



**NRRI Colloquium  
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**Future Test Years: Evidence  
from State Utility Commissions**

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- Provide empirical evidence on the experiences of state utility commissions with future test years (FTYs)
- Complements earlier NRRI study on FTYs
- Focus on “implementation” factors, problems and techniques used by state utility commissions in setting utility rates based on FTY calculations



# Purpose and Approach of Study

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- Provides information to three groups of state commissions:
  - ✓ Those that have used FTYs for a number of years
  - ✓ Those that have little or experience with them but are planning on using FTYs more often in the future, and
  - ✓ Those that are contemplating the use of FTYs but are under no mandate to do so.
- NRRI sent out 14 general survey questions in early August to 21 state utility commissions that allow FTYs
- In total, NRRI received responses from 14 commissions; the vast majority of states answered all of the questions



## Highlights of Responses

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- Most state commissions initiated the decision to use an FTY
- Most reported commissions expressed confidence in using an FTY to set rates
- Most commissions make adjustments to utility forecasts, rather than deriving independent forecasts
- Almost all of the commissions reported that the burden lies with a utility to demonstrate the reasonableness of its forecasts



## Highlights of Responses

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- Several commissions reported that they can best determine whether a utility's cost forecasts reflect prudent management by (1) auditing, (2) thorough review, and (3) reliance on evidence presented during a rate case
- A few commissions still struggle with evaluating utility forecasts and dealing with utility incentives for biasing their forecasts to favor a larger rate increase
- A few commissions make post-adjustments to rates when actual costs or revenues deviated from their forecasted levels