

## **Board staff's jurisdictional review of IR reporting requirements**

### **National Energy Board (NEB)**

#### **Negotiated Settlements**

Negotiated settlements are used as an alternative to toll hearings and have significantly reduced the regulatory burden for all parties (less time in hearings, resulting in lower hearing costs). Greater use of task forces and settlements has led to a collaboration of aligned interests between pipeline companies and shippers. The increased time period of tolls (3 to 5 years) also provides greater predictability and stability.

Multi-year settlements typically include performance mechanisms, incentives for cost control and performance improvement standards including provisions to share savings between the pipeline company and its shippers.

#### **Financial Surveillance Reports**

Pipeline companies are required to file quarterly surveillance reports. These historical filings compare actual performance to amounts used in order to determine approved tolls and to monitor results.

All companies are required to file the following Schedules:

- Income Summary;
- Average Rate Base;
- Throughput Detail;
- Payroll Statistics (Salaries, Wages and Employee Benefits; and Employee Allocation); and
- Deferral Accounts.

Pipeline companies are required to provide an explanation for variances greater than 10 percent year over year, or above the following minimum dollar limits:

- for TransCanada PipeLines Limited, \$1,000,000;
- for Alliance Pipeline Ltd., Enbridge Pipelines Inc. and Westcoast Energy Inc., \$500,000;
- for Foothills Pipe Lines Ltd. And Terasen Pipelines (Trans Mountain) Inc., \$200,000; and
- for Cochin Pipe Lines Ltd, Enbridge Pipeline (NW) Inc., Maritimes and Northeast Pipeline Management Ltd., TransCanada PipeLines Limited (B.C. System), TransNorthern Pipelines Inc. and Trans Quebec & Maritimes Pipeline Inc., \$100,000.

A company on final tolls is required to file its surveillance report:

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- for the first three quarters of each year, no later than 45 days after the quarter; and
- for the year-end report, no later than 60 days after the quarter.

An interim surveillance report shall be filed when the tolls of a pipeline company are interim and replaced with a report based on final tolls as soon as they are known.

The year-end surveillance report shall include:

- 5 years of time-series data on the actual and approved rates of return on common equity, the actual and approved rates of return on rate base and on the following performance measures:
  - total revenue requirement throughput-km;
  - operating expenses (excluding income taxes) per throughput-km and per gross plant;
  - administrative and general expenses per employee;
  - net plant per throughput-km;
  - throughput-km per employee;
  - fuel and power costs per throughput-km; and
  - average salary and benefits per employee.

Pipeline companies regulated under an incentive type settlement may negotiate filing requirements with its shippers and stakeholders, so long as:

- the reports include the following base level information:
  - income statement, including revenues and expenses broken down by major categories;
  - number of employees;
  - details of deferral account balances;
  - rate of return on common equity and on total capital;
  - rate base information, if applicable, broken down by major categories, if not applicable, gross and net plant in service, broken down by major categories;
  - throughput information by service type, broken down by month;
  - details on incentive sharing mechanisms;

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- details of all inter-corporate transactions; and
- performance measures, showing five years of time-series data;
  
- the reports are at least annual for all information, except throughput information, which shall be submitted quarterly; and
  
- the reports are not suspended during periods of interim tolls.

### **Enbridge Pipelines Inc.**

Instead of filing quarterly surveillance reports, Enbridge negotiated a yearly forecasted report, which was approved by the NEB.

## **British Columbia Utilities Commission (BCUC)**

### **Terasen Gas Inc. PBR Plan 2004-2007**

On December 11, 2003 the BCUC approved a four-year PBR Plan for Terasen Gas Inc., the largest natural gas distributor in the province. The period of the plan is 2004 through 2007. The PBR Plan was presented to the BCUC for approval as a negotiated settlement following a commission-sponsored settlement process in May and June of 2003 involving Terasen Gas, a group of interveners and commission staff.

