantify the benefits of the RSA to the utility and natural gas customer.

### **Disadvantages of the RSA**

Under the procedures approved by the PSC, the natural gas utilities and the ORS coordinate to achieve the ambitious deadlines prescribed by the RSA. The timeline for the ORS audit review begins on June 15 when the utilities submit the March 31 Monitoring Report. The ORS has approximately seventy-five days in which to conduct an audit and file comments related to the Monitoring Report. A traditional rate case proceeding (non-RSA) for electric and water/wastewater utilities provides approximately one hundred twenty days for audit review and testimony preparation. This time constraint is reasonably mitigated by utility preparation of detailed quarterly Monitoring Reports, on-going review by the ORS, and utility cooperation.

Another drawback of the RSA is that it does not contain a provision to “reset” the financial baseline metric for the natural gas utility unless the utility requests its rates be adjusted in a general rate proceeding. The RSA does contain a provision that allows the PSC to issue, or an interested party to request issuance of, a rule to show cause why a full rate proceeding should not be initiated.<sup>14</sup> No rule to show cause has been initiated since the election of the RSA by Piedmont or SCE&G.

It would be beneficial to natural gas customers to require the utility to have its financial baseline metric reviewed and adjusted no less than once every five years. The financial baseline metric established for Piedmont in 2005 relies upon a snapshot of the utility’s financial and operating experience in 2001. Likewise, the financial baseline metric established for SCE&G was based on a financial and operating experience of the utility in 2004. While the RSA annually examines and adjusts for the changes in revenue and expenses, circumstances that impact the cost of service, revenue allocation, capital structure and return on equity are not adjusted in the RSA.

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<sup>14</sup> *S.C. Code Ann. § 58-5-470*

# ORS RECOMMENDATIONS

The ORS examined several recommendations which could improve the RSA. These recommendations include:

- Updated Cost of Service;
- Mechanisms for incorporating changes in Rate Design; and,
- Updated Return on Equity.

## Cost of Service

As discussed earlier in the study, the cost of service is a component of the financial baseline metric used in the RSA. To determine the cost of service, a utility performs a Cost of Service Study (COSS) which allocates – or directly assigns – the operating revenues, operating expenses, and rate base items to each customer class, which are then used to determine the rate of return for each class. Specifically, the COSS identifies the cost responsibility for expenses and rate base items that should be allocated to the customer class(es) causing the cost to be incurred. This allocation methodology is referred to as “cost causation.”

The major components utilized in the development of a COSS are functionalization, classification, and allocation. Functionalization is the process of categorizing investments and operating costs according to their function which is either, production, gathering, transmission, or distribution. Classification further groups these costs based on the service being provided and related causation of the costs, namely demand—related, commodity-related or customer-related. These costs are then allocated based upon cost causation principles.

The RSA limits the ability of the utility, the ORS and other interested parties’ to review or recommend changes to the cost of service beyond those financial baseline metrics approved by the PSC in the last general rate proceeding. Over time and as the utility makes new investments, the cost of service will change. The COSS should be updated on a more regular basis than the RSA currently allows. A more frequent review of the COSS for natural gas utilities can provide greater transparency and prevent cost shifting between classes of customers.

## **Rate Design**

The RSA does not allow for changes to rate design because of the following language contained in S.C. Code Ann. § 58-5-440:

*The proposed rate changes, filed by the utility, shall conform as nearly as practicable with the revenue allocation principles contained in the most recent rate order.*

This language restricts the utility, the ORS, and other interested parties' ability to recommend changes to rate design and revenue allocation. The restrictive language also limits the PSC's ability to modify rate design and revenue allocation. Rate changes, including the addition or deletion of customer classes, should be periodically reviewed by the PSC to ensure utility rate design meets the policy objectives of South Carolina.

## **Return on Equity**

In the RSA, S.C. Code Ann. § 58-5-420(1) requires the PSC set a specific range of return on equity. The RSA does not allow further adjustment to the range of return on equity after the natural gas utility elects to set rates in accordance with the RSA. Only through voluntary adjustment by the utility can the return on equity be set below the PSC approved range. This restriction provides great revenue certainty to the utility. However, the customer may be subjected to rates higher than necessary due to an inflexible range of return on equity set under different market conditions.

The ORS recommends consideration be given to limit a natural gas utility's election under the RSA to a maximum term of five years. Six months prior to the expiration of the RSA term, the utility shall participate in a general rate proceeding in order to reset the financial baseline metric including cost of service, revenue allocation, rate design and return on equity contained in the RSA election. Reviewing the financial baseline metric may benefit both the customer and the utility.



# OVERVIEW OF INNOVATIVE MECHANISMS

## Non-Volumetric Rates

Straight-Fixed Variable (“SFV”) Rate designs – currently utilized in nine states – are another way that states have worked to address this alternative rate mechanisms. These structures eliminate all variable distribution charges and enable cost recovery through a fixed delivery services charge or an increase in the fixed customer charge alone. Under this approach, it is assumed that a utility’s revenues would be unaffected by changes in sales levels if all its overhead or fixed costs are recovered in the fixed portion of customers’ bills.

## Decoupling Mechanisms

A decoupling mechanism is a rate adjustment mechanism that separates (decouples) a gas utility’s fixed recovery from the amount of gas it sells. Decoupling permits utilities to collect revenues based on the regulatory-determined revenue requirement, most often on a per customer basis. On a periodic basis, revenues are “trued-up” to the predetermined revenue requirement using an automatic rate adjustment.

## Bad Debt Cost Recovery

A typical bad debt mechanism allows for the recovery of costs that are usually outside of the control of the utility, such as taxes and the cost of gas. These tracking mechanisms are implemented without the need for a rate case and ensure that the utility is made whole. Both higher-than-forecast and lower-than-forecast bad debt expenses are tracked in a special account and subsequently recovered in the rates of all customers.

## Pension and OPEB Cost Recovery

As pension expenses can fluctuate annually, utilities do not always recover costs that they actually incur and record in their accounts. Under-recovered pension expenses can lead to additional recording of pension liabilities and a loss of income. Several rate design options are available to assist in addressing this issue, including cost tracking mechanisms and rate stabilization mechanisms – which recover costs in the time period in which they are incurred – and deferral accounts, which delay the recovery of expenses, and usually carrying costs, until a future period.

## **Natural Gas Energy Efficiency Programs**

For utilities without decoupling, SFV rate design or a rate stabilization mechanism in place, other states have approved methods for recovering the costs associated with the deployment of energy efficiency measures. This is generally accomplished through the establishment of an automatic rate adjustment mechanism that is used to annually reconcile program costs outside of a general rate case.

# STATE BY STATE COMPARISON

## **ORS Data**

The ORS compiled a listing of states that have implemented alternative rate mechanisms. This listing was last updated on January 29, 2019, and contains state-by-state data on innovative rate mechanism type and recent published return on equity for natural gas utilities. The ORS data is included as Attachment A.

## **American Gas Association Data**

The most current data available on alternative rate mechanisms is contained in a slide deck prepared by the AGA. Even though the material is dated December 2016, the data has not materially changed from its original publication. The AGA data is included as Attachment B.

