

UTILITY DECOUPLING

LEGISLATOR NOTICE

The Legislative Services Division is required to offer a brief history on the subject matter of a bill draft request prior to drafting (5-4-105, MCA; [Chapter 309, Laws of 2017](#)). The history must include related legislation introduced over the last five sessions and hyperlinks to the bill, hearing information, and fiscal notes. The legislation links below open to the page showing the status and history of bills introduced on this topic in the past. The bill text and any related fiscal notes can be accessed through the link at the top of that page.

Legislation can be complex and this history is not intended to be exhaustive. Please contact the drafter of the requested bill for more information.

Background Materials and Research

Topic Summary: Decoupling policy separates a regulated utility's profits from its total electric or gas sales so a utility isn't incentivized to sell more electricity or gas. The implementation of decoupling policy is most often discussed by the commissions that regulate utilities and often in terms of ratemaking. The policy is a mechanism to encourage regulated utilities to support energy efficiency, but it is not a tool for increasing energy efficiency. Instead, it is a ratemaking mechanism that removes what can be seen as a utility's incentive to discourage energy efficiency. A utility collects revenues based on a revenue requirement that is typically determined by a regulatory commission and is typically on a per-customer basis. Regulatory commissions set rates every few years that allow a utility to recover costs and to earn a fair return on investment. The actual revenue earned by a utility, however, varies based on how much energy customers use each month, which results in the utility earning either more or less than the established rate.

With decoupling, a utility's fixed costs are allocated on a per-customer basis for customers. Then each year, the commission reviews actual costs and the number of customers. Rates are adjusted upward to pay extra costs if the per-customer cost is more than originally estimated. Rates are reduced for the next year if the fixed costs are less than estimated. The utility is then able to recover those costs, regardless of how much electricity or gas a customer uses.

Decoupling is currently not implemented by Montana's regulated utilities.

Legislative Services Division Materials:

[SJ 31 Utility Decoupling: Montana Considerations](#)

[Understanding Energy in Montana, 2018](#)

Introduced Legislation

2017

[Senate Joint Resolution 31](#) -- (S) Filed with Secretary of State -- A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY OF UTILITY DECOUPLING.