

# GLOSSARY OF TERMS & ACRONYMS

Word/Phrase	Definition
<b>Above-the-Line Expense</b>	Expenses incurred by a utility to provide service to its customers. These expenses, if prudently incurred, are charged to ratepayers in a rate case.
<b>Aggregation</b>	The process of organizing small groups, businesses or residential customers into a larger, more effective bargaining unit that strengthens their purchasing power with utilities.
<b>Allowance</b>	Authority to emit one ton of sulfur dioxide, as set forth in the Clean Air Act Amendments of 1990 (PL 101-549), at Title IV.
<b>Allowance for Funds Used During Construction (AFUDC)</b>	An accounting procedure which recognizes the financing costs a utility incurs while building a facility as part of the overall cost of the facility. AFUDC is accrued on projects that meet certain criteria and are not included in rate base. Once construction is completed, or the investment is rate based, AFUDC accruals cease.
<b>Amortization</b>	The gradual payoff of an expense item over a specific number of years. As an example, a utility company incurs \$3 million in expenses for cleaning up after an ice storm. During its next rate case, the company seeks to recoup those expenses. The commission agrees those expenses were prudently incurred and authorizes the company to recoup the \$3 million over the next 5 years at a level of \$600,000 per year.
<b>Ancillary Services</b>	Those services necessary to support the transmission of energy from resources to loads while maintaining reliable operation of transmission providers' transmission systems in accordance with good utility practice. The FERC has defined six classes of ancillary services which must be provided to transmission customers under Order No. 888. Some ancillary services such as reactive power support and frequency regulation are required to regulate the power system. Others such as operating reserves are required to provide reserve capabilities to help sustain the power system in the event of a major system disturbance or the loss of critical facilities. Many ancillary services can be supplied by generators, and are therefore potentially competitive services.
<b>Area Load</b>	The total amount of electricity being used at a given point in time by all consumers in a utility's service territory.
<b>ATWACC</b>	After-Tax Weighted Average Cost of Capital
<b>Automatic Backup Service</b>	Consists of scheduling services, capacity and energy required to replace a capacity resource on an unscheduled basis.
<b>Automatic Generation Control (AGC)</b>	Equipment installed on generating units that automatically adjusts the generation within a control area to maintain its scheduled output plus its share of frequency regulation.
<b>Average Demand</b>	The amount of energy used divided by the hours in a specific time interval.
<b>Avoided Cost</b>	Avoided cost is the incremental cost to an electric utility of new generation or transmission capacity, or both, which the utility avoids through conservation or the purchase of power from another source. The concept of avoided cost is central to the Public Utility Regulatory Policies Act (PURPA). This law requires utilities to buy power from non-utility generators that are designated as qualifying facilities if the price of power purchased from these facilities is at or below the utility's avoided cost.

<b>Word/Phrase</b>	<b>Definition</b>
<b>Base Rate</b>	The portion of the total electric or gas rate covering the general costs of doing business unrelated to fuel expense.
<b>Below-the-Line Expenses</b>	Expenses incurred by a company that are not directly related to providing utility services to customers. Below-the-line expenses would not be recovered from ratepayers; they would be borne by company stockholders.
<b>Bilateral Contract</b>	A bilateral contract is a contract between two parties. In a competitive electricity market, bilateral contracts are agreements between power suppliers and customers that specify the price, terms and conditions for delivery of electric services.
<b>Billing Demand</b>	The Demand used to determine the amount of capacity or demand charges billed by a utility. Billing demand may be based on the customer's peak demand during the billing period or on a previous maximum demand incurred in prior periods (see Demand Ratchet) or on an agreed minimum.
<b>British Thermal Unit (BTU)</b>	The standard unit for measuring quantity of heat energy. It is the amount of heat energy necessary to raise the temperature of one pound of water one degree Fahrenheit.
<b>Bulk Power System</b>	An interconnected system for the movement or transfer of electric energy in bulk at the transmission level.
<b>Capacity Factor</b>	The ratio of the net energy produced by a generating facility to the amount of energy that could have been produced, in the absence of any scheduled or unscheduled outages, in any selected time period. Net capacity factor equals net power generation in the period divided by the produce of [number of hours in the period and net dependable capacity], where net power generation is gross station output less in-station electricity consumption.
<b>Capacity or Demand-Related Cost</b>	A cost that varies with the amount of capacity installed or demand imposed by a customer class, such as production, transmission and some distribution ownership costs (e.g., return, depreciation, taxes) and related expenses (e.g., Operation & Maintenance and related overheads).
<b>Capacity Resource</b>	An electric plant, a long-term power purchase, or a demand-side capacity option.
<b>CAPM</b>	Capital Asset Pricing Model is a widely used and accepted analytical method used to determine a utility's ROE. It is a risk premium method that states the expected return of a security equals the risk-free rate plus a risk premium.
<b>CCF</b>	A measurement of natural gas equal to 100 cubic feet.
<b>Certificate of Public Convenience and Necessity (CCN)</b>	Authorization from a commission allowing ownership, construction, and operation a company for the purpose of providing utility services to the public within a designated area. The utility would then be under commission jurisdiction. It must then abide by the commission's rules and regulations regarding rates and service.
<b>Class of Service or Customer Class</b>	Different types of customers served by a utility. Examples include residential, commercial, and industrial.
<b>Cogeneration</b>	The simultaneous production of power and thermal energy from the same source. Typically, cogeneration will use a natural gas fueled turbine to generate electricity and its hot exhaust gas is used to generate steam for process use or for heating.