### **Annual Review Process**

The annual review process was cited as being a significant factor in the parties' agreement to an extended term for the plan. (Previously, a PBR Plan had been agreed to for a 3-year term.) The annual review consists of a one day presentation with intervenors (there is no court reporting) followed by a submission of final documents. In addition to the annual reviews, there is a mid-term assessment in year 3, a "trigger mechanism" to review whether the settlement agreement should terminate if the achieved return on equity is greater or less than 150 basis points from the approved level or if there is a serious degradation of service quality indicators (SQIs). There is also a semi-annual customer advisory council meeting one month prior to the annual review and six months after. In addition, there is a "no surprises" clause which ensures that any significant changes or company restructurings will be disclosed to interested parties in a timely manner. The first annual review was scheduled for November 2003. It was agreed that the reviews would take place in November of each year.

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### **Objectives of the Annual Review**

- Provide information to the Commission and interested parties about the activities of the company
- Review performance under the plan, including costs, service levels and future plans
- Identify concerns about proposed utility activities
- Obtain consensus on issues that must be decided by the commission in advance of setting rates for next year
- Determine if any reduction is warranted in the shareholder incentive payment to Terasen Gas

### **Information Provided in Annual Review**

Current year forecast and next year projections for:

1. volumes and revenues
2. expenses
3. year-end plant and rate base
4. deferral account balances and amortization
5. year-end customers and cost drivers
6. earnings (updated in May for actual results)
7. savings and efficiency measures or investments
8. Service Quality Indicator results
9. 5-year prospective capital budget plan
10. compliance with Code of Conduct and Transfer Pricing Policy, Commission directives and other regulatory requirements

### **Annual Review Process**

Terasen will provide a package of information to the interested parties about 3 weeks prior to the review. As well, there is a process for information requests of the company.

Focus on SQIs

Focus on maintaining high service levels is an important feature of the PBR Plan, and therefore there is a focus on SQI benchmarks and reporting any deviations against them.

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### **Service Quality Indicators (SQIs) and benchmarks**

1. Response time to site from time of dispatch for emergency calls (21.1 minutes)
2. Percent of responses within 30 seconds by a person for an emergency call (95%)
3. Percent of responses within 30 seconds by a person for a non-emergency call (75%)
4. Transmission system annual reportable incidents (2)
5. (a) Percent of customer bills produced meeting activity criteria (5\*)  
(b) Percent of transportation customer bills accurate (99.5%)
6. Percent of meter exchange appointments met (92.2%)
7. Percent of time when transportation meter measurement first report deviates less than 10% when compared to billable amount (90.0%)
8. Independent Customer Satisfaction Survey
9. Number of Customer Complaints to the BCUC
10. Number of prior period adjustments regarding transportation customer measurement data.

The parties agree that the SQIs are intended to track Terasen Gas service quality, but acknowledge that the final three SQIs listed below in particular can be influenced by high gas costs and other events beyond the control of Terasen Gas. The three SQIs listed below will be compared to previous years performance, recognizing the impact of events beyond the control of Terasen Gas.

#### **Note:**

\* The benchmark of 5 refers to the average of the formula results for the following three submeasures, where PA refers to the actual percentage achieved for each submeasure:

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	<b>Submeasure</b>	<b>Formula</b>	<b>Benchmark PA</b>	<b>Benchmark Formula Result</b>
1.	Percentage of bills accurate based upon input data	$(100\% - PA) * 5000$	99.9%	5.0
2.	Percentage of bills delivered to Canada Post within two days of date that the statement file is created	$(100\% - PA) * 100$	95%	5.0
3.	Percentage of customers billed within two business days of the schedule billing date	$(100\% - PA) * 100$	95%	5.0

\*\* Includes both daily and monthly meter measured transportation customers

\*\*\* Calculated on a weighted average based on the number of GJ consumed by each transportation customer

### **FortisBC Inc. PBR Plan 2007-2009**

On May 23, 2006 the BCUC approved a three-year PBR Plan for FortisBC Inc., a private electric utility of 100,000 customers in BC's south-central interior. The period of the plan is 2007 to 2009. The PBR Plan was presented to the BCUC for approval as a negotiated settlement following a commission-sponsored settlement process in April of 2006 involving FortisBC, a group of interveners and commission staff.

#### **Annual Review Process**

The first annual review is scheduled for November 2006. Information relevant to the annual review process is to be filed by the utility in October of each year. The parties agreed that the reviews would take place in November of each year and that firm rates would be in place by December 1<sup>st</sup> for implementation in the next rate year. The 2008 Annual Review will be unique in that the parties will consider whether there should be an extension of the plan into 2009 (the final year). If the plan is not extended, FortisBC will file a Revenue Requirements Application to the Commission by October of each year to set rates for the subsequent year. Some of the review material is delegated to technical committees for review and reporting. As well, there is a process for information requests of the company.

