

## Historical Annual Residential Rate Changes Compared to Consumer Price Index CPI

Electrical service is provided in Utah by both private and public owned utilities. Electric utility rates change at irregular intervals for a variety of reasons and in a variety of ways. Rates may change due to changes in costs of providing service to customers that may range from the price of fuel to changing customer use patterns. For example, the utility can file a general rate case or add major plant additions requiring a change in base rates and charges. The utility can also request a change to one or more tariff riders such as, demand side management, low income assistance, renewable energy credits, or net power costs. The regulatory agencies may also seek rate changes. Utility rates are not guaranteed for any period of time and are always subject to change.

From 1992 through 2016, there were 56 rate changes for residential customers in Utah.<sup>1</sup> The changes were not evenly distributed over this 25-year period, with no changes in some years and multiple changes in others. However, on average, a typical residential customer's<sup>2</sup> annual bill increased approximately 2.54% per year. (See Table 1)

**Table 1: Changes in Residential Annual Electric Bill**

	<b>Annual Bill</b>	<b>CPI All Items</b>	<b>CPI Less Food, Energy</b>
1992	\$586.44	140.300	147.3
2016	\$944.13	240.007	247.602
Average Annual Percentage Change	2.54%	2.96%	2.84%

By way of comparison, the annual Consumer Price Index (CPI)<sup>3</sup> for all items increased on average 2.96% per year<sup>4</sup> over the same period. If food and energy are excluded, the CPI increased an average of 2.84% per year<sup>5</sup>. In other words, given the average rate of inflation, electric utility rates (annual bills) in Utah are slightly lower today, 2017, than in 1992.

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<sup>1</sup> A history of electric price changes and annual bills is found on the Utah Public Service Commission website at: <https://pscdocs.utah.gov/electric/RateChanges/RateChangeElecUpdatedJan2017.pdf>.

<sup>2</sup> A typical residential consumer is defined as using 700 kWh per month.

<sup>3</sup> The Consumer Price Index (CPI), used by Financial Institutions, Government, Federal Reserve Board, and many other organizations, is a measure of inflation that examines the weighted average prices of a basket of consumer goods and services, such as transportation, food, energy, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods over time and averaging them. This average of price changes over time is associated with cost of living increases and decreases. Read more: <http://www.investopedia.com/terms/c/consumerpriceindex.asp#ixzz4cBnWLzsg>.

<sup>4</sup> <https://data.bls.gov/cgi-bin/surveymost?bls>. Select Price Indexes/CPI for All Urban Consumers. Filter date and include annual averages.

<sup>5</sup> <https://data.bls.gov/cgi-bin/surveymost?bls>. Select Price Indexes/CPI-U/Less Food and Energy. Filter date and include annual averages.