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<b>Coincidence Factor</b>	The ratio of a class's or a customer's coincident peak demand to the corresponding non-coincident peak demand.
<b>Coincident Peak Demand (CP)</b>	The demand of a customer class occurring on the same date and time as the system peak demand within a specified time interval.
<b>Commodity Charge</b>	That portion of a utility rate which varies with the amount of a customer's usage, such as kilowatt-hour charges for electricity, costs per therm for natural gas, or rates per 100 cubic feet for water.
<b>Competitive Transition Charge (CTC)</b>	A "nonbypassable" charge generally placed on distribution services to recover utility costs incurred as a result of restructuring (stranded costs – usually associated with generation facilities and services) and not recoverable in other ways. This term may also be referred to as a Transition Charge for stranded costs that have been securitized.
<b>Construction Work in Progress (CWIP)</b>	An accounting method that authorizes recovery through customer rates of money used for construction of facilities while they are being built. In some states, utilities are allowed to place these costs into rates while facilities are being constructed. Where it is not permitted utility is allowed to book Allowance for Funds Used During Construction (AFUDC).
<b>Contribution in Aid of Construction (CIAC)</b>	A payment made by a customer to front the cost of constructing facilities required to interconnect the customer's load with a utility in excess of the standard interconnection allowance or to cover the cost of non-standard facilities as defined in the utility's tariffs. The payment may include compensation for future income and other taxes.
<b>Control Area</b>	An electrical system, bounded by interconnection metering and telemetry, which continuously regulates generation within its boundaries and scheduled interchange across the interties with neighboring control areas to match its system load and contribute to the frequency regulations of its electrical interconnection.
<b>Corporate Unbundling</b>	In the electric industry, the process of separating an electric utility's generation, transmission, distribution, and power merchant functions into individually traded, independent corporate entities, each with its own management and shareholders. This process is also known as "structural separation."
<b>Cost of Capital or Rate of Return</b>	The weighted average cost of the capital used by a utility to finance the rate base. Capital available to a utility can take several forms but usually fits into two broad categories of debt and equity. Determining the cost of debt is fairly straightforward because debt carries a contractual obligation for interest payments. Common stock, however, does not have a stated, fixed cost, so the cost of equity must be estimated.
<b>Cost of Service</b>	A utility's cost to provide service to its customers, including return on invested capital or rate base and operating expenses (e.g., operation and maintenance, depreciation, taxes other than income taxes, and income taxes).
<b>Cost of Service Study</b>	An analytical tool used to determine the revenue requirements of (cost to serve) the various regulatory jurisdictions served by a utility (also referred to as a jurisdictional separation study) or the various retail customer classes within a specific jurisdiction. The utility's costs are functionalized between production, transmission, distribution and other services, classified between customer, demand, energy and revenue-related costs, and allocated to classes using factors that reflect cost causation.

Word/Phrase	Definition
<b>Cream Skimming</b>	That instance in which only the most cost-effective demand-side measures are installed or otherwise implemented at a customer's facility, making it uneconomical or impractical to return at a later time to that facility to obtain the next incremental demand-side resource.
<b>Curtailable Service</b>	A form of interruptible service in which the customer is responsible for removing load when requested by the utility.
<b>Customer Charge</b>	A monthly charge to cover a portion of the fixed costs of providing service to a customer. This charge is applied to the customer's bill regardless of whether any of the utility's service is used in a particular month.
<b>Customer Choice</b>	Customer choice means the freedom of a retail customer to purchase electric services, either individually or on an aggregated basis, from the competitive provider or providers of the customer's choice.
<b>Customer Cost</b>	Costs that vary with the number of customers served (e.g., metering, billing, customer accounting, and some distribution ownership and operating costs) and unrelated to the amount of power or energy consumed.
<b>DCF</b>	Discounted Case Flow is a widely used and accepted analytical method used to determine a utility's ROE. The DCF model is used to determine the present value of a stock, based on future cash flows (dividends) which are discounted by the stock's known return and its forecast growth.
<b>Decoupling</b>	The disassociation of a utility's profits from its sales of the energy commodity. Rates are trued up or down to meet the target at the end of the adjustment period. This makes the utility indifferent to selling less energy, which purportedly removes the disincentive for utility's to support energy efficiency programs that reduce sales.
<b>Demand</b>	The rate of electric power use measured in kilowatts (kW) or kilovolt-amperes (kVA).
<b>Demand Ratchet</b>	This is the minimum billing demand based upon a given percentage of the actual demand use, recorded during the last eleven months of demand history.
<b>Demand Response or Demand-Side Capacity Option</b>	A program that encourages customers to shift load from peak to off peak periods.
<b>Demand-Side Management (DSM)</b>	Demand Response or Energy Efficiency programs that help to cost-effectively reduce the projected peak demand and/or energy usage, thereby deferring or avoiding future capacity resource additions or improving system load factor.
<b>Depreciation</b>	The decline over time in the value of utility assets due to technological obsolescence and deterioration.
<b>Designated Supplier or Provider of Last Resort (POLR)</b>	A power provider selected by a state utility regulatory agency to provide bundled electric services at a maximum price and specified quality of service for a discrete period of time to customers in a designated area who do not choose an electricity supplier.

