

Presentation to the OEB's
Consultation on 2006 Rates for
Electric LDCs

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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 (mainly the larger ones)
- LDC Members will themselves speak to the issues and methodology

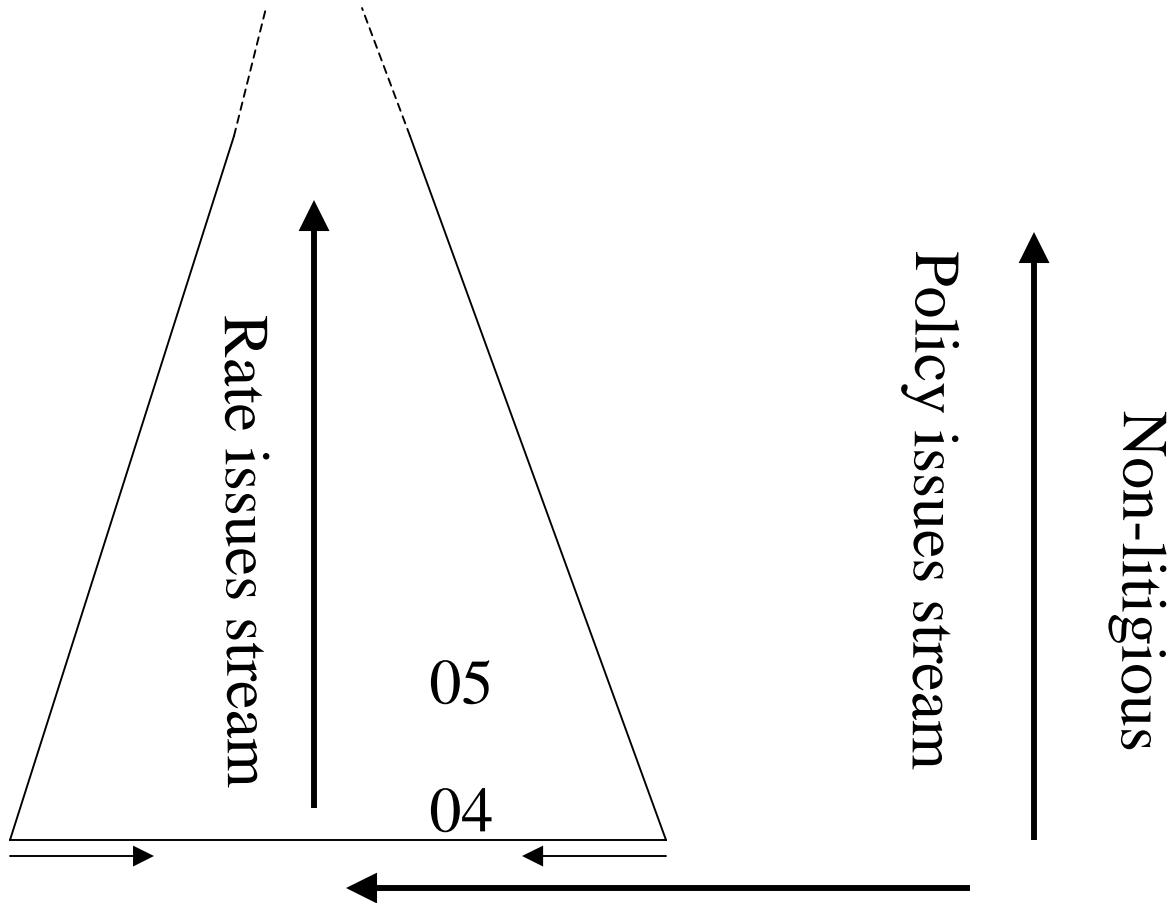
OEA regulatory principles

- 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 rates

- Timely consultation on a *major* undertaking
- Wide range of relevant issues 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
- Design streamlined cost of service regulation as foundation for introducing incentive based PBR
- Draw on the positives of 44 years of gas LDC regulation

Electric LDC Rates Process



The narrower the starting base the more efficient the regulation and the earlier is PBR

Govt. directives set timelines. LDCs to be kept whole

Narrowing the issues...

(personal observation)

- Are these issues lower priority for detailed review in 2006 rate setting (could be monitored by the OEB and addressed by exception)?
 - Test year adjustments
 - Depreciation rates (do a study)
 - Transfer pricing/shared services
 - Low voltage and wheeling costs
 - Working capital
 - Capitalizing expenses
 - Capital projects (depends on LDC rationalization)
 - Contributed capital
 - No cost capital
 - Treatment of capital gains/losses
 - Wires only expenses
 - Post retirement benefits and pensions
 - Site restoration and removal costs
 - Insurance expense
 - Bad debt expense
 - Advertising etc. expense.

OEB off to Good Start

- 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.
- Contain the costs of regulation.
- We appreciate this informal consultative process in which our utility members will participate.
- Thank you.