#### **Information Provided in Annual Review**

11. preliminary revenue requirements for the setting of rates for the next year
12. load forecast, power purchase expense and DSM
13. capital expenditures
14. O&M expense

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15. cost escalator (CPI), growth escalator and Productivity Improvement Factor
16. extraordinary items
17. Performance Standards data for previous full year
18. Z-factors
19. misc. other items

The focus will be on the results of the most recently completed fiscal year and whether the company is entitled to an incentive payment.

## **Alberta Energy and Utilities Board (EUB)**

The EUB does not have a generic incentive regulation framework for gas utilities. Unless the applicant and intervenors request to be under an IR plan, the EUB regulates rates under a CoS regime. When the intervenors request an IR plan, the plan is done in a settlement process. The last IR plan expired in 2001 or 2002 and he thinks it was a revenue cap.

## **Gaz Metro (GM)**

GM has to provide on an annual basis:

- Rate application
- Annual Report

The rate application includes:

- Projections of delivery volumes and development plan
- Projections of gas purchases costs and the gas purchase (management) plan
- Projections of gas purchases in the next three years
- Existing contracts for transport and storage
- Description of derivatives contracts program
- Report on performance of derivative contracts
- Description of components of the cost of service
- Monthly projected changes in the rate base and average of 13 balances
- Additions to the rate base
- Reconciliation of historic value and cumulative asset depreciation
- Calculation of working capital for the previous 12 months
- Calculation and components of the projected cost of capital
- Calculation of projected ROE according to the formula
- Projections of cost of capital and its components
- Credit rates reports
- CPI Quebec for the last twelve months ending July 31
- Calculation of revenue cap, Pass troughs and Z factors
- Calculation of X factor
- Calculation of productivity gains/losses (in the previous year )

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- Calculation ( I suppose from previous year) of earning sharing mechanism in case there are earnings to share
- amount of monies to be reimbursed or to be claimed by the company from the earnings sharing mechanism
- Cumulative balance of the earnings sharing mechanism net of penalties and rewards (from SQIs)
- Projected balance of FEE account (FEE Energy Efficiency Fund)
- Projected Ratios of FEE annual values/ Distribution revenues
- Operating Profit
- Table assessing the cost of service
- Actual number of customers, volumes and distribution revenues
- Actual revenues for supply , compression, transportation and storage
- Annual cost of distribution, transportation and storage
- Actual OM&A Expenditure
- Information on income and property taxes
- Required rate adjustment
- Energy efficiency plan
- Action plan for the usage of “ CASEP”
- Annual report and action plan of FEE
- Actual rate structure and necessary rate changes
- Methodology and calculation of cost of service allocation
- Report on Preventive Maintenance

### **Annual Report contents**

- List of GM administrators
- Financial report
- Comparison of financial statements with regulatory accounts
- Regulatory accounts
- Reclassification
- Summary results of SQI
- Changes in return from the implementation of rates in the previous year
- Tax adjustment concerning “emissions costs” excluded from the rate base
- Description of how much money they have paid or have been paid from the ESM during the previous year
- Cumulative balance concerning the earnings sharing mechanism net of penalties and rewards (from SQIs)
- Comparative analysis of budget and results of volumes sold and revenues
- Comparative analysis of budget and results of gas purchases
- Provision for income taxes
- Auditor's report on taxes
- Zero balancing for financial statements
- Zero balancing for weather
- Zero balancing for financial expenses

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- Actual Rate base
- Calculation of working capital
- Additions made to the initial rate base during previous year
- Comparison of budget plan vs actual value of previous year
- Comparison of previous year projected vs actual rate base
- Calculation of the cost of capital of previous year
- Calculation of cost of debt for previous year
- Prices and rates charged
- Expenses concerning PGEE
- Report of energy efficiency programs
- Summary of PCAF
- Summary of allocation of funds from subsidies to the substitution of pollutants energies
- FEE report
- Updated database (for plan evaluation)

Gaz metro has to submit the annual report to all the parties that are interested in the rate application.