<b>Word/Phrase</b>	<b>Definition</b>
<b>Disco or Distribution Service Provider (DSP)</b>	Disco is the contraction of "distribution company," the name ascribed to the utility business unit that provides the wires services to deliver electricity from the transmission system to end-use customers, including homes, businesses and factories. The disco's services will be provided to end-use consumers at regulated rates.
<b>Distribution</b>	The system of wires, switches, and transformers that serve neighborhoods and business, typically lower than 69,000 volts. A distribution system reduces or downgrades power from high-voltage transmission lines to a level that can be used in homes or businesses. Otherwise stated, it is the function of delivering electricity at low voltage from the transmission system to the end-use consumer.
<b>Diversity Factor</b>	The inverse of Coincidence Factor.
<b>Divestiture</b>	The sale of business holdings or part of a company, especially under legal compulsion. In the electric industry, jurisdictions such as California have used generation asset divestiture as a means of mitigating market power problems in the generation sector.
<b>Dynamic Scheduling</b>	The provision of the remote load regulation for a load.
<b>ECAPM</b>	Empirical Capital Asset Pricing Model is an analytical method similar to CAPM analysis except it adjusts the beta value using an adjustment called alpha.
<b>Economic Development Rate</b>	A discounted rate made available by some utilities to encourage economic development, expansion and retention of existing customers.
<b>Electric Plant</b>	A utility's investment in any facility, or portion of a facility, that produces, delivers or supports the provision of electricity service including production, transmission, distribution and general facilities.
<b>Embedded Cost</b>	A utility's average cost of doing business, which includes the costs of fuel, personnel, plants, poles, and wires. It is costs which have already been incurred as a result of past decisions. They are irrelevant to forward looking pricing and output decisions since they reflect only past decisions and historical costs.
<b>End-Use</b>	Light, heat, cooling, refrigeration, motor drive, microwave energy, video or audio signal, computer processing, electrolytic process, or other useful work produced by electricity or its substitute. If equivalent energy-related amenity levels and/or productivity are maintained, the end-use service is considered constant for purposes of these regulations.
<b>Energy</b>	The total amount of electric power that is generated or used over a specified interval of time measured in kilowatt hours (kWh).
<b>Energy Efficiency</b>	The decrease of energy (kilowatt-hour, or "kWh") requirements of participating customers during any selected time period with end-use service held constant.
<b>Energy Imbalance Service</b>	The provision of energy to correct for differences between the energy scheduled for delivery by a supplier and the actual amount of energy delivered to the supplier's load(s). This service is necessary to maintain supply and demand equilibrium within a control area and prevent declines in system frequency.

<b>Word/Phrase</b>	<b>Definition</b>
<b>Energy or Variable Cost</b>	A cost that varies with energy usage, such as fuel, purchased power energy and some production maintenance expenses.
<b>Energy Policy Act of 1992 (EPAct)</b>	The Energy Policy Act significantly expanded the authority of FERC to order transmission access for the sale of electricity at wholesale and created a new form of energy services on the customer's side of the meter.
<b>Equivalent Availability</b>	The availability of a generating facility in any selected time period, considering both scheduled and unscheduled, partial and full outages. The equivalent availability factor equals the [service hours plus reserve hours minus equivalent derated hours] divided by the number of hours in the period, where service hours are the hours the unit is electrically connected to the load, reserve hours are the hours the unit is shut down for economic reasons and equivalent derated hours are the number of forced or scheduled derated hours times megawatt reduction divided by the maximum dependable capacity.
<b>Evidentiary Hearing</b>	A public hearing before a commission at which parties to present evidence on the issues in the case. During this proceeding, witnesses may also be cross-examined by other parties to the case.
<b>Excess Capacity</b>	The amount a utility's productive capability over and above that needed to meet customer demand, plus an adequate reserve margin for breakdowns, plant maintenance, and extreme demand, over a sustained period of time.
<b>Exempt Wholesale Generator (EWG)</b>	Any person determined by FERC to be engaged directly, or indirectly through one or more affiliates and exclusively in the business of owning or operating, or both owning and operating all or part of one or more eligible electric generating facilities and selling electric energy at wholesale. An EWG is a new type of independent power producer authorized by the Energy Policy Act of 1992 that generates electric energy for sale at wholesale, but does not own transmission facilities. An EWG is not necessarily a cogenerator, and therefore is not required to have a steam host.
<b>Exit Fee</b>	An anti-competitive method of recovering stranded costs which directly assigns such costs only to customers who switch to alternative generation providers.
<b>Ex-Parte Communication</b>	Communication between one party and a commissioner or hearing examiner outside the record and without notice to other parties in a proceeding. Ex-parte communication is prohibited during the course of a proceeding. Ex-parte actions can result in a commissioner being required to disqualify himself or herself from a decision in a case.
<b>Expected Unserved Hours</b>	The statistical expectation of the number of hours per year that a utility will be unable to supply its native load without importing emergency power.
<b>Externalities (External Costs/Benefits)</b>	Those environmental and social costs or benefits of energy which result from the production, delivery, or reduction in use through efficiency improvements and which are external to the transaction between the supplier (including the supplier of efficiency improvements) and the wholesale (e.g., utility) or retail (e.g., ratepayer) customer. Externalities may be quantified and expressed in monetary terms where possible. Those externalities that cannot be quantified or expressed in monetary terms may be qualitatively considered in the societal cost test to develop resource plans.
<b>Facilities Charge</b>	A monthly charge (usually stated as a percent of the investment) to recover the ownership and operating costs of the facilities installed by a utility to serve a specific

<b>Word/Phrase</b>	<b>Definition</b>
	customer (not the extent not otherwise recovered in a Contribution in Aid of Construction).
<b>Facilities Study</b>	An engineering study conducted by a transmission provider subsequent to a system security study to determine the required modifications to its transmission system, including the detailed costs and scheduled completion date for such modifications, that will be required to provide a requested transmission service.
<b>Federal Energy Regulatory Commission (FERC)</b>	The regulatory agency, in the Department of Energy, that has jurisdiction over interstate electricity sales, wholesale rates, licensing, etc. FERC is the federal counterpart to state utility regulatory commissions. Regulates services of both natural gas and electric industries.
<b>FERC Order No. 888</b>	Order No. 888 facilitated increased competition in wholesale electricity markets by requiring open and non-discriminatory transmission access to electric utility transmission facilities, and by establishing comparable terms and conditions for transmission access.
<b>FFO</b>	Funds from Operations are a key metric used by credit rating agencies to measure a company's cash flow.
<b>Fixed Costs</b>	Costs incurred by a company that do not change with the amount of customer usage.
<b>Free Rider(s)</b>	Those customer(s) who would have implemented a demand-side measure regardless of the utility demand-side program.
<b>Fuel Adjustment Clause</b>	A clause in the rate schedule that provides for adjustment of the amount of a bill as the cost of fuel varies from a specified base amount per unit. The specified base amount is determined when rates are approved. This item is shown on all customer bills and indicates the current rate for any adjustment in the cost of fuel sued by the company. It can be a credit or a debit. In some states this is also called an Energy Cost Adjustment or Fuel and Purchased Power Cost Recovery Factor.
<b>Functional Unbundling</b>	This method of unbundling, which has been required by the FERC at the wholesale level, allows the utility to retain ownership of its generation, transmission, distribution, and merchant functions while maintaining operational separation between these functions and requiring them to provide service to non-affiliates in a comparable, non-discriminatory manner. Functional unbundling is typically enforced through affiliate transaction guidelines and codes of conduct governing the exchange of information and physical separation of personnel among the utility's functionally unbundled units.
<b>Gas Cost Adjustment</b>	In some states this is also called a PGA or Purchased Gas Adjustment. This is a mechanism which allows local natural gas distribution companies to automatically increase or decrease charges for natural gas to account for fluctuations in wholesale gas prices charged by suppliers to the local distribution company.
<b>GDP</b>	Gross Domestic Product
<b>Genco</b>	Genco is a contraction of "generation company," the name ascribed to a competitive utility company that generates electricity.
<b>Generating Facility</b>	A generic term for a plant which produces electricity by any number of methods (hydroelectric, nuclear, coal).

