

EB-2006-0209
Gas Incentive Regulation - Stakeholder Consultation
List of Goals & Reporting Requirements for Discussion Purposes
City of Kitchener

Goals

1. Lower rates for customers through efficiencies.
2. Opportunity for higher returns for utilities through efficiencies.
3. Predictable and stable rates.
4. Reduced regulatory burden / costs.
5. “Gaming” not enabled.
6. No perverse outcomes.

Notes:

Back to first principles – can the first and second goals be fairly reconciled with good design of the IR plan? Higher returns to utilities under IR relative to COS regulation must fairly balance risks with rewards. If the gas LDCs want to earn a higher return, then they should accept a greater risk of lower returns versus COS regulation. The certainty of cost recovery (“guaranteed return”) must be reduced, otherwise the LDCs are trying to have it both ways (for example, by expanding the list of Y and Z factors) and customers will not achieve lower rates through managed efficiencies relative to COS regulation.

As a design goal, “sustainability” should be defined. Different stakeholders may have a different understanding of what “sustainable” means. It may not be self-evident.

Checks and balances are required in the IR plan design such as STAR / FERC model for operational transparency in S & T. Information asymmetry is problematic under COS regulation; even more so under IR. Hence, there is a clear need for checks and balances.

Parameters/Boundaries

Position reserved, pending greater understanding of parties initial positions on “what’s in” and “what’s out”.

Reporting

1. Actual ROE versus weather normalized ROE.
2. Rate levels and trends – actual versus historic (exclude commodity).
3. Actual cost of service expenses by major component versus plan.
4. Disposition of capital assets.

Note:

Absent an ESM, there should be off-ramp triggers in the reporting requirements.