

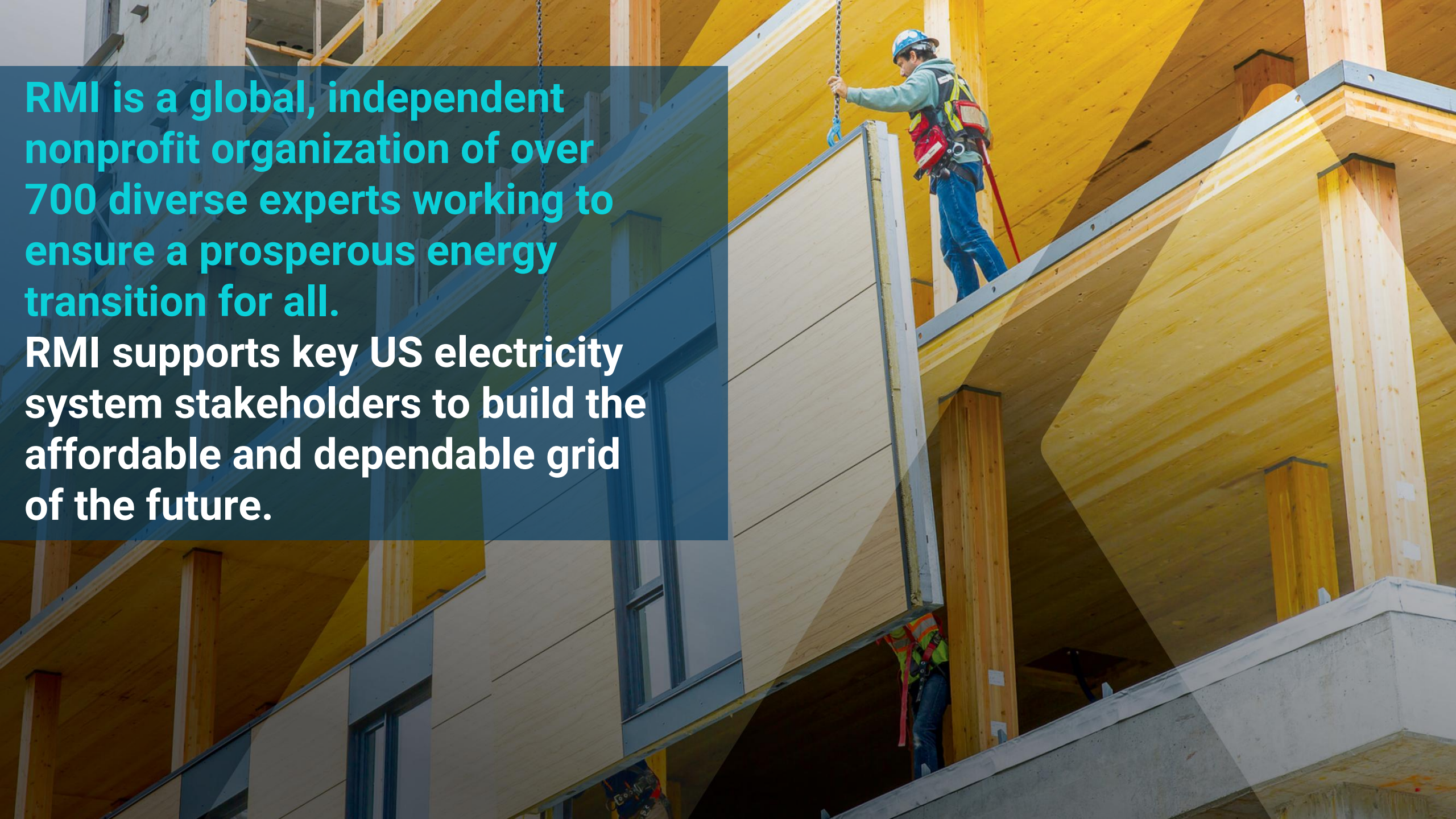
Tracking the Costs of Cost Trackers

NASUCA

July 2026

RMI is a global, independent nonprofit organization of over 700 diverse experts working to ensure a prosperous energy transition for all.

RMI supports key US electricity system stakeholders to build the affordable and dependable grid of the future.





Electricity

Ratepayer Lab

The one-stop-shop for the reports, articles, and resources that consumer advocates need to advance affordability at their state public utility commissions.