<b>Word/Phrase</b>	<b>Definition</b>
<b>Generation</b>	The function of producing electricity and delivering that power to the interconnected transmission grid at the required voltage level.
<b>Generation Schedule Imbalance</b>	Service compensates for energy mismatches between the scheduled and actual transmission of power between the seller of power and a provider of transmission service in the generation host's control area.
<b>Gigawatt (GW)</b>	Unit of electric power equal to one billion watts, or one thousand megawatts – enough power to supply the needs of a medium-sized city.
<b>Good Utility Practice</b>	The practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act, to the exclusion of all others, but rather to be practices, methods, or acts that are generally accepted in and consistently adhered to by electric utilities.
<b>Herfindahl-Hirschman Index (HHI)</b>	This index is used by the FERC as the primary measure of generation market concentration in the electric industry. The HHI is calculated by summing the squares of the individual market shares of all market participants in a defined market for a product or service.
<b>Horizontal Market Power</b>	A term that describes the ability of buyers or sellers, either individually or collectively, to distort competitive outcomes through their dominant position in the market for a specific end-use product or service. In the electric industry, the focus of horizontal market power concerns is on the generation sector.
<b>Imbalance Service</b>	Service compensates for energy mismatches between the scheduled and actual transmission of power between the seller of power and a provider of transmission service in the load host's control area.
<b>Independent Power Producer (IPP)</b>	A supplier of electricity from an electric plant that is not directly owned and operated by a utility for serving its retail customers, and not a utility operating company that sells electricity as part of an affiliated utility operating company system. Independent power producers include non-utility generators and exempt wholesale generators.
<b>Independent System Operator (ISO)</b>	A centralized entity, independent from industry stakeholders, that operates but does not own a transmission network for the purpose of facilitating power transactions, managing electricity flows, ensuring reliability, and settlements.
<b>Integrated Resource Plan (IRP)</b>	<p>A utility resource planning process in which an integrated combination of demand-side and supply-side resources is selected to satisfy future energy service demands at least-cost (considering both direct and indirect costs), balancing the interests of utility customers, utility shareholders and society-at-large. In IRP, all resources reasonably available to reliably meet future energy service demands are considered by the utility on a fair and consistent basis, including but are not limited to:</p> <ol style="list-style-type: none"> <li>(1) Options that increase the available supply from, or efficiency of, existing utility facilities, such as plant heat-rate improvements, plant refurbishment and life-extension, transmission and distribution system loss reduction;</li> <li>(2) Options that increase the available supply from new utility sources, such as new conventional plants and new advanced technology plants;</li> </ol>

Word/Phrase	Definition
	<p>(3) Options that increase the available supply from utility sources, including power pool purchases;</p> <p>(4) Options that increase the available supply from non-utility sources, such as cogenerators and independent power producers;</p> <p>(5) Options that reduce demands for utility-supplied power and energy through energy efficiency;</p> <p>(6) Options that reduce demands for utility-supplied power and energy through energy management;</p> <p>(7) Options that reduce demands for utility-supplied power and energy through use of alternative fuels; and</p> <p>(8) Wheeling.</p>
<b>Interconnection Agreement</b>	An agreement that sets forth requirements for physical connection between an eligible transmission customer and transmission providers. Transmission providers must have such an agreement with all transmission providers to whom they are physically interconnected.
<b>Interim Rates</b>	If a utility proves that it needs an immediate rate increase to prevent a financial crisis, a commission may allow a higher rate to go into effect on an "interim" or temporary basis. Interim rates are usually implemented while application for a permanent increase is being considered. They are often granted on the condition that the company refund to customers, with interest, any amount of the increase that exceeds the permanent rates approved by the commission.
<b>Interruptible (or Non-Firm) Power</b>	Power whose delivery can be curtailed by the supplier, usually under some sort of agreement by the parties involved. In organized markets, this may include various Demand Response (DR) programs as well as Load Acting as a Resource (LAAR).
<b>Interval Data Recorder (IDR)</b>	A meter that records electricity usage in real time.
<b>Intervenor</b>	Someone who files to participate in a proceeding before a regulatory commission. Intervenors are usually large business customers, government agencies or representatives of a customer group with a particular interest in the outcome of the case.
<b>Kilovolt-Ampere (kVA)</b>	The electrical unit of apparent power equal to 1,000 volt-amperes that is the square root of the sum of the squares of real power (measured in kW) and reactive power (measured in KVAR).
<b>Kilowatt (kW)</b>	The electrical unit of power equal to 1,000 Watts.
<b>Kilowatt-Hour (kWh)</b>	The basic unit of electric energy equal to the one kilowatt of power supplied to or taken from an electric circuit for one hour.
<b>LDC</b>	Local Distribution Company
<b>Levelized Cost</b>	The dollar amount of a fixed annual payment for which a stream of those payments over a specified period of time is equal to a specified present value based on a specified rate of interest.
<b>Life-Cycle Cost</b>	The present worth of costs over the lifetime of any device or means for delivering end-use energy service.