# **ATTACHMENT A**

**State-by-State Comparison of Alternative Rate Mechanisms**  
**Last Update January 29, 2019**

<b>State</b>	<b>RSA / Decoupling</b>	<b>SFV</b>	<b>gWNA</b>	<b>PGA</b>	<b>Return on Equity</b>
Alabama - AL	X		X		10.80%
Alaska - AK	X				11.88%
Arizona - AZ	X		X	X	9.50%
Arkansas - AR	X		X		9.40%
California - CA	X			X	10.40%
Colorado - CO			X		9.50%
Connecticut - CT	X				9.25%
Delaware - DE		X	X		9.70%
Florida - FL		X		X	10.19%
Georgia - GA	X	X	X		10.75%
Hawaii - HI	X				Unpublished
Idaho - ID	X		X		9.50%
Illinois - IL			X	X	9.80%
Indiana - IN	X		X		10.20%
Iowa - IA					9.56%
Kansas - KS			X		9.80%
Kentucky - KY	X		X		10.40%
Louisiana - LA	X		X		Unpublished
Maine - ME	X				9.50%
Maryland - MD	X		X		9.65%
Massachusetts - MA	X				9.60%
Michigan - MI	X		X		10.30%
Minnesota - MN	X				9.49%
Mississippi - MS	X		X		Unpublished
Missouri - MO		X	X		9.70%
Montana - MT					9.55%
Nebraska - NE		X	X		Unpublished
Nevada - NV	X				Unpublished
New Hampshire - NH	X			X	9.30%
New Jersey - NJ	X		X		9.75%
New Mexico - NM					Unpublished
New York - NY	X		X		9.00%
North Carolina - NC	X				9.70%
North Dakota - ND	X	X	X		9.50%
Ohio - OH		X			9.84%
Oklahoma - OK	X	X	X		9.50%
Oregon - OR	X		X		9.40%
Pennsylvania - PA	Pending		X		9.80%
Rhode Island - RI	X		X		9.28%
South Carolina - SC	X		X	X	10.20%
South Dakota - SD			X		Unpublished
Tennessee - TN	X		X		Unpublished
Texas - TX	X	X	X		9.60%
Utah - UT	X		X		9.85%

**State-by-State Comparison of Alternative Rate Mechanisms**  
**Last Update January 29, 2019**

<b>State</b>	<b>RSA / Decoupling</b>	<b>SFV</b>	<b>gWNA</b>	<b>PGA</b>	<b>Return on Equity</b>
Vermont - VT				X	Unpublished
Virginia - VA	X		X		9.75%
Washington - WA	X		X	X	9.50%
West Virginia - WV			X	X	9.75%
Wisconsin - WI				X	10.00%
Wyoming - WY	X				9.90%