Ratepayer Lab is RMI's technical assistance platform for state consumer advocate offices to support their work in making our electricity system more affordable for residential utility customers.

Our services are available to all NASUCA members and affiliates.

Through Ratepayer Lab, RMI provides services such as modeling, analysis, drafting of regulatory comments, development and sponsorship of testimony, participation as subject-matter experts in workshops or other proceedings, and the creation of reusable analytic tools that strengthen

EXPLORE

[Services](#)

[Tools](#)

[Reports](#)

[Articles](#)

What are cost trackers?

Also known as:

- Riders
- Rate Adjustment Clauses
- Automatic Adjustment Clauses
- Rate Stabilization Mechanisms
- Reconciling Mechanisms

- A ratemaking approach that allows for select costs to be recovered on an expedited basis outside of a general rate case.
- Common examples of expenses that utilities recover through cost trackers include:
 - Fuel and purchased power,
 - Public policy costs (EE, RPS, grid mod., etc...); and,
 - Transmission-related expenses.

- Key Features:
 - Operates outside of the general rate case cycle; utilities do not have to wait for the next general rate case to recover these specific costs.
 - Typically provide dollar-for-dollar recovery.

Cost trackers can vary in four keyways

Zero-based vs. baselined

Zero-Based:

- All costs associated with specific investment or activity are recovered as they are incurred

Baselined:

- Recover the deviation in costs relative to a baseline of expenses and allowed recovery.

Accrual adjustment vs. collection reconciliation

Accrual Adjustments:

- Amount of revenue utility is entitled to collect; adjusted at intervals between rate cases based on the amount of utility expenses.

Collection Reconciliation:

- Rates adjusted to account for over- and under-collection of the revenue utility is entitled to collect.

Most trackers make both types of adjustments.

Pre-approved vs. ex-post approval

Pre-Approved:

- Expenditures deemed approved when the tracker is approved by the regulator

Ex-post approval:

- Expenditures approved after-the-fact, when PUC reviews costs

Type and level of regulatory review applied to expenditures

- There is a spectrum for reviews of tracked expenditures
- From more perfunctory (i.e., “does this expense match the intent and purpose for this tracker?”) to more thorough reviews, akin to a rate case (e.g., prudence is evaluated).

Drawbacks and Benefits of Trackers

Drawbacks

Reduced regulatory lag

Abbreviated reviews

Risk of double recovery

Exacerbates capex bias & gold-plating incentive

Increased administrative burden for PUC

Benefits

Tracking expenses

Reduces utility's risk

Different ratemaking treatments

Prescriptive spending directives

Administrative Efficiency

Ratepayer transparency



Four key regulatory strategies to support cost control under cost trackers that remain

Understand the size of the problem

- Determine the breadth of tracker implementation and analyze the direct financial impact of these mechanisms on customer bills.
- Establish robust reporting requirements for utilities to track usage patterns and identify trends that may require regulatory intervention.

Incentivize efficient spending under cost trackers

- Other tool, including shared savings mechanism, fuel cost-sharing, and differentiated rates of return for tracked costs, can also leverage carving out specific costs outside of base rates and incentivize cost containment for expenditures recovered through cost trackers.

Reintroduce the risk of disallowance for tracked costs

- Encourage similar cost discipline that applies to base rate spending and can help mitigate perverse incentives within trackers.

Strengthen the burden of proof in authorizing new cost trackers

- To restore cost trackers to their appropriate function as a limited tool for targeted circumstances, regulators can consider revisiting criteria for cost tracker recovery.

Use of cost trackers has increased since the 1980s

- **Use of cost trackers in the United States has *expanded substantially* over the last few decades. At least:**
 - 81% of investor-owned utilities have cost trackers for fuel and purchased power
 - 70% ... for energy efficiency programs
 - 50% ... for transmission related expenses
 - 28% ... for environmental compliance costs
 - 23% ... for renewables expenses
 - 13% ... for generation capacity
- **Some analysts suggest cost trackers account for anywhere from 50-60% of total utility revenues.**

Source: Regulatory Research Associates, Adjustment Clauses and Rate Riders; A State by State Overview, S&P Global, 2022.

