

Exhibit 1a:
Illustrating that decoupling does not affect the utility's incentive to control costs,
baseline cost level

	High Revenues	Low Revenues	Decoupling
(1a) Revenues	\$100	\$80	\$90
(2a) Costs	\$70	\$70	\$70
(3a) Profits (1a-2a)	\$30	\$10	\$20

Exhibit 1b:
Illustrating that decoupling does not affect the utility's incentive to control costs,
reduced cost level

	High Revenues	Low Revenues	Decoupling
(1b) Revenues	\$100	\$80	\$90
(2b) Costs	\$60	\$60	\$60
(3b) Profits (1b-2b)	\$40	\$20	\$30
Profit difference relative to baseline costs (3b-3a)	+\$10	+\$10	+\$10