<b>Word/Phrase</b>	<b>Definition</b>
<b>Load Duration Curve</b>	A plot of ranked hourly demand versus the number of hours in which demand was greater than or equal to that value over a specified interval of time.
<b>Load Factor</b>	The average demand over a specified interval of time divided by the maximum demand in the interval. Load factor is a measure of efficiency. High load factor customers that use electricity at a constant rate are said to be more efficient than low load factor customers that may have pronounced variations in power demands.
<b>Load Following Service</b>	Provides hour-to-hour changes in the output of generating unit to match changes in the load being served.
<b>Load Pocket</b>	An area on the transmission or distribution grid where there is insufficient transfer capacity between the local market and the interconnected system. The customers inside a load pocket would have limited, if any, ability to acquire competitive generation resources located outside of the load pocket due to this constrained transfer capacity.
<b>Load Serving Entity (LSE) or Retail Electric Provider (REP)</b>	An entity that sells electricity to end-use consumers, buys or procures electricity from generators, and arranges for the delivery of electricity with either the transco, disco or the ISO. In effect, LSEs are the retailers of electricity. In certain market structures, the LSE may also provide customer services. If a vertically integrated utility chooses to be an LSE, that function will be provided by a separate entity from the distribution utility.
<b>Local Distribution Company</b>	A utility that delivers and provides natural gas service to end use retail customers.
<b>Local Market Power</b>	In the electric industry, market power exercised in specific market areas by certain suppliers due to transmission constraints or voltage support requirements. (See Load Pocket, Voltage Support)
<b>Locational Marginal Cost Pricing</b>	A transmission pricing method that includes a component, typically labeled a "congestion charge," calculated to reflect the marginal cost of relieving a transmission constraint through redispatch or transmission expansion. Under this pricing regime, separate congestion charges that change over time are calculated for the various interfaces in the regional transmission system. Advocates of this pricing approach argue that it provides proper price signals for more efficient use of a constrained transmission grid for power trading activity. In regions where this pricing method has been approved, such as the Pennsylvania-New Jersey-Maryland (PJM) Interconnection, it has been widely criticized for perpetuating the market power of incumbent utilities who control constrained transmission facilities.
<b>LOLE</b>	Loss of Load Expectation
<b>LOLP</b>	Loss of Load Probability
<b>Long-Term Power Purchase</b>	Purchase of electric capacity and energy for a period exceeding one year, the principle purpose of which is to supply the requirements of the customers of a utility. Long-term power purchases are one of several supply-side resources.
<b>LTIP</b>	Long-Term Incentive Plan
<b>Marginal Costs</b>	The change in total cost that results from providing one additional unit.

<b>Word/Phrase</b>	<b>Definition</b>
<b>Market Discount Rate</b>	A rate which reflects current customers' after-tax cost of capital. The utility's after-tax cost of capital is one such rate.
<b>Market Power</b>	The ability to distort the performance of competitive markets through unilateral or coordinated action by market participant(s). (See Horizontal Market Power, Local Market Power, Market Collusion, Vertical Market Power)
<b>MCF</b>	An abbreviation meaning 1,000 cubic feet, usually used as a unit of measure for natural gas.
<b>Megawatt (MW)</b>	One million watts or 1,000 kW.
<b>Megawatt-hour (MWh)</b>	One thousand kilowatt-hours or one million watt hours
<b>Monopoly</b>	Exclusive control of a commodity or service by one seller. Under the current system of regulation, electric utilities are typically monopolies within their designated service territories. (See Monopsony, Oligopoly)
<b>Monopsony</b>	A market in which there is only one buyer for a commodity or service. (See Monopoly, Oligopoly)
<b>MRP</b>	Market Risk Premium is the difference between the historical or projected return on the market less the risk-free rate.
<b>Municipal Franchise Fees (MFF)</b>	Taxes levied by municipalities based on the amount of electricity sold within the municipal boundaries.
<b>Must-Run Unit</b>	A generating unit that must be operated at a given time to ensure uninterrupted electric service without damaging transmission or distribution facilities or endangering public safety. Must-run unit designations are necessitated by transmission constraints or voltage support requirements. (See Load Pocket, Local Market Power, Voltage Support)
<b>Native Load Customers</b>	Those wholesale and retail customers on whose behalf the transmission provider, by statute, franchise, regulatory requirement or contract, has an obligation to construct and operate its system to meet in a reliable manner the electric needs of such customers.
<b>Net Book Value (NBV)</b>	The original cost of an asset less accumulated depreciation. Regulated electric rates are set to provide a utility with the opportunity to earn a return of and a return on the NBV of its prudent investments that are used and useful in providing service to its customers. Therefore, NBV is the best measure of the value of utility assets in a regulated environment.
<b>Net Dependable Capacity</b>	The maximum capacity a generating facility can sustain over a specified period of time, as modified for ambient limitations and less auxiliary loads, as reported to the U.S. Department of Energy on Form IE-411 or its successor.
<b>Nominal Dollars</b>	Future or then-current dollar values that are not adjusted to remove the effects of anticipated inflation.
<b>Non-Bypassable Charge</b>	A method of recovering utility stranded costs that assigns such costs to all customers that take transmission or distribution service from the incumbent electric utility.