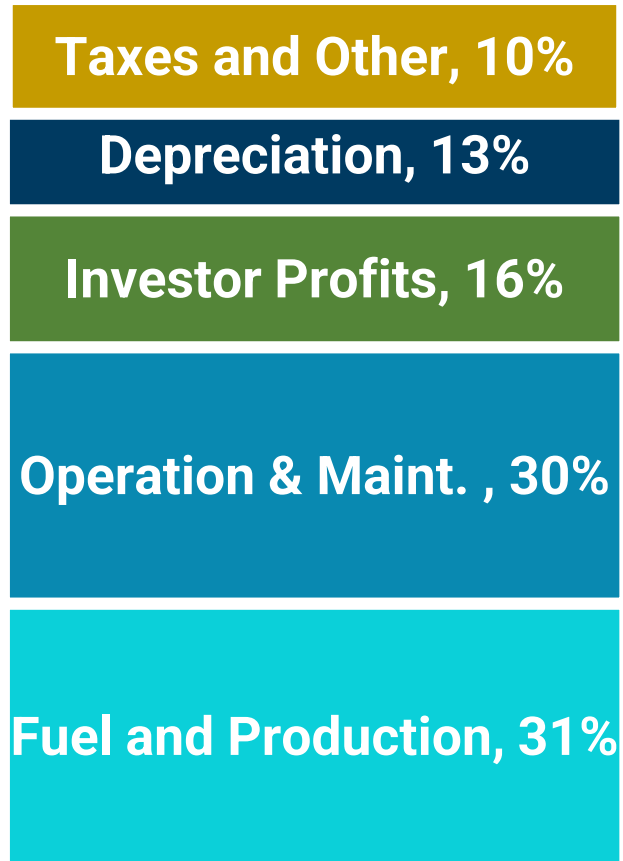
Cost trackers' origin story

Originally, the regulatory intent for cost trackers was to **reduce utility financial risk** associated with expenditures that meet three criteria:

- Large cost components that are substantial and recurring,
- Costs over which a utility's management has little control; and,
- Costs that are unpredictable and highly volatile.



Bill breakdown



Some analysts suggest cost trackers account for anywhere from 50-60% of total utility revenues.

Nationally, fuel and energy production costs represent 31% of customer bills.

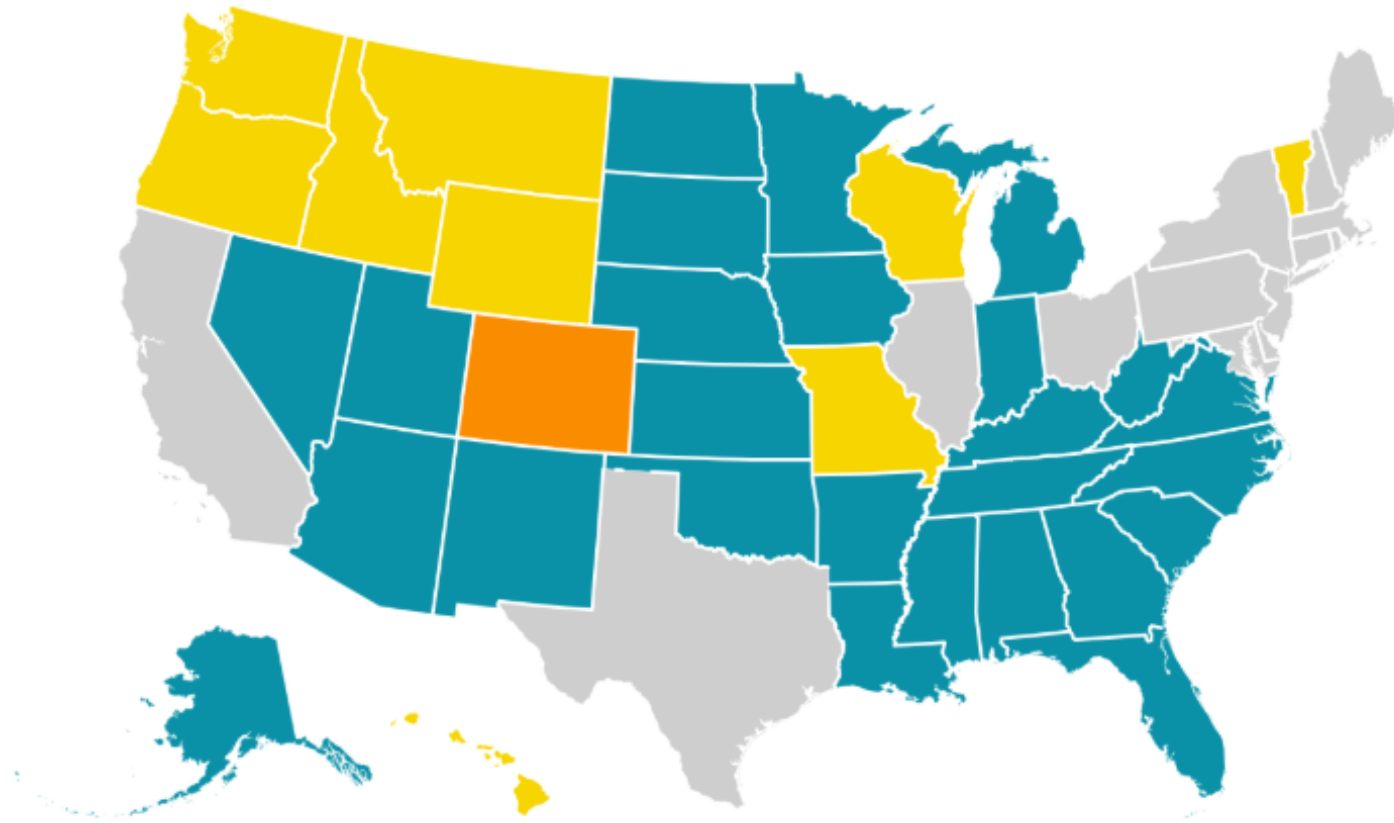
81% of investor-owned utilities have cost trackers for fuel and purchased power

