

# Introduction to Utility Tracking Mechanisms

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# Tracker Pseudonyms

Also known as:

Riders

Rate  
Adjustment  
Clauses

Automatic  
Adjustment  
Clauses

Rate  
Stabilization  
Mechanisms

Various names  
as proposed  
by a utility

# Trackers

Why? Allow recovery (cash flow) outside of base rates, may help stabilize margins and mitigate large rate changes in the future due to a significant single factor. May reduce frequency of general rate filings.

Why not? It reduces the incentive for cost control on the part of utility management. It shifts risk onto consumers. Tracker filings can still be quite resource intensive to process and they amount to single issue ratemaking (does not involve a holistic view of the utility's financial/operational situation like a general rate case does).

To address these potential advantages of trackers and the associated concerns, trackers were traditionally established for items that met four specific criteria.

Traditional  
criteria for  
an  
expense  
item to  
qualify for  
tracking.



Recurring



Highly variable



Material



Outside of management  
control

# General Operation of a Tracker

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- Update rates to reflect recent cost level information – on a monthly, quarterly, or annual basis.
- Typically, on an annual basis, perform a “true-up.” An update of tracked rates to include a recovery or rebate for an accumulated under or over-collection amount. These amounts are usually subject to a carrying charge.
- A “base” amount for the expense in question may be re-established each time a utility has a new concluded general rate case.

# MCA regarding electric trackers

- **69-3-331. Cost tracking and recovery.** (1) If the commission approves a cost-tracking adjustment for electricity supply costs for a public utility regulated in accordance with chapter 8 or under this chapter, the cost-tracking adjustment must provide for:
  - (a) 90% customer and 10% shareholder sharing of costs, if cost sharing is required; and
  - (b) full recovery of costs incurred by a public utility as a result of qualifying small power production facility purchase requirements established in Title 69, chapter 3, part 6.
- (2) A cost-tracking adjustment may not include a deadband.
- (3) For the purposes of this section, "deadband" means a level of cost recovery variance, including levels of underrecoveries and overrecoveries to be borne by the public utility.

# Trackers in Montana

## NorthWestern Energy (NWE)

- Natural Gas Cost Rate Adjustment
- Power Costs and Credits Adjustment Mechanism (PCCAM)
- Electric and Natural Gas Tax Tracker
- Natural Gas Universal System Benefits (USB) Charge Rate Adjustment

# Trackers in Montana

## Montana- Dakota Utilities (MDU)

- Gas Cost Tracking Adjustment
- Fuel and Purchased Power Cost Tracking Adjustment
- Electric and Gas Tax Tracking Adjustment
- Gas Conversation Tracking Adjustment (CTA)



# Trackers in Montana

## Energy West Montana (EWM)

- Gas Tracker – Great Falls, Cascade, and separate filing for Cut Bank Gas
- Property Tax Tracking Adjustment for EWM and Cut Bank Gas
- USB Charge Rate Adjustment for its Great Falls, Cascade and West Yellowstone divisions

# Trackers in Montana

## Other Small Systems

- West Yellowstone - part of EWM, LNG cost tracker
- Miller Oil - Culbertson, Propane cost tracker
- Abaco - Big Sky, Propane cost tracker
- Townsend Propane – part of NWE, Propane cost tracker

# Summary

- Trackers go by a variety of names
- There can be some advantages to a tracker, mostly for a utility but it can also erode some consumer protections. Historically, there were criteria for establishing a tracker to capture those advantages and limit consumer protection concerns.
- Trackers are designed to recover dollar for dollar, over time, the changes to some expense item level including any over/under collections.
- Electric trackers in MT must have 90/10 sharing, MCA 69-3-331
- Most Montana utilities have at least one tracker in use.