# **ATTACHMENT B**

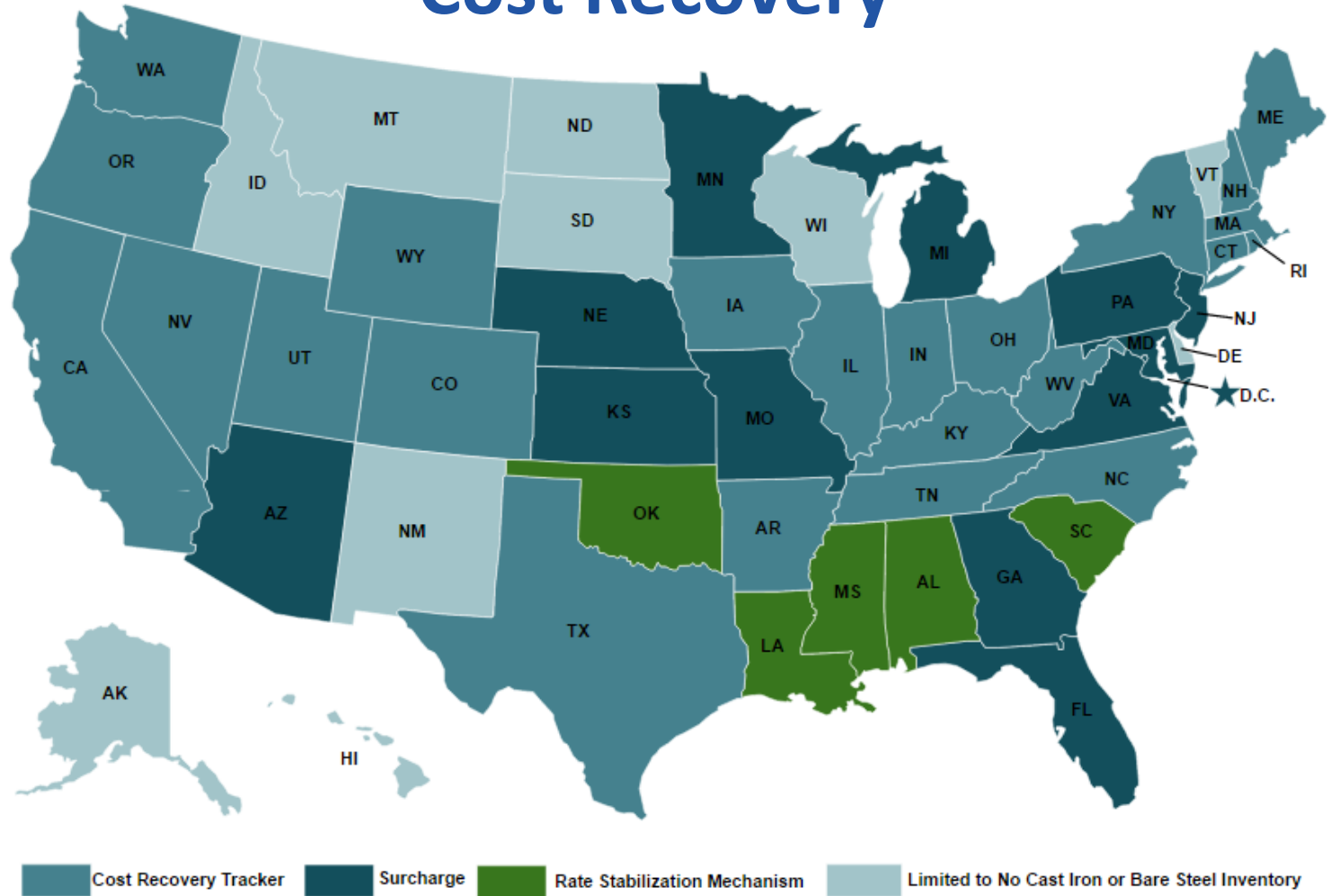


# Innovative Rates, Non-Volumetric Rates, and Tracking Mechanisms: Current List

As of December 2016



# States with Accelerated Infrastructure Cost Recovery



# Utilities with Full Infrastructure Cost Recovery Mechanisms

1. AL – Alabama Gas Company
2. AL – Mobile Gas Service
3. AR – Arkansas Oklahoma Gas
4. AR -- SourceGas
5. AR – CenterPoint Energy
6. CA – San Diego Gas and Electric
7. CA – Southern California Gas
8. CA – Southwest Gas
9. CO – Public Service Co. of Colorado
10. CO – Atmos Energy
11. CO -- SourceGas
12. CT – Connecticut Natural Gas
13. DC – Washington Gas
14. FL – Chesapeake Utilities
15. FL – Florida Public Utilities Company
16. FL – Florida City Gas
17. FL – TECO Peoples Gas
18. GA – Atlanta Gas Light
19. GA – Liberty Utilities
20. IL – Ameren Illinois
21. IL – NICOR Gas
22. IL – Peoples Gas
23. IN – Vectren North Indiana Gas
24. IN – Vectren South SIGECO
25. IN – NIPSCO
26. KS – Atmos Energy
27. KS – Black Hills
28. KS – Kansas Gas Service
29. KY – Atmos Energy
30. KY – Columbia Gas of Kentucky
31. KY – Delta Natural Gas
32. KY – Duke Energy Kentucky
33. LA – CenterPoint Energy
34. LA – Entergy Gulf States
35. MA – Berkshire Gas
36. MA – Columbia Gas of Massachusetts
37. MA – National Grid Massachusetts
38. MA – Eversource Energy
39. MA – Liberty Utilities
40. MA – Unitil
41. MD – Baltimore Gas and Electric
42. MD – Columbia Gas of Maryland
43. MD – Washington Gas
44. MI – Consumers Energy
45. MI – DTE
46. MI – SEMCO Energy
47. MN – Xcel Energy
48. MO – Ameren Missouri
49. MO – Liberty Utilities
50. MO – Laclede Gas
51. MO – Missouri Gas Energy
52. MS – Atmos Energy
53. MS – CenterPoint Energy
54. NC – Piedmont Natural Gas
55. NC – Public Service of North Carolina
56. NH – Liberty Utilities
57. NJ – New Jersey Natural
58. NJ – Elizabethtown Gas
59. NJ – Public Service Electric and Gas
60. NJ – South Jersey Gas
61. NV – Southwest Gas
62. OH – Columbia Gas of Ohio
63. OH – Dominion East Ohio
64. OH – Duke Energy
65. OH – Vectren Ohio
66. OK – CenterPoint Energy
67. OR – Avista Corp.
68. OR – NW Natural
69. PA – Columbia Gas of Pennsylvania
70. PA – Equitable Gas
71. PA – Peoples Gas Company
72. PA – Peoples TWP
73. PA – UGI Central Penn Gas
74. PA – UGI Penn Natural Gas
75. PA – PECO
76. PA – Philadelphia Gas Works
77. RI – National Grid Narragansett Gas
78. SC – Piedmont Natural Gas
79. SC – South Carolina Electric and Gas
80. TN – Atmos Energy
81. TN – Piedmont Natural Gas
82. TX – Atmos Energy
83. TX – CenterPoint Energy
84. TX – Texas Gas Service
85. UT – Questar Gas
86. VA – Atmos Energy
87. VA – Columbia Gas of Virginia
88. VA – Virginia Natural Gas
89. VA – Washington Gas
90. WA – Avista Corporation
91. WA – Puget Sound Energy, Inc.
92. WA – Cascade Natural Gas Company
93. WA – Northwest Natural Gas Company
94. WV – Mountaineer Gas Company
95. WV – Dominion Hope
96. WY – Black Hills

# Limited and Pending Infrastructure Mechanisms

## LIMITED – 3 States

1. AZ – Southwest Gas
2. ME – Northern Utilities
3. NY – Consolidated Edison
4. NY – Corning Natural Gas
5. NY – National Grid NYC
6. NY – National Grid Long Island
7. NY – National Grid Niagara Mohawk
8. NY – Orange and Rockland