Fuel cost sharing is active policy in 9 states

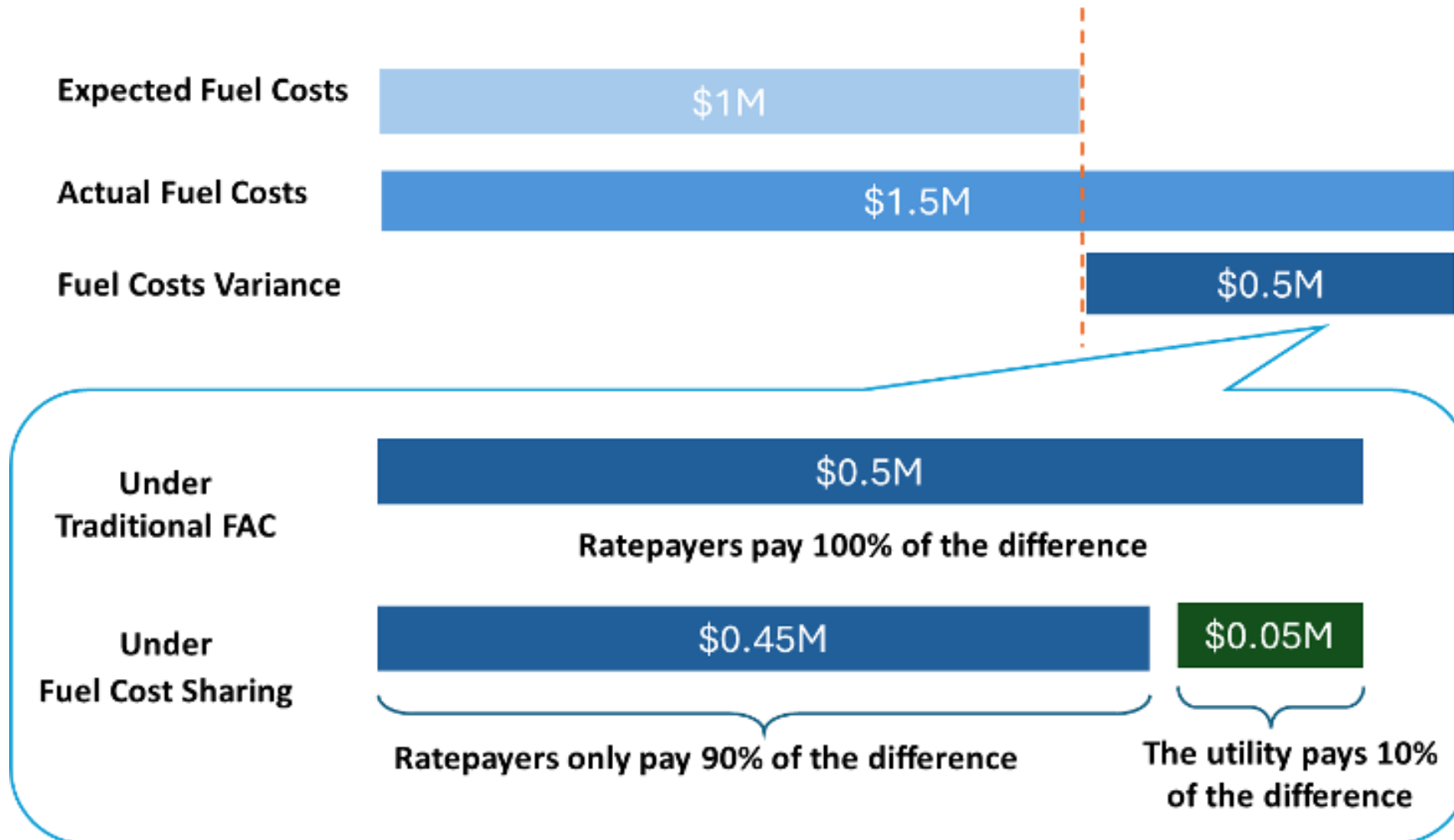
Fuel Cost Sharing Implementation

August 2025

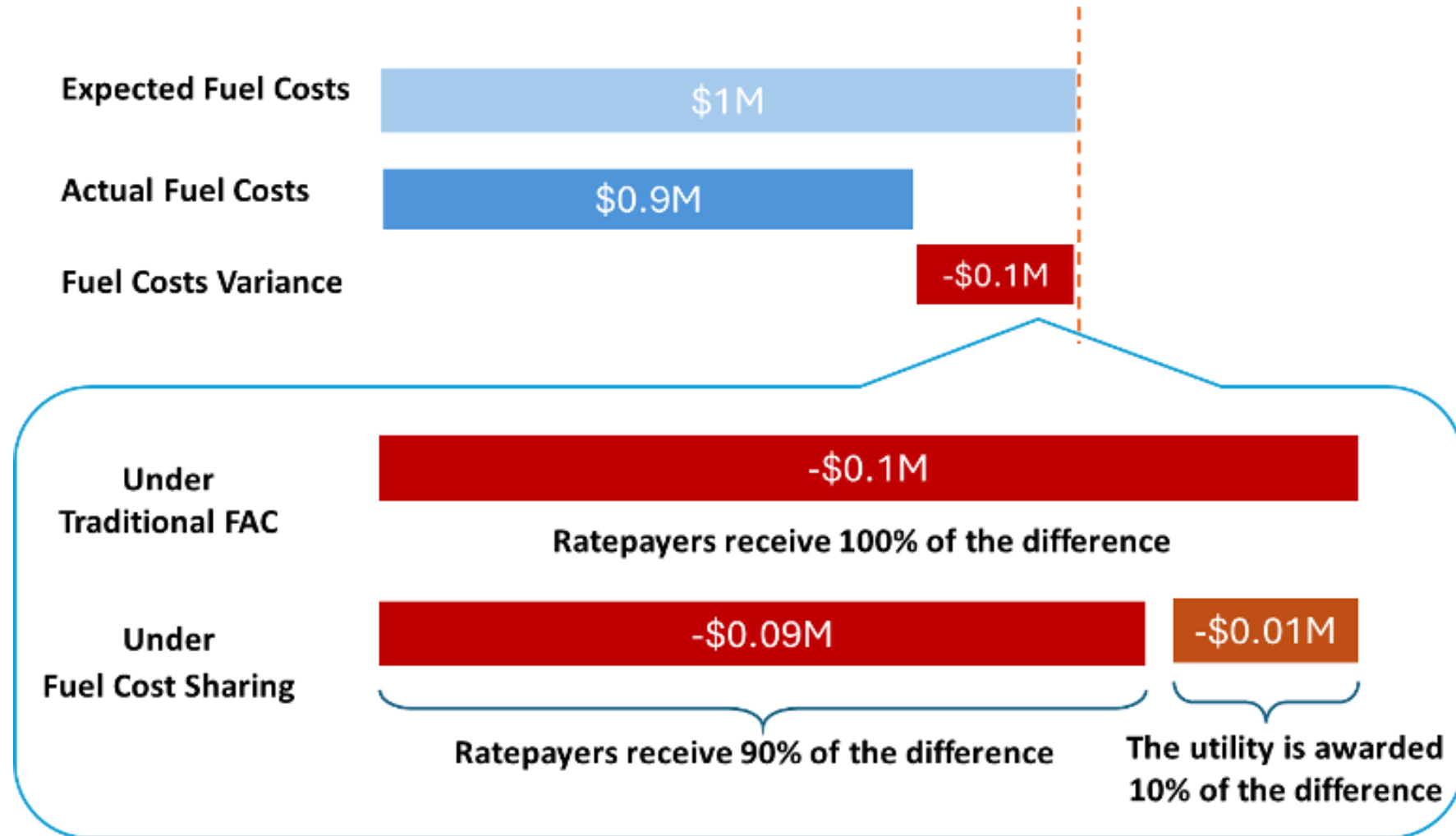
■ Fuel Cost Sharing In Place
 ■ Fuel Price Volatility PIM
 ■ No Fuel Cost Sharing
 ■ Restructured state; regulated utilities not responsible for fuel procurement



