EB-2006-0209 November 2-3 Stakeholder Meeting, Comments From VECC

Issues	VECC Response
What should be the goals and parameters of the IR plan?	**Goals** **1.To ensure that everyone is better off, or at least no-one is worse off, in moving from COS regulation to an IRM.** **-Rates (revenue requirement per customer) must decrease** **-Service quality maintained** **-Financial Soundness and Shareholder returns maintained** **2. To improve regulatory efficiency while not reducing regulatory oversight.** **3. In order to demonstrate this "no-harm" principle, the regulatory business case should be presented for this move <u>before</u> the decision to proceed to IRM is undertaken. This regulatory business case should include historical and projected costs and rates under alternative regulatory regimes.** **4. Formula Parameters should be simple and transparent** **Complicated adjustments should not be accepted given the basic CPI-X formulation. Use of complicated adjustments opens the opportunity for double counting and gaming.** **Before adopting CPI, it should be demonstrated that CPI (Ontario or Canada) rather than GDPPI is appropriate.** **The X factor should be based on historic RFP <u>with stretch factor.</u> To the extent that utility input costs are not properly reflected in the price index chosen (e.g., due to capital intensity of the business) an adjustment to the price index should be made for the input price differential.** **Y factors should be for items that are under the control of the utility, but for which the impact is variable, e.g. LRAM.** **Z Factors should be applied for impacts that are material, are exogenous, and can not be mitigated by the utility.** **No exogenous adjustments for Cost of Capital or ROE should be made (See below re ROE)**
Should a different annual adjustment apply to UGL's transmission services? Are there data issues regarding this option? Can the data issues be eliminated?	**The IRM should focus on distribution revenues and costs and related rates. Transmission services should be separated and become subject to separate adjustment due to the differences, with respect to distribution, in capital and labour cost components. Upstream transportation costs are pass-through in any case**
Where is marketing flexibility needed and why?	**Rate Flexibility is <u>not</u> needed. A Key feature of IRM is rate stability.[1]**
Should declining usage be incorporated into the IR plan? What are the drivers for declining usage? What are the impacts of declining usage on volume and revenue? Does declining usage impact each rate class uniformly? Is it locationally-based?	**To include forecasts of Average Use and Degree Days in the IRM goes back to COS regulation.** **One way to deal with this is to have an agreement to use the trend in Average use resulting from the last 5 years Average Use and also to use the Board approved 5 year average Degree Days (using the Union and EGD DD methodologies**)

[1] ***Marketing flexibility may not be required for in-franchise customers but, depending on how Transactional Service revenues are treated,… . For example, if sharing is to continue, then in ratepayers interest to allow flexibility in marketing to ex-franchise customers. Again, the decision on whether in-Province, ex-franchise customers should be treated the same as in-franchise customers will have some bearing on our position***

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What information should the Board consider during the plan term? Updating the plan?	**A reporting protocol should be agreed and be based on the current reporting requirements.** **As a minimum this should include the 6 regulatory financial schedules quarterly with variance explanations. In addition annual reports showing full financial results and explanations. Material changes in Capital, O&M and Affiliate Transactions should be reported. EBO 188 System Expansion reporting should continue**.
Other issues: Should UGL's weather-normalization methodology be adjusted as part of the IR plan? Should the ROE outcome be adjusted on annual basis?	**This is a complicating factor but is allowed in Quebec for SCGM and proposed for Gazifere.** **The potential for double counting of capital costs through the CPI or other price index adjustment to capital-related components of the revenue requirement and the ROE or other capital adjustment must be addressed to be fair to ratepayers**.