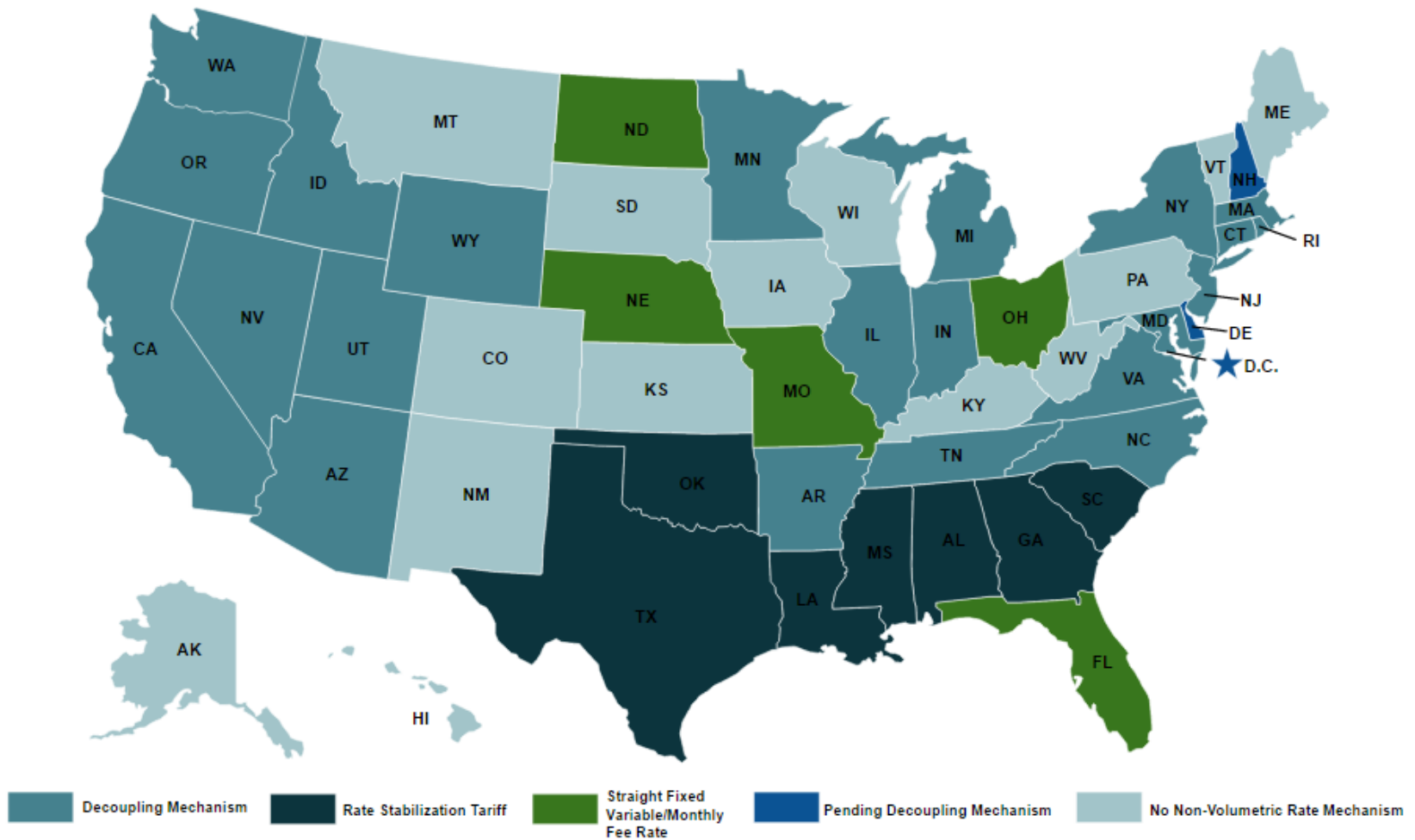
## PENDING – 3 States

1. KS – All utilities
2. NJ – Elizabethtown Gas
3. NY – Consolidated Edison
4. NY – All utilities

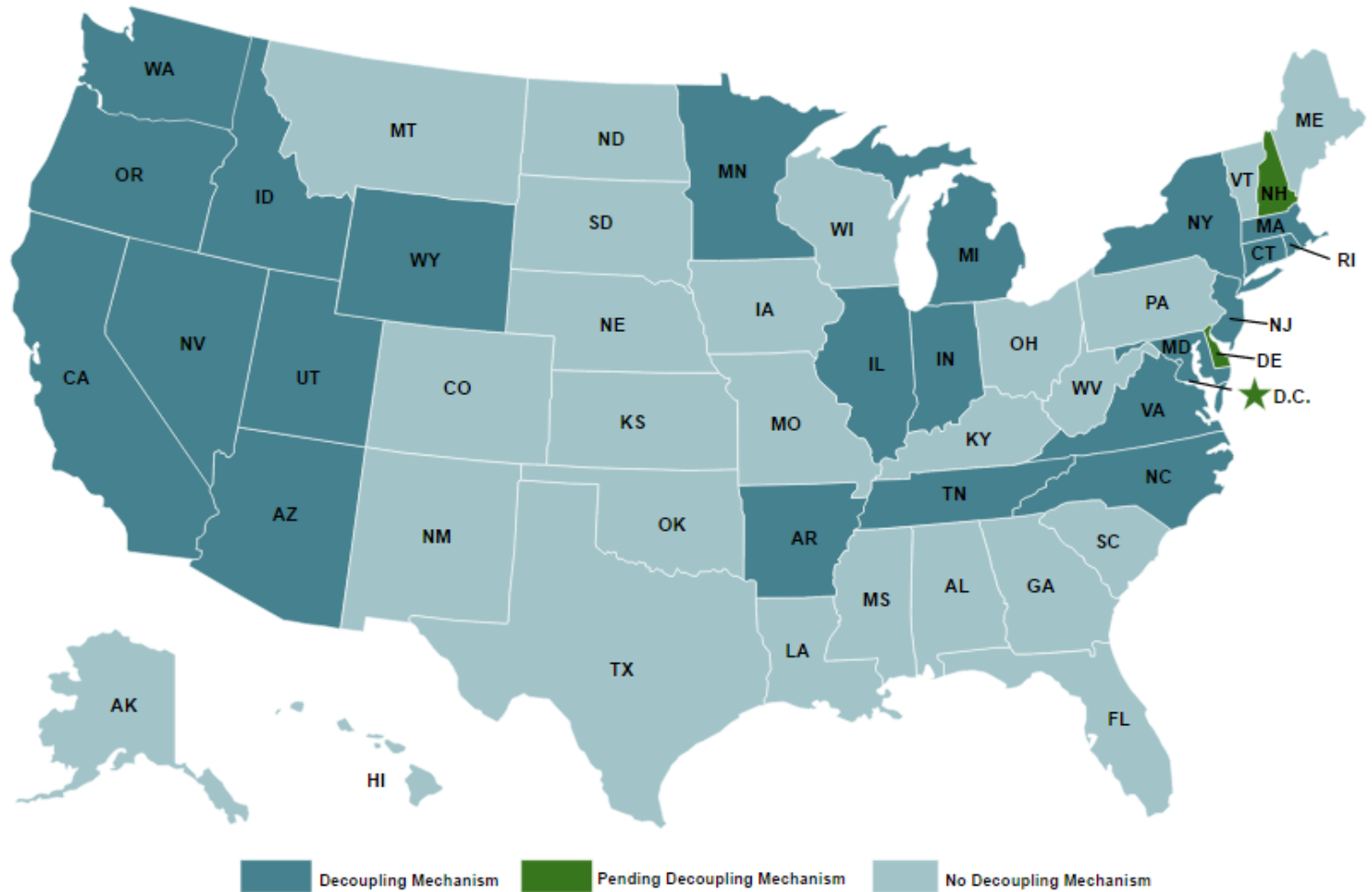
## GENERIC RULINGS OR LEGISLATION – 3 States

1. Iowa – All utilities may apply
2. Nebraska – All utilities may apply
3. West Virginia – All utilities may apply

# States with Non-Volumetric Rate Designs



# Current Status of Decoupling Mechanisms



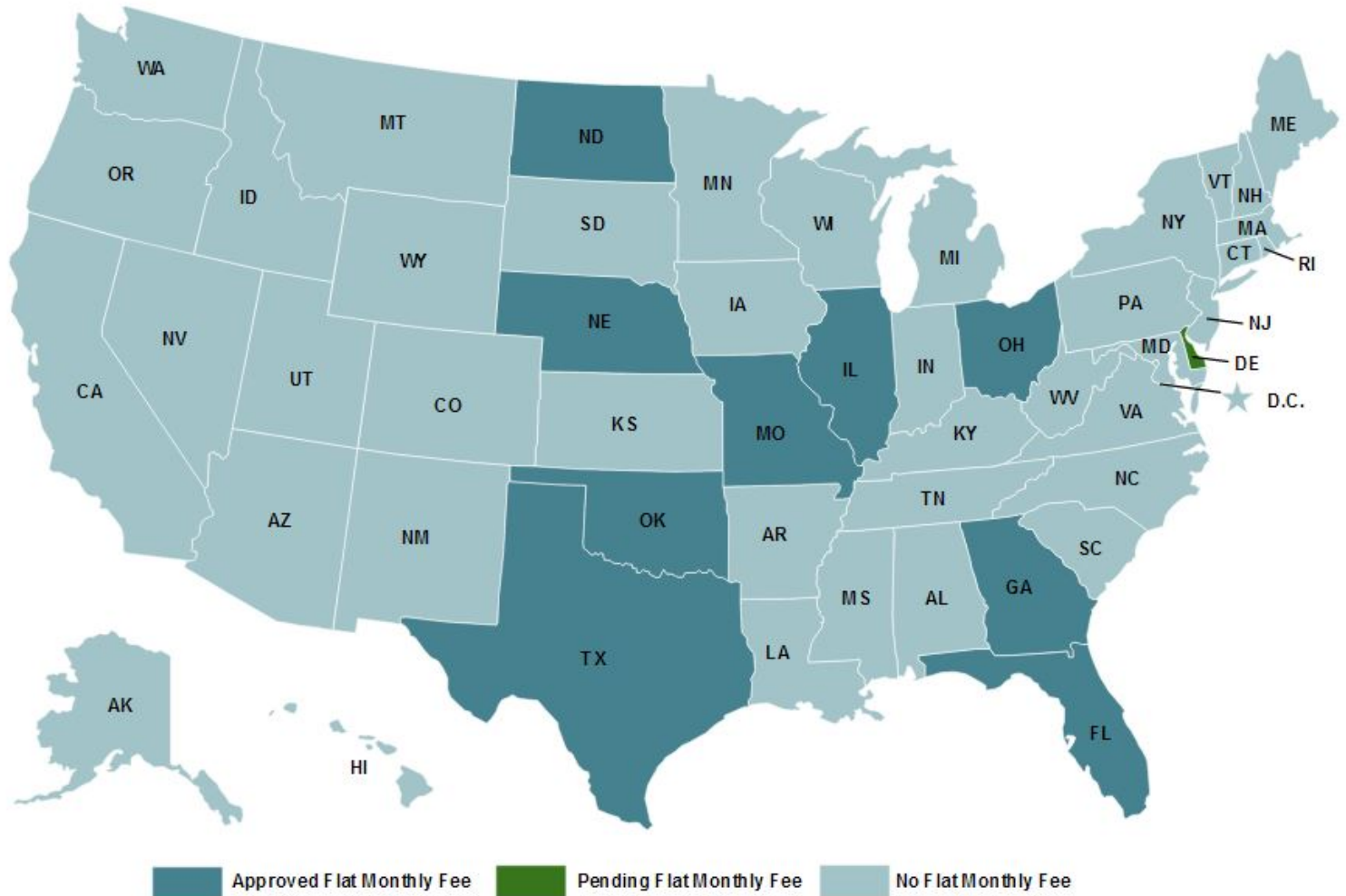
# Utilities with Approved Decoupling Mechanisms

1. AR – Arkansas Oklahoma Gas
2. AR – SourceGas
3. AR – CenterPoint Energy
4. AZ – Southwest Gas
5. AZ – UNS Gas
6. CA – Pacific Gas and Electric
7. CA – San Diego Gas and Electric
8. CA – Southern California Gas
9. CA – Southwest Gas
10. CT – Connecticut Natural Gas
11. GA – Liberty Utilities
12. ID – Avista
13. IL – Ameren Illinois
14. IL – Peoples Gas
15. IL – North Shore Gas
16. IN- Citizens Energy Group
17. IN – Vectren North Indiana Gas
18. IN – Vectren South SIGECO
19. MA – Columbia Gas of Massachusetts
20. MA – Fitchburg Gas and Electric
21. MA – National Grid Massachusetts
22. MA – Eversource Energy
23. MA – Liberty Utilities
24. MD – Baltimore Gas and Electric
25. MD – Columbia Gas of Maryland
26. MD – Washington Gas
27. MI – Consumers Energy
28. MI – DTE
29. MN – CenterPoint Energy
30. MN – Minnesota Energy Resources
31. NC – Piedmont Natural Gas
32. NC – Public Service Company of North Carolina
33. NJ – New Jersey Natural Gas
34. NJ – South Jersey Gas
35. NV – Southwest Gas
36. NY – Corning Natural Gas
37. NY – National Grid NYC
38. NY – National Grid Long Island
39. NY – National Grid Niagara Mohawk
40. NY – National Fuel Distribution
41. NY – New York State Electric and Gas
42. NY – Orange and Rockland
43. NY – Rochester Gas and Electric
44. NY – Central Hudson Gas and Electric
45. OR – Avista Corp.
46. OR – Cascade Natural Gas
47. OR – Northwest Natural Gas
48. RI – National Grid Narragansett
49. TN – Chattanooga Gas
50. UT – Questar Gas
51. VA – Columbia Gas of Virginia
52. VA – Virginia Natural Gas
53. VA – Washington Gas
54. WA – Avista Corp.
55. WA – Cascade Natural Gas
56. WA – Puget Sound Energy
57. WY – SourceGas
58. WY – Questar Gas