<b>Word/Phrase</b>	<b>Definition</b>
<b>Non-Coincident Peak (NCP)</b>	The highest demand of a class or an individual customer during a specific time period.
<b>Non-Utility Generator (NUG)</b>	A NUG is a non-utility that produces power for its own manufacturing operations or for sale in competitive markets. NUGs include cogenerators, small power producers, exempt wholesale generators, and self-generators.
<b>North American Electric Reliability Council (NERC)</b>	Council formed by electric utility industry in 1968 to promote the reliability and adequacy of bulk power supply in utility systems of North America. NERC consists of ten regional reliability councils.
<b>Obligation to Serve</b>	The statutory obligation of an electric utility to provide retail electric service within a specified area.
<b>Off-Peak</b>	Periods of relatively low system demands.
<b>Oligopoly</b>	A market condition in which there are so few sellers that the actions of any of them can affect price and have a measurable impact on competitor. (See Monopoly, Monopsony)
<b>On-Peak</b>	Energy supplied during periods of relatively high system demand as specified by the supplier.
<b>Open Access Same-Time Information System (OASIS)</b>	The transmission information system created by FERC Order No. 889. This order required transmission owners to create or participate in an OASIS system that provides transmission customers with same-time information via the Internet regarding available transmission capacity, the rates, terms, and conditions of transmission service and ancillary services, as well as other important data that enables customers to obtain transmission services on a non-discriminatory basis.
<b>Open Access Transmission Tariff (OATT)</b>	Wholesale tariff regulated by the Federal Energy Regulatory Commission (FERC) requiring the Transmission Service Provider to furnish to all shippers with non-discriminating service comparable to that provided by Transmission Owners to themselves.
<b>Operating Expenses</b>	Consist of Operation & Maintenance, Depreciation, Taxes Other Than Income and Income Taxes.
<b>Operating Reserves</b>	The reserve above firm system load necessary to provide for: (1) regulation within the hour to cover minute to minute variations; (2) load forecasting error; (3) loss of equipment; and (4) local area protection.
<b>Operation &amp; Maintenance Expenses (O&amp;M)</b>	Costs incurred by a utility in conducting its daily operations including labor and materials.
<b>Order</b>	A decision issued by a regulatory commission. It contains the commission's reasoning behind its decision.
<b>Pancaking</b>	In the electric industry, this term refers to the process of inflating rates for the delivery of power over long distances by charging multiple, single-system transmission rates for a power transaction.
<b>Peak</b>	Periods of relatively high system demands.

<b>Word/Phrase</b>	<b>Definition</b>
<b>Peak Demand</b>	Maximum power used in a given period of time.
<b>Phase-in</b>	A type of rate adjustment used by a commission to lessen the financial impact of an increase on customers. A regulatory commission may order the increase to be implemented in stages over a period of years. As part of phasing-in the rate increase, the utility may be allowed carrying costs for revenues deferred until the later steps of the phase-in.
<b>Power Broker</b>	A power broker is an entity that facilitates purchases and sales of electric energy at wholesale, but does not take ownership of the energy in the process and is not a public utility.
<b>Power Factor</b>	A multiplier that indicates what part of the total “apparent” power flowing in an alternating current (AC) circuit, as measured in kVA, is real power, as measured in kW. Low power factor (either leading or lagging) is detrimental because it reduces the capacity of the power system to carry kilowatts of useful power.
<b>Power Marketer</b>	A power marketer is an entity that purchases and sells electric energy at wholesale, and takes ownership of the electric energy in the process, but is not a public utility.
<b>Power Merchant</b>	A power merchant is a competitive entity that produces, generates, sells, or furnishes electricity to retail customers for compensation. Power merchants consist of the sales function of the incumbent utility, consumers acting on their own behalf, and power brokers, marketers, and aggregators.
<b>Power Pool</b>	The interconnected electric-power generation and transmission networks of electric utilities that coordinate power generation and dispatching activities in order to achieve the best possible efficiencies.
<b>Predatory Pricing</b>	Pricing a product below its marginal cost of production.
<b>Prehearing Conference</b>	Prior to formal, evidentiary hearings, parties to a case meet to discuss the issues to be decided in the case and to schedule further proceedings if necessary. Through such discussions, parties are able to determine which issues will be tried before the commission and which issues all parties agree upon. It is possible that the prehearing conference may resolve all issues in the case. If that occurs, the parties file a stipulated agreement for the commission to consider.
<b>Price Unbundling</b>	Price unbundling refers to the process of determining the cost of each component of electric service and establishing a separate price for that component. For instance, an electricity customer currently pays a single price for electricity that includes generation, transmission, distribution, customer service, meter reading and billing. With unbundling, each such component would have a separate price.
<b>Public Utility Regulatory Policy Act (PURPA)</b>	Congress passed this act in 1978. It requires state utility regulators to consider a variety of issues affecting electric and gas utility customers, with the intent of setting standards to promote energy conservation, efficient use of facilities and resources, and to provide equitable rates for consumers. A key provision of PURPA requires utilities to buy power from cogenerators and small power producers at avoided cost rates set by state regulators.
<b>Purchased Power Agreement (PPA)</b>	Contract entered into by an independent power producer and an electric utility. The PPA specifies the terms and conditions under which electric power will be generated and purchased. They require the independent power producer to supply power at a specified price for the life of the agreement. Common elements include: specification of the size and operating parameters of the generation facility;