Example: if actual fuel costs are greater than expected costs



Example: if actual fuel costs are less than expected costs



Sharing policies can include additional components like caps and deadbands



Estimating the benefits of fuel cost sharing

Fuel Cost Sharing Results

[Download Chart \(PNG\)](#)

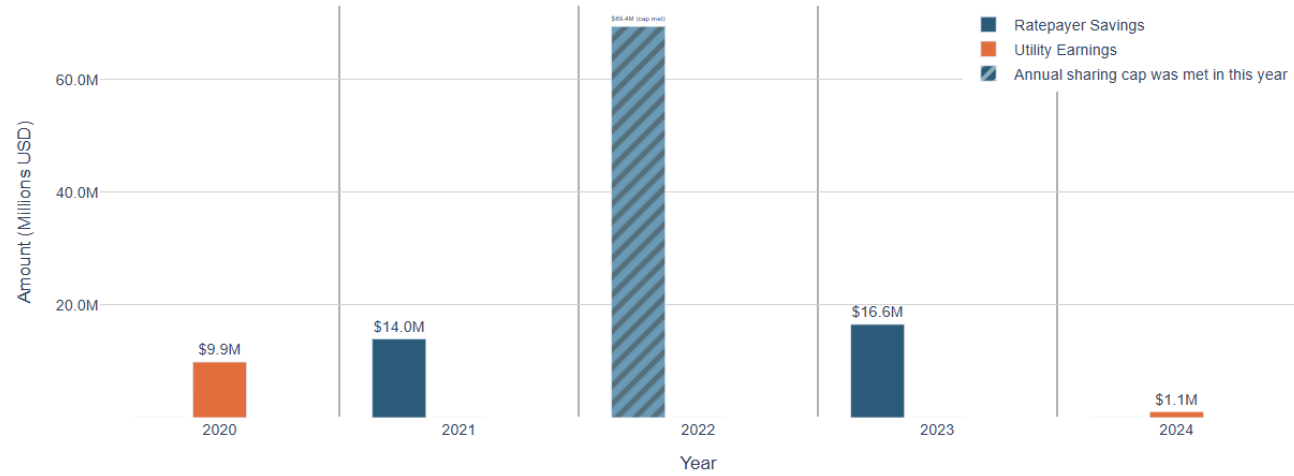
[Download Data \(CSV\)](#)

Savings and Earnings Overview

State: NC

📷 🔍 💬 ➕ ➖ 🔄 🏠

Blue bars depict the amount ratepayers would have saved; orange bars show additional utility earnings



Can model a hypothetical fuel cost sharing policy for your state. Est. 5-yr savings:

- NC: \$89 Million
- GA: \$44 Million
- NV: \$37 Million
- UT: \$22 Million
- VA: \$20 Million
- NM: \$12 Million

Support RMI can offer consumer advocates

Reports and Case Studies

- Ratepayer Lab maintains a non exhaustive library of reports case studies, and write ups of notable utility regulatory decisions

Research & Tools

- Utility transition hub has repository of tools and databases
- RMI team can conduct bespoke research

Workshops & Facilitation

- RMI regularly appears at workshops and convenings both as a subject matter expert and as professional facilitators.

Contested Dockets

- Can provide range of support in contested proceedings, including helping draft discovery, write comments, and sponsor testimony



Thank you!



Joseph Daniel

Principal, Electricity
Jdaniel@rmi.org





Fuel Cost-Sharing and Utility Returns: Why higher returns on equity are not justified

Author: Laura Sánchez Bolaños, Vereda Advisory

Prepared for: RMI

June 2026