## Pending Mechanisms

1. DC – Washington Gas
2. DE – Delmarva Power and Light
3. ID – Intermountain Gas
4. MI – Consumers Energy
5. NH – Passed Legislation
6. VA – Washington Gas

# Current Status of Flat Monthly Fee Rate Designs (SFV)



# Utilities with Flat Monthly Fee Rate Designs (SFV)

## Approved SFV

1. GA – Atlanta Gas Light – Individually determined monthly demand charge
2. MO – Missouri Gas Energy – Flat monthly fee
3. ND – Montana-Dakota Utilities
4. ND – Xcel Energy – Flat monthly fee
5. OH – Columbia Gas of Ohio – Flat monthly fee
6. OH – Dominion East Ohio – Flat monthly fee
7. OH – Duke Energy – Flat monthly fee
8. OH – Vectren Ohio – Flat monthly fee

## Similar to SFV

1. FL – TECO Peoples Gas – Three-tier monthly charge plus a small variable charge
2. IL - Ameren Illinois – 80% revenue for Residential and Small GS Customers per flat fee plus small variable charge
3. IL – Nicor Gas – Flat fee plus a small variable charge
4. MO – Ameren – Modified rate blocks for Residential Service customers
5. MO – Liberty Utilities – Flat fee plus a small variable charge
6. MO – Laclede Gas – Modified rate blocks
7. NE – Black Hills – Declining rate blocks
8. NE – SourceGas – Modified rate blocks
9. OK – Oklahoma Natural Gas – Two-tier plan – Offers customers a choice
10. TX – Texas Gas Service – Flat fee up to 200 ccf/month

## Pending

1. DE – Delmarva Power and Light





# Current Status of Rate Stabilization Tariffs

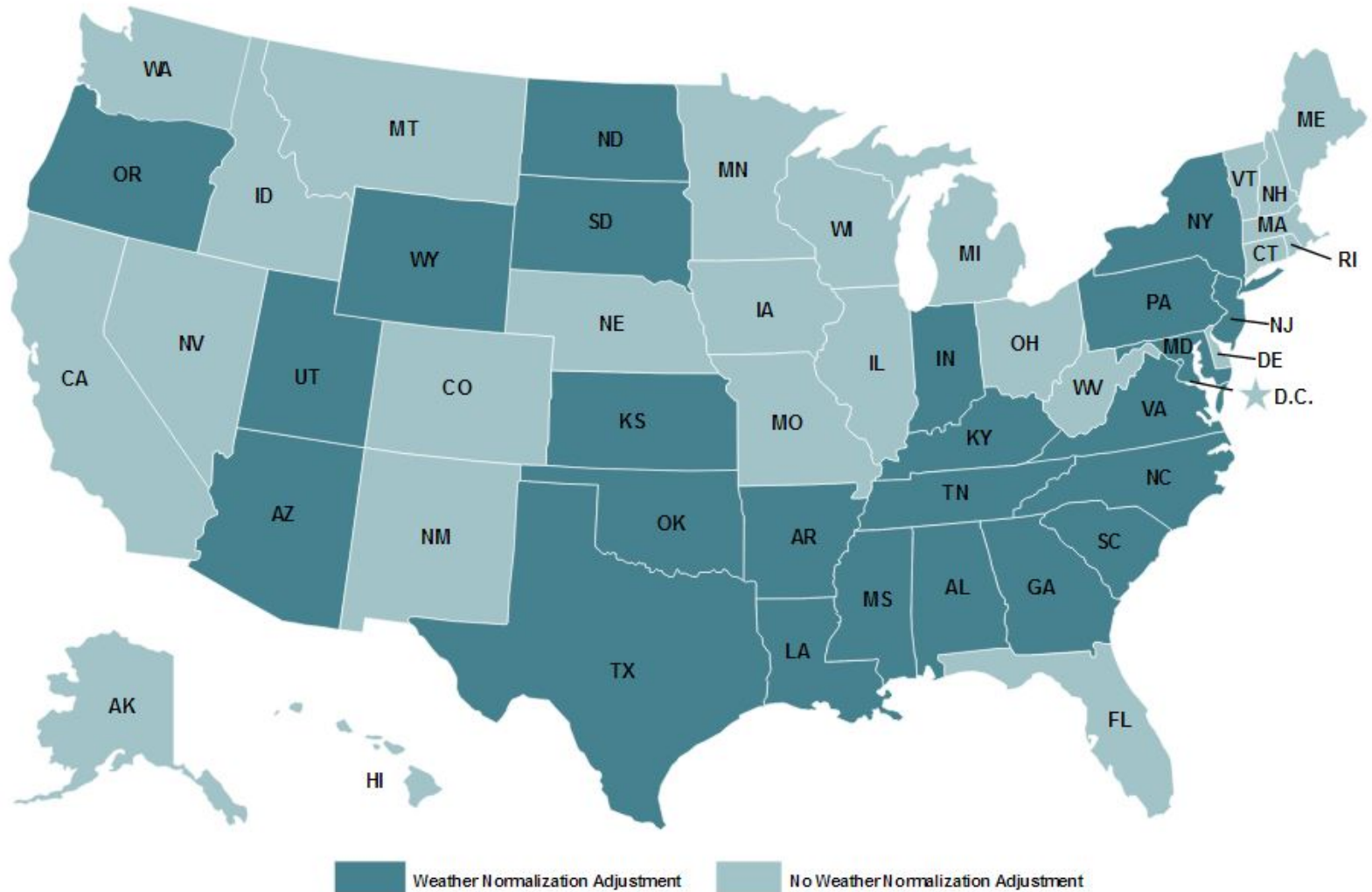
## Approved

1. AL – Alabama Gas
2. AL – Mobile Gas
3. AR – CenterPoint Energy
4. GA – Liberty Utilities
5. LA – Atmos Energy
6. LA – CenterPoint Energy
7. LA – Entergy
8. MS – Atmos Energy
9. MS – CenterPoint Energy
10. OK – CenterPoint Energy
11. OK – Oklahoma Natural Gas
12. SC – Piedmont Natural Gas
13. SC – South Carolina Electric and Gas
14. TN – Atmos Energy
15. TX – Atmos Energy

