



# Understanding Decoupling

Kansas Corporation Commission  
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# How are rates set now?

- The KCC sets and approves rates based on a price per unit sold.  
(Customer Usage x Rate = Revenue)
- Rates are designed to recover a utility's operating costs, depreciation, taxes and a return on investment.
- A utility's profit depends on the level of customer usage, which generates revenues, and its ability to manage and reduce costs.

# [ What is decoupling? ]

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- Decoupling breaks the link between customer usage and the amount of revenues the company earns.

# [ Why the change? ]

- Decoupling is being considered in conjunction with energy efficiency programs
- Energy efficiency programs should reduce customer usage, which will also reduce a company's revenues and potentially profit.
- By breaking the link between customer usage and revenues, the disincentive for utilities to promote efficiency is eliminated.