<b>Word/Phrase</b>	<b>Definition</b>
	milestones in service dates and contract terms; price mechanisms; service and performance obligations; dispatchability options; conditions of termination or default.
<b>Qualifying Facility (QF)</b>	A cogeneration or small power production facility which has met the operating, efficiency and ownership criteria established by FERC under PURPA either through self-certification or in a formal certification issued by FERC.
<b>Rate Base</b>	The dollar value of a utility's physical facilities and operating capital used to provide safe and adequate service to customers.
<b>Rate Design</b>	The process of determining how a revenue requirement will be allocated among the company's different customer classes, such as residential, industrial and commercial, and how the allocated costs will be recovered in the form of customer, demand, and/or energy-related charges.
<b>Rate Impact Analysis</b>	An analysis of the extent to which unit rates for electricity are altered by the implementation system configuration.
<b>Rate Stabilization Plan</b>	A plan in which a utility pledges to maintain existing rate levels for a specified period or to implement moderate, scheduled rate increases over a specified period. In return for that pledge, the utility generally receives certain economic benefits, for example, flexible pricing alternatives.
<b>Reactive Power</b>	Power that is temporarily stored in the form of electrical or magnetic fields due to the inductive and capacitive characteristics of electric transmission and distribution lines measured in VARs (Also see Voltage Support Service).
<b>Real-Time Pricing (RTP)</b>	Tariffs in which electricity prices track an electric utility's current hourly cost of producing and delivering electricity.
<b>Rebound Effects</b>	This is another term for take-back effects.
<b>Regulation</b>	Provides intra-hour changes in the output of generating units to match changes in the load being served.
<b>Regulation and Frequency Response Service</b>	The commitment of on-line generation whose output is raised or lowered to follow the changes in load within a control area. This service is necessary to provide for the continuous balancing of resources and loads, and to maintain the electric system's frequency at the required sixty cycles per second (60 Hertz). This service is typically provided by generators equipped with AGC. (See Automatic Generation Control)
<b>Regulatory Assets</b>	In the electric industry, these are assets that are created when regulators allow a utility to defer recovery of certain costs to future periods.
<b>Regulatory Compact</b>	A concept advocated by many electric utilities which asserts that, in exchange for fulfilling their statutory obligation to serve customers in their service territories, utilities have been guaranteed full recovery of their incurred costs.
<b>Renewable Energy</b>	Energy that is capable of being renewed by the natural ecological cycle. The various forms of renewable energy may include hydroelectric, wind, solar, tidal, biomass and waste heat technologies.
<b>Request for Proposal</b>	A formal written document submitted to other utilities and other third-party providers of energy services (e.g., cogenerators, independent power producers, EWGs, energy service companies, etc.) seeking proposals to seek supply-side and/or

Word/Phrase	Definition
	demand-side capacity resource(s) in order to meet the electrical requirements of the retail customers of a utility.
<b>Reserve Margin</b>	The percentage of installed capacity exceeding the expected peak demand during a specified period.
<b>Responsive Reserve</b>	Consists of the daily operating reserves that are intended to help restore the frequency of the interconnected transmission system within the first few minutes of an event that causes a significant deviation from the standard frequency. Responsive reserves may be provided by unloaded generation facilities that are on line, interruptible load controlled by high set under-frequency relays, or from DC tie response that stops frequency decay.
<b>Return on Common Equity (ROE)</b>	That portion of the company's overall rate of return that is used to pay shareholders for their investment in the utility.
<b>Revenue Requirement</b>	The amount of money a utility must collect from its customers to pay expenses and provide a fair return to investors.
<b>RP</b>	Risk Premium method is a widely used and accepted analytical method that estimates the ROE for a utility as the sum of a bond yield plus a risk premium yield. It is a measure of the additional return an investor requires due to the additional risk of the security.
<b>Screening Test</b>	The evaluations used to determine which demand- and supply-side resource options are eligible for inclusion in the alternative system configurations.
<b>Secondary Market</b>	A market in which goods or services are available for resale by their original purchasers. In the electric industry, the FERC has encouraged the development of secondary markets for transmission services.
<b>Self-Generation</b>	Self-generation occurs when an entity, usually industrial or commercial, generates its own electric energy for its own consumption.
<b>Societal Cost Test</b>	An analytic test which identifies resources that provide net benefits considering economic, environmental and social factors. A resource option is cost-effective under the societal cost test when present value life cycle benefits exceed present value life cycle costs, evaluated at the societal discount rate. Total benefits equal the total avoided costs multiplied by the energy/capacity supplied by the resource option, plus any resource-specific benefits not otherwise reflected in the total avoided cost. Total costs equal the total installed cost of the resource option plus its operating costs plus any monetized and non-monetized costs attributable to the option.
<b>Societal Discount Rate</b>	A rate which represents a compromise between current customers' cost of capital and the needs of future generations. It is by definition lower than the market discount rate. It can be estimated by using the current rate on a 20-year U.S. Treasury Bond.
<b>Spinning Reserve</b>	Net generation capability on line that is not loaded but could be loaded, interruptible loads that can be curtailed within ten minutes, or capacity that can be obtained through a DC tie within a specified time.
<b>Spot Market</b>	In the electric industry, a market for short-term capacity and/or energy that is available for immediate delivery.

<b>Word/Phrase</b>	<b>Definition</b>
<b>Spot Market Gas</b>	Natural gas purchased by a customer under a short term agreement with a wholesale supplier. In most instances, this is done with a wholesale supplier different than the one which normally supplies natural gas to the end user.
<b>Standby Power</b>	Service required to replace the generation that is normally supplied by customer-owned generation, consisting of backup and maintenance power.
<b>Static Scheduling</b>	A service that establishes specific hourly schedules for the transmission of power, by coordinating the event among the affected control areas.
<b>Stranded Costs</b>	Utility investments in facilities built to serve customers under traditional regulation may become unrecoverable or “stranded” if those assets are deregulated and their cost of generation exceeds the actual price of power in a competitive market. These include the above-competitive market portion of the long term debt and expenses utilities have incurred through contracts with power producers, and other long term investments, such as power plants, that were approved by regulatory commissions that are currently being recovered through regulated rates.
<b>Supplemental Power</b>	Service required by a self-generating customer to provide the power and energy required by the customer in excess of self-generated power and energy.
<b>Supply-Side Resource</b>	A resource which can provide for a supply of electrical energy and/or capacity to the utility. Supply-side resources include supply-side capacity option, supplies from other utilities, cogenerators, renewable resource technologies, or independent third parties via existing or new transmission facilities; and the life extension, upgrading, plant refurbishment, or capital additions of existing generation, transmission or distribution facilities of the utility.
<b>System Lambda</b>	A measure of the marginal cost of generating electricity on a utility’s system.
<b>System Security Study</b>	An assessment by a transmission provider of the adequacy of the transmission system to accommodate a request for transmission service, and whether any costs are anticipated in order to provide transmission service.
<b>Take-Back Effects</b>	A specific form of income effect where the customer uses the extra income to purchase a higher amenity level in the same end-use where the demand-side program is concentrated.
<b>Take-or-Pay</b>	A clause contained in a natural gas supply contract which states that the purchaser will, for a specific period of time, pay for a minimum amount of natural gas whether or not delivery is accepted.
<b>Tariff</b>	Information on file with a regulatory commission which describes the rates and charges of a utility along with the rules and regulations of that company.
<b>TCJA</b>	Tax Cuts and Jobs Act
<b>Technical Potential of an End-Use Measure</b>	An estimate of the load impact that would occur if that measure were installed at every location in the utility’s service territory where the measure is technically feasible but has not yet been installed.
<b>Test Year</b>	The 12 month operating period used in a utility rate case to evaluate the cost of service and the adequacy of the rates a utility is charging or proposes to charge.
<b>Time of Day or Time-of-Use Rates (TOU) Rates</b>	Charges for electric service that vary with the time of day. Under time of day rates, energy prices are greater during high or “peak” use hours to reflect higher production, transmission and distribution costs.