## Authorized by Legislation

1. Arkansas

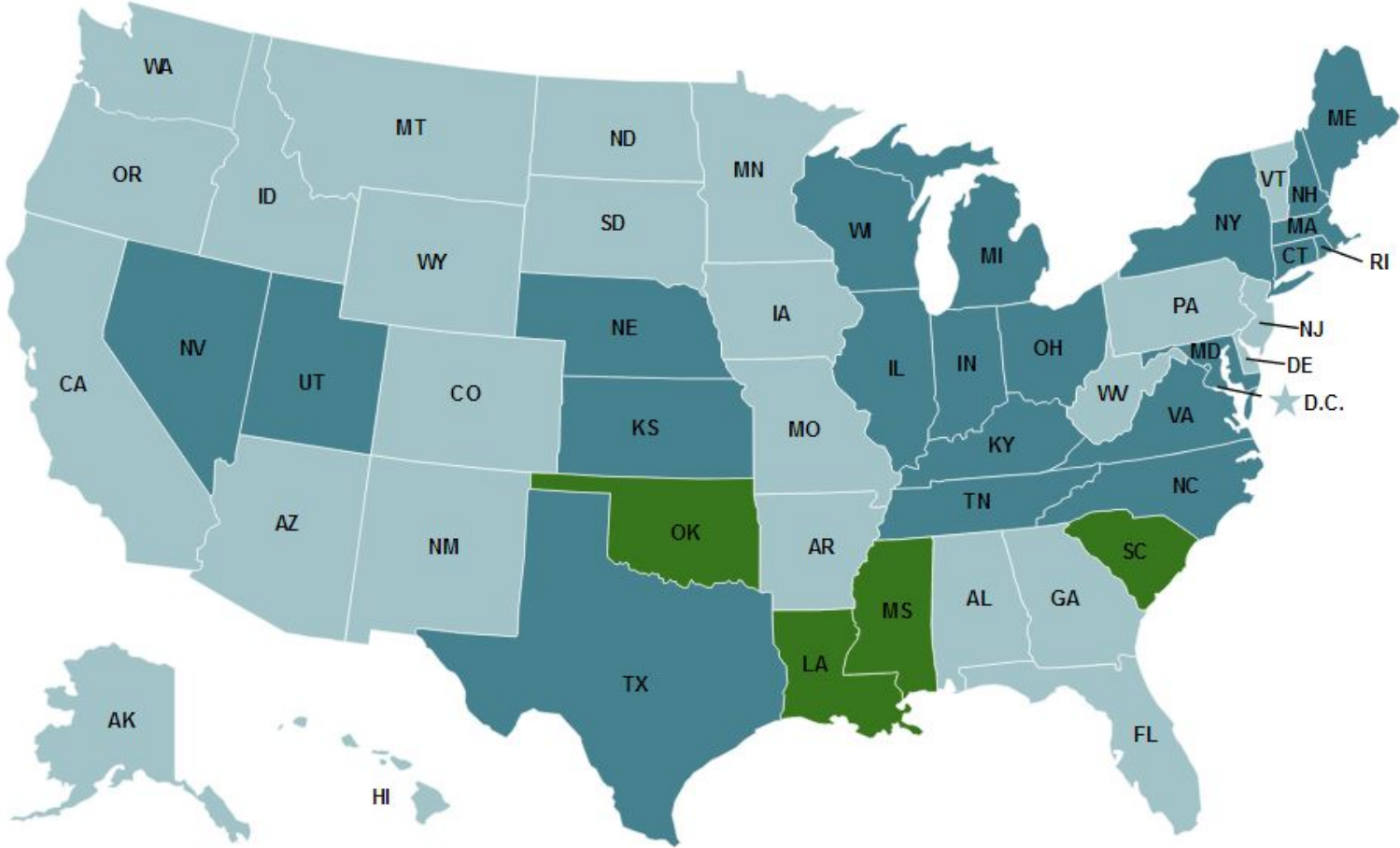
# Current Status of Weather Normalization Adjustments



# Utilities with Approved Weather Normalization Adjustments

1. AZ – Southwest Gas
2. AL – Alabama Gas
3. AL – Mobile Gas
4. AR – SourceGas
5. AR – CenterPoint Energy
6. GA – Liberty Utilities
7. IN – Citizens Energy Group
8. IN – Vectren North Indiana Gas
9. IN – Vectren South SIGECO
10. KS – Atmos Energy
11. KS – Black Hills
12. KS – Kansas Gas Service
13. KY – Atmos Energy
14. KY – Columbia Gas of Kentucky
15. KY – Delta Natural Gas
16. KY – Louisville Gas and Electric
17. LA – Atmos – Louisiana Gas Service
18. LA – Atmos – Trans Louisiana
19. LA – CenterPoint Energy
20. MD – Chesapeake Utilities
21. MD – Columbia Gas of Maryland
22. MS – Atmos Energy
23. MS – CenterPoint Energy
24. ND – Montana-Dakota Utilities
25. NJ – Elizabethtown Gas
26. NJ – New Jersey Natural Gas
27. NJ – Public Service Electric and Gas
28. NY – Central Hudson Gas and Electric
29. NY – Consolidated Edison
30. NY – National Fuel Gas Distribution
31. NY – National Grid Long Island
32. NY – National Grid Niagara Mohawk
33. NY – National Grid NYC
34. NY – New York State Electric and Gas
35. NY – Orange and Rockland Utilities
36. NY – Rochester Gas and Electric
37. OK – CenterPoint Energy
38. OK – Oklahoma Natural Gas
39. OR – Northwest Natural Gas
40. PA – Columbia Gas of Pennsylvania
41. PA – Philadelphia Gas Works
42. SC – Piedmont Natural Gas
43. SC – South Carolina Electric and Gas
44. SD – Montana-Dakota Utilities
45. TN – Atmos Energy
46. TN – Chattanooga Gas
47. TN – Piedmont Natural Gas
48. TX – Atmos Energy
49. TX – Texas Gas Service
50. UT – Questar Gas
51. VA – Atmos Energy
52. VA – City of Richmond Dept. of Public Utilities
53. VA – Columbia Gas of Virginia
54. VA – Roanoke Natural Gas
55. VA – Southwestern Virginia Natural Gas
56. VA – Virginia Natural Gas
57. VA – Washington Gas

