

# factsheet



## Decoupling – What it Means and Why

### What is “decoupling”?

*Decoupling is a utility term for severing the relationship between energy sales and the utility's revenues. The current rate design for determining what our customers pay for the delivery of electricity to their home and business is driven by how much of our product they use – the more they use, the more the utility makes. We, along with utilities across this country, are proposing a new rate design for a new day – a day in which the utility can strengthen its partnership with the customer for reducing energy use without sacrificing its own financial well-being in the process.*

### How will decoupling impact my bill?

Under the proposed rate design, the entire amount of your delivery charges – about 25% of your total electric bill – will be fixed. This change is revenue-neutral to Delmarva Power. It simply is a shift in costs – away from a usage-based system and to fixed charges for fixed-cost services.

### Doesn't this take away my incentive to reduce my energy use?

No. Roughly 75% of your bill is still driven by your energy use so there remains a substantial incentive to use less. On the delivery side, a portion of the fixed charges also can be lowered over time by customers who reduce their energy use during those times when it is in high demand and most expensive.

### How does this affect the 'typical' customer?

Under this new rate design there really is no typical customer. That's because a component of your delivery charges will be based on how and when you use energy during peak periods when demand is at its highest point. No two customers use energy exactly the same. Simply put, if you use more energy during peak times, your demand charge will be more, and if you use it less, your demand charge will be less. Everyone will pay the same fixed customer charge but demand charges (though fixed) will vary from customer to customer.

We are simply shifting more of our fixed costs to the customer charge while redesigning the delivery charges so that the amount of electricity one uses no longer plays a role in our billing methodology.

### How does this affect the low-use and high-use customers?

Decoupling does not disproportionately affect low or high users of energy. However, the shift of fixed costs to the customer charge will have a greater impact on low users of electricity whose charges in the past did not reflect the true cost of providing them with electric service. Again, everyone will pay the same fixed customer charge while demand charges will vary from customer to customer.

### What is a 'fixed customer charge'?

A 'fixed charge' is a fee paid regardless of usage, covering expenses such as billing, meter reading, and customer service. The charge is calculated by adding all of these expenses and dividing by the total number of customers served.

### Are low-income customers also viewed as low users of energy?

Though there may be a perception that low income customers use less energy, our data indicates that low-use customers are not necessarily low income customers.