Word/Phrase	Definition
<b>Total Resource Cost Test</b>	A test of the cost-effectiveness of demand-side programs that compares the sum of avoided utility costs to the sum of all incremental costs of end-use measures that are implemented due to the program (including both utility and participant contributions), plus utility costs to administer, deliver and evaluate each demand-side program to quantify the net savings obtained by substituting the demand-side program for supply resources.
<b>Transco or Transmission Service Provider (TSP)</b>	Transco is a contraction of “transmission company,” the name ascribed to a utility company that provides electric transmission service.
<b>Transmission</b>	The function of transporting electricity at high voltage from generators to local distribution systems.
<b>Transmission Customer</b>	Any eligible customer receiving transmission service. Where consistent with the context, “transmission customer” includes an eligible customer seeking transmission service.
<b>Transmission Distribution Service Provider (TDSP)</b>	An entity that provides both transmission and distribution services.
<b>Transmission Losses</b>	Energy losses resulting from the transmission of power over the interconnected transmission network. Generators providing power to the network must generate sufficient energy to offset such losses on an instantaneous basis, and this rule prescribes the compensation for persons that generate the energy to offset such losses.
<b>Transmission Service</b>	A service that allows a utility, qualifying facility, power marketer, or exempt wholesale generator to use the transmission and distribution facilities of other utilities to efficiently and economically utilize generation resources to reliably serve its loads and to deliver power to another utility, a qualifying facility, a power marketer, or an exempt wholesale generator.
<b>Transmission Upgrade</b>	A modification or addition to transmission facilities constructed by a transmission provider.
<b>True-Up</b>	A step in the administrative quantification of stranded costs which involves reassessing the aggregate level of such costs based on new evidence regarding competitive market prices. Stranded cost “true-ups” typically occur near the end of a utility’s designed stranded cost recovery period. Their purpose is to ensure that the utility neither over-recovers nor under-recovers its specified level of stranded costs.
<b>Under Frequency Relays</b>	Devices that automatically and instantaneously interrupt electric service to a particular customer when the frequency of the electric system falls below a pre-specified level.
<b>Unplanned Resources</b>	Generation resources owned, controlled or purchased by the transmission customer, and that have not been designated as planned resources.
<b>Unplanned Services</b>	The use by a transmission customer of the transmission provider’s transmission system for the delivery of power from resources that the customer has not designated as planned resources to the customer’s loads.

<b>Word/Phrase</b>	<b>Definition</b>
<b>Utility</b>	Any electric supplier whose rates are fixed by a regulatory commission.
<b>Utility Business Units</b>	The separate business functions of the vertically integrated utility.
<b>Utility Cost Test</b>	An analytic test which considers only the direct utility economics of resource options. A resource option is cost-effective under the utility cost test when present value life cycle benefits exceed present value life cycle costs, evaluated at a market discount rate. Direct benefits equal the direct avoided costs multiplied by the energy/capacity supplied by the resource option. Direct costs equal the utility cost of installing the resource option plus the utility's operating costs.
<b>Utility Discount Rate</b>	The post-tax rate of return on net investment used to calculate the utility's annual revenue requirements.
<b>Vertical Integration</b>	Vertical integration refers to the organization and function of traditional public utilities that generate, transmit, and distribute their product and provide associated services. Many analysts argue that utilities should be broken up into separate generation, transmission, and distribution companies—commonly termed gencos, transcos, and discos—as well as separate power merchant companies, in order to facilitate open retail competition in the electric industry.
<b>Vertical Market Power</b>	A term that describes the ability of a supplier to distort competitive markets through the control of inputs to the production process or product transportation routes. In the electric industry, vertical market power has been exercised by vertically integrated utilities that have tied the use of their monopoly transmission and distribution grids to the purchase of their generation services.
<b>Voltage Support Service</b>	The use of capacitors or generators to supply reactive power for the purpose of maintaining voltages on the transmission grid within acceptable limits. The FERC considers voltage support supplied by generators to be an unbundled ancillary service. Because voltage support cannot be provided over long distances, some generators are uniquely situated to provide this service to specific loads. This service is also known as reactive power service. (See Ancillary Service, Local Market Power)
<b>Watt</b>	Electric unit of power or rate of doing work. A kilowatt equals 1,000 watts while a megawatt equals 1,000,000 watts. One horsepower is equivalent to approximately 746 watts.
<b>Wheeling</b>	The transportation of electric service (from or to) over the transmission lines of a utility to another customer or utility by a third party.
<b>Working Capital</b>	That money needed by a utility to operate between the time service is rendered to a customer and the time it receives payment for such service.