# Current Status of Bad Debt Cost Recovery

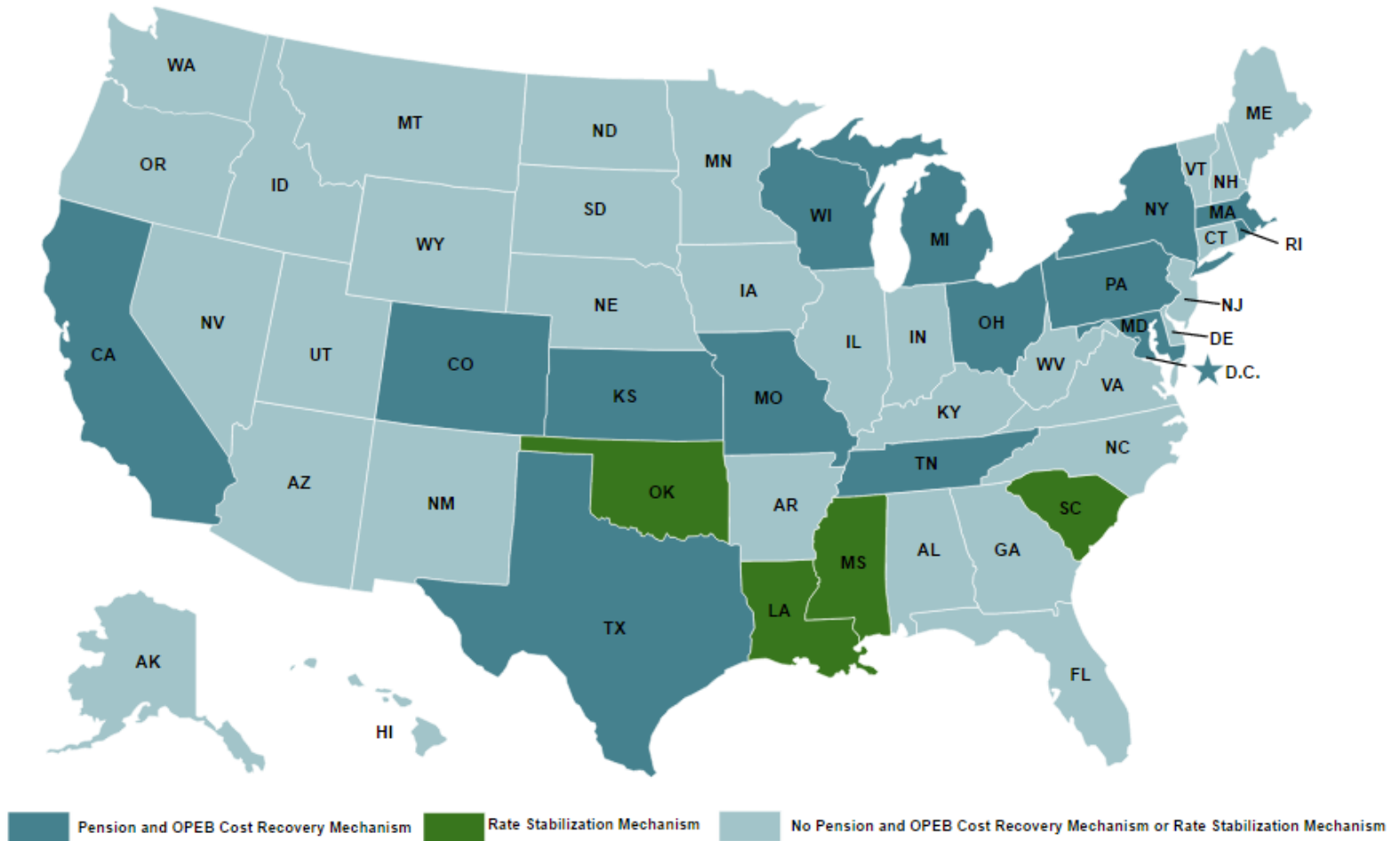


Bad Debt Cost Recovery Mechanism    Rate Stabilization Mechanism    No Bad Debt Cost Recovery Mechanism or Rate Stabilization Mechanism

# Utilities with Bad Debt Cost Recovery

1. CT – Connecticut Natural Gas
2. CT – Southern Connecticut Natural Gas
3. CT – Yankee Gas
4. DC – Washington Gas
5. IL – Ameren Illinois
6. IL – Peoples Gas
7. IL – North Shore Gas
8. IL – Nicor Gas
9. IN – Citizens Energy Group
10. IN - NIPSCO
11. IN – Vectren North Indiana Gas
12. IN – Vectren South SIGECO
13. KS – Atmos Energy
14. KS – Black Hills
15. KS – Kansas Gas Service
16. KY – Atmos Energy
17. KY – Columbia Gas of Kentucky
18. KY – Delta Natural Gas
19. KY – Duke Energy
20. LA – CenterPoint Energy
21. MA – Columbia Gas of Massachusetts
22. MA – National Grid
23. MA – NSTAR Gas
24. MD – Baltimore Gas and Electric
25. MD – Washington Gas
26. ME – Northern Utilities
27. MI – DTE
28. MI – Michigan Gas Utilities
29. MS – CenterPoint Energy
30. NC – Piedmont Natural Gas
31. NE – Black Hills
32. NE – SourceGas
33. NH – Liberty Utilities
34. NH – Northern Utilities
35. NV – Southwest Gas
36. NY – Central Hudson Gas and Electric
37. NY – Consolidated Edison
38. NY – National Fuel Gas Distribution
39. NY – National Grid Long Island
40. NY – National Grid Niagara Mohawk
41. NY – National Grid NYC
42. NY – New York State Electric and Gas
43. NY – Orange and Rockland Utilities
44. OH – Columbia Gas of Ohio
45. OH – Dominion East Ohio
46. OH – Eastern Natural Gas
47. OH – Pike Natural Gas
48. OH – Vectren Energy Delivery of Ohio
49. OK – CenterPoint Energy
50. OK – Oklahoma Natural Gas
51. RI – National Grid
52. SC – Piedmont Natural Gas
53. SC – South Carolina Electric and Gas
54. TN – Atmos Energy
55. TN – Chattanooga Gas
56. TN – Piedmont Natural Gas
57. TX – Atmos Energy
58. TX – Texas Gas Service
59. UT – Questar Gas
60. VA – Washington Gas
61. VA – Atmos Energy
62. VA – Columbia Gas of Virginia
63. VA – Virginia Natural Gas
64. WI – Wisconsin Gas

