

Submission to the OEB  
Consultation on 2006 Rates for  
Electric LDCs

Ontario Energy Association  
July 12, 2004

*(This submission represents an updating of the  
presentation made by Bernard Jones to the July 6,  
2004 consultation)*

# About the OEA

- 135 corporate members—T&D utilities, energy producers, marketers and retailers, manufacturers, contractors and suppliers, legal, environmental, financial, engineering and other services.
- Growing membership
- Membership includes 15 electric and natural gas LDCs (including larger ones)
- Electric LDCs are among the OEA's founding members
- OEA provides a unique forum for electric/gas utilities to address regulatory issues
- LDC Members will themselves speak to the issues and methodology

# OEA regulatory principles

(as determined by the OEA membership as a whole and the Board of Directors in Strategic Planning)

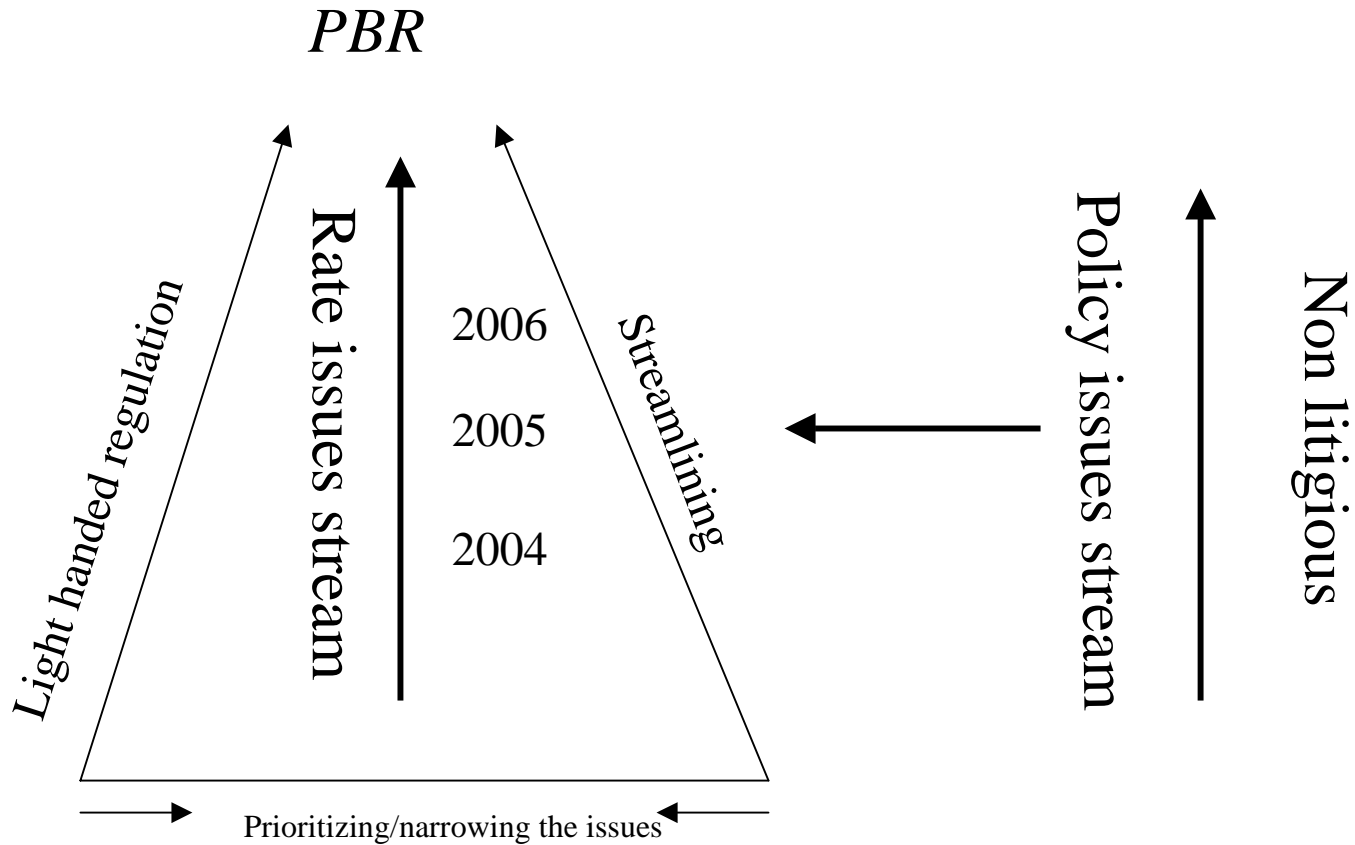
- Independent regulator
- Light handed, incentive based regulation
- Cost effective and efficient regulation
- Accountable regulator
- Timely decisions
- Interventions where warranted
- Rates and process must not be a barrier to investment in distribution infrastructure
- Electric and gas LDCs must be kept whole in new policy initiatives

# 2006 rate setting

- This is a timely consultation on a *major* undertaking
- Wide range of relevant issues already tabled
- Keep rate issues separate from policy issues
- Avoid litigious process on policy issues
- Narrow the rate issues list and set priorities rather than add to the list
- Use comparators\* (complex area), monitoring and studies to help keep the process manageable
- Design streamlined cost of service regulation as foundation for introducing incentive based PBR
- Draw on the positives of 44 years of gas LDC regulation

\*Sensitive to local circumstances

# Electric LDC Rates Process



The narrower the starting base (list of issues) the more efficient and streamlined the regulation and the earlier progress is made to PBR

Govt. directives set timelines.  
LDCs must be kept whole.

# Narrowing the issues...

- The issues list must be contained and the issues prioritized
- Are the issues listed below\* lower priority for detailed review in 2006 rate setting (could be monitored by the OEB and addressed by exception as warranted)?
  - Test year adjustments
  - Transfer pricing/shared services
  - Working capital
  - Capital projects (depends on LDC rationalization)
  - No cost capital
  - Wires only expenses
  - Site restoration and removal costs
  - Bad debt expense
  - Depreciation rates (do a study)
  - Low voltage and wheeling costs
  - Capitalizing expenses
  - Contributed capital
  - Treatment of capital gains/losses
  - Post retirement benefits and pensions
  - Insurance expense
  - Advertising etc. expense.
- **These items should be reviewed relative to new items proposed at the consultation to see which *must* be added to the list**

\* *This list is indicative only and does not represent a consensus of OEA utility members.*

# OEB off to Good Start

- The OEB is reorganized, re-resourced and rejuvenated (Triple R) with highly qualified staff.
- Use this talent to simplify and streamline regulation consistent with balancing company and consumer interests, in the public interest.
- Also contain the costs of regulation.
- We appreciate this informal consultative process in which our utility members will participate.
- Thank you.