# Current Status of Pension and OPEB Cost Recovery

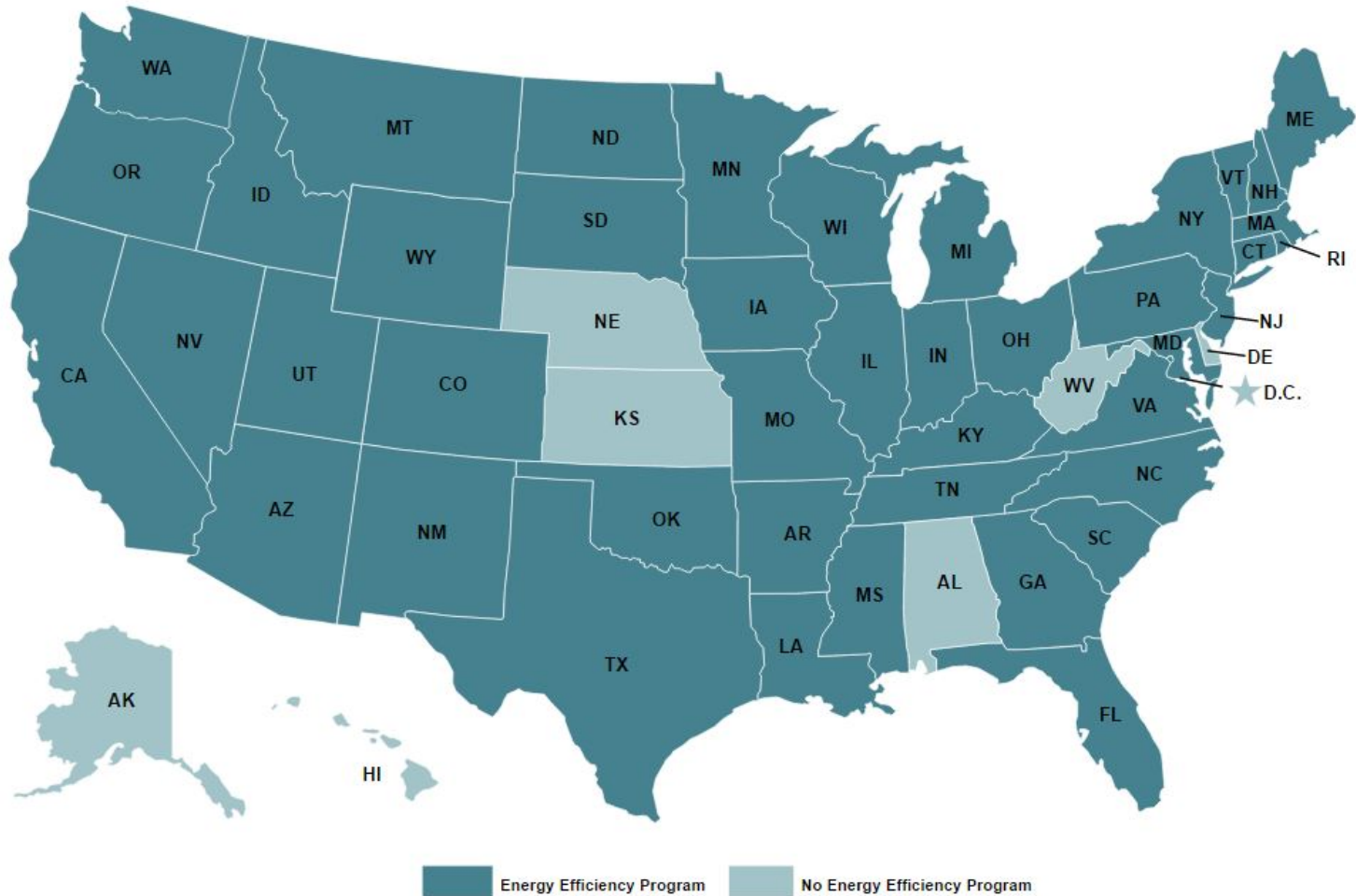


# Utilities with Pension and OPEB Cost Recovery

1. CA – San Diego Gas and Electric
2. CA – Southern California Gas
3. CO – Public Service Company of CO (Xcel)
4. DC – Washington Gas
5. KS – Atmos Energy
6. KS- Black Hills
7. KS – Kansas Gas Service
8. LA – Atmos Energy
9. LA – CenterPoint Energy
10. MA – Columbia Gas of Massachusetts
11. MA – Fitchburg Gas and Electric Light Co.
12. MA – National Grid
13. MA – NSTAR Gas Co.
14. MD – Baltimore Gas and Electric Co.
15. MI – DTE
16. MO – Ameren Missouri
17. MO – Laclede Gas
18. MO – Missouri Gas Energy
19. MS – Atmos Energy
20. MS – CenterPoint Energy
21. NY – Central Hudson Gas and Electric
22. NY – Consolidated Edison
23. NY – Orange and Rockland Utilities
24. NY – National Grid NYC
25. OH – Columbia Gas of Ohio
26. OK – CenterPoint Energy
27. OK – Oklahoma Natural Gas
28. PA – Philadelphia Gas Works
29. RI – National Grid
30. SC – Piedmont Natural Gas
31. SC – South Carolina Electric and Gas
32. TN – Piedmont Natural Gas
33. TX – Atmos Energy
34. TX – CenterPoint Energy
35. WI – Wisconsin Power and Light



# Current Status of Natural Gas Energy Efficiency Programs



# Utilities with Natural Gas Energy Efficiency Programs

- |   |   |  |
|---|---|--|
| 1. AR – Arkansas Oklahoma Gas             | 31. IL – Nicor Gas                        | 61. MO – Empire Natural Gas              |
| 2. AR – SourceGas                         | 32. IL – North Shore Gas                  | 62. MO – Laclede Gas                     |
| 3. AR – CenterPoint Energy                | 33. IL – Peoples Gas                      | 63. MO – Missouri Gas Energy             |
| 4. AZ – Southwest Gas                     | 34. KY – Atmos Energy                     | 64. MS – Atmos Energy                    |
| 5. CA – Pacific Gas and Electric          | 35. KY – Columbia Gas of Kentucky         | 65. MS – CenterPoint Energy              |
| 6. CA – San Diego Gas and Electric        | 36. KY – Delta Natural Gas                | 66. MT – Montana-Dakota Utilities        |
| 7. CA – Southern California Gas           | 37. KY – Duke Energy Kentucky             | 67. NC – Piedmont Natural Gas            |
| 8. CA – Southwest Gas                     | 38. KY – Louisville Gas and Electric      | 68. NC – Public Service Co. of NC        |
| 9. CO – Atmos Energy                      | 39. LA – Atmos Energy                     | 69. ND – Montana-Dakota Utilities        |
| 10. CO – Black Hills Energy               | 40. LA – CenterPoint Energy               | 70. NH – Liberty Utilities               |
| 11. CO – Colorado Natural Gas             | 41. MA – Columbia Gas of Massachusetts    | 71. NH – Northern Utilities              |
| 12. CO – SourceGas                        | 42. MA – Berkshire Gas                    | 72. NJ – Elizabethtown Gas               |
| 13. CO – Public Service Co. of Colorado   | 43. MA – Fitchburg Gas and Electric Light | 73. NJ – New Jersey Natural Gas          |
| 14. CT – Connecticut Natural Gas          | 44. MA – Liberty Utilities                | 74. NJ – Public Service Electric and Gas |
| 15. CT – Southern Connecticut Natural Gas | 45. MA – National Grid Massachusetts      | 75. NJ – South Jersey Gas                |
| 16. CT – Yankee Gas Service               | 46. MA – NSTAR Gas and Electric           | 76. NM – New Mexico Gas                  |
| 17. FL – TECO Peoples Gas                 | 47. MD – Baltimore Gas and Electric       | 77. NV – NV Energy                       |
| 18. GA – Atlanta Gas Light                | 48. MD – Columbia Gas of Maryland         | 78. NV – Southwest Gas                   |
| 19. IA – Liberty Utilities                | 49. MD – Washington Gas                   | 79. NY – Central Hudson Gas and Electric |
| 20. IA – Black Hills Energy               | 50. ME – Northern Utilities               | 80. NY – Consolidated Edison             |
| 21. IA – Interstate Power and Light       | 51. MI – Consumers Energy                 | 81. NY – National Fuel Gas               |
| 22. IA – MidAmerican Energy               | 52. MI – DTE                              | 82. NY – National Grid NY                |
| 23. IN – Citizens Energy Group            | 53. MI – Michigan Gas Utilities           | 83. NY – National Grid Long Island       |
| 24. IN – NIPSCO                           | 54. MN – CenterPoint Energy               | 84. NY – National Grid Niagara Mohawk    |
| 25. IN – Vectren North Indiana Gas        | 55. MN – Great Plains Natural Gas         | 85. NY – Orange and Rockland Utilities   |
| 26. IN – Vectren South SIGECO             | 56. MN – Interstate Power and Light       | 86. NY – St. Lawrence Gas                |
| 27. ID – Avista Utilities                 | 57. MN – Minnesota Energy Resources       | 87. OH – Columbia Gas of Ohio            |
| 28. ID – Intermountain Gas                | 58. MN – Xcel Energy                      | 88. OH – Dominion East Ohio              |
| 29. IL – Ameren Illinois                  | 59. MO – Ameren                           | 89. OH – Duke Energy                     |
| 30. IL – MidAmerican Energy               | 60. MO – Liberty Utilities                | 90. OH – Vectren Energy Delivery of Ohio |

# Utilities with Natural Gas Energy Efficiency Programs (Cont.)

- 91. OK – CenterPoint Energy
- 92. OK – Oklahoma Natural Gas
- 93. OR – Avista Utilities
- 94. OR – Cascade Natural Gas
- 95. OR – Northwest Natural Gas
- 96. PA – Columbia Gas of Pennsylvania
- 97. PA – Equitable Gas
- 98. PA – PECO
- 99. PA – Peoples Natural Gas
- 100. PA – Philadelphia Gas Works
- 101. PA – UGI Central Penn Gas
- 102. PA – UGI Penn Natural Gas
- 103. PA – UGI Utilities
- 104. RI – National Grid
- 105. SC – Piedmont Natural Gas
- 106. SC – South Carolina Electric and Gas
- 107. SD – MidAmerican Energy
- 108. SD – Montana-Dakota Utilities
- 109. TN – Chattanooga Gas
- 110. TX – Atmos Energy
- 111. TX – Texas Gas Service
- 112. UT – Questar Gas
- 111. VA – Columbia Gas of Virginia
- 112. VA – Virginia Natural Gas
- 113. VA – Washington Gas
- 114. VT – Vermont Gas Systems
- 115. WA – Avista Utilities
- 116. WA – Cascade Natural Gas
- 117. WA – Northwest Natural Gas
- 118. WA – Puget Sound Energy
- 119. WI – City Gas
- 120. WI – Madison Gas And Electric
- 121. WI – Midwest Natural Gas
- 122. WI – St. Croix Valley Natural Gas
- 123. WI – Superior Water, Light and Power
- 124. WI – We Energies
- 125. WI – Wisconsin Light and Power
- 126. WI – Wisconsin Public Service
- 127. WI – Xcel Energy
- 128. WY – Montana-Dakota Utilities
- 129. WY – Questar Gas



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