Hagler Bailly

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Synthesis of PBR Issues

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I. Basic PBR Scheme(s)

1a. Most Appropriate PBR Scheme (26)

- Yardstick 8 *
- Revenue Cap 3
- Price Cap 1
- Hybrid
  - Unstated 1
  - PC/Y 2
  - RC/Y 5
  - PC/RC 2
- No One Scheme 3
- No Stated Preference 2

*** Numbers to the right of titles or subjects indicate number of respondents mentioning this topic.**

I. Basic PBR Scheme(s)

2a. Characteristics for Yardstick Groups **23**

- Number of Customers 14
- MEA 1
- Load 9
- Customer Density 12
- Area 2
- Revenue 1
- Asset Value 1
- (Sustained) High Growth 5
- Customer Mix 5
- Geographic Location 10
- Urban/Rural 8
- Terrain 3
- Climate 2
- Seasonal Load 1
- Energy Competition 1
- O&M/Customer 3
- Revenue/kWh 3
- Km of Line 1
- Right of Way 1
- Voltage 3
- Distribution Design 1
- Underground 4
- Transformer Assets 1
- Financial 1
- Debt Load 1
- Generation Ownership 2
- Municipal Profile 2
- Service Standards 3

I. Basic PBR Scheme(s)

2b. Similar/Dissimilar Groups (3)

- 10 Largest
- Large Urban Most Similar (Mississauga and Toronto); Large Southern Urban (i.e., Miss.) and Small Rural Northern (e.g., Great Lakes Power) Most Dissimilar
- Group Brampton, Burlington, Markham, Miss., Oakville, Richmond Hill, Vaughan, Pickering. These Not to Be Grouped with Hamilton, Ottawa, or London due to High Growth.

I. Basic PBR Scheme(s)

2c. Unique Characteristics for Grouping (7)

- Load Change 2
- Customer Density 1
- Amalgamation 1
- Weather 1
- Location 2
- Terrain 1
- Marine Cable/River Crossings 1
- Voltage 4
- District Heating 1
- 24 Hour Control 1
- Underground 3
- Distribution Design 2
- Infrastructure Age & Type 1
- Substation Assets 1
- Development Charges 2
- Negative Income 1
- Debt Financing 1
- Utility Ownership 1

I. Basic PBR Scheme(s)

2d. Miscellaneous Comments (1)

- Promote Aggressive Energy Efficiency (Bill Reduction, Competitive Economy, Job Creation, Deficit Reduction, Emissions, Public Health, Environment)

I. Basic PBR Scheme(s)

3a. PBR Models Vary by Size or Circumstance (14)

- Yes 9
- No 5
  - Unless results are biased 1
  - Although may be necessary 1

I. Basic PBR Scheme(s)

3b. Criteria or Circumstances to Employ

- MEA 1
- Customer
  - Density 1
  - Number 5
  - Mix 2
  - Avg. load 3
  - Growth 1
  - Peak 1
- Geography 2
- Urban/Rural 1

I. Basic PBR Scheme(s)

4a. Establishing Base Rates (19)

- Cost of Service 4
- No COS 1
- External or Industry Indicator (not historical) 1
- Historical Trends 3
  - 2 “future years” 2
  - 1992-1997 1
- Peer Group Average 5
- Current Rates 4
  - Except 10 largest 1
- Delay Until Understand PBR 1
- Consider
  - Relationship costs 1
  - Valuation of investment 1

I. Basic PBR Scheme(s)

4b. Implementation Issues (19)

- Minimize Rate Impact 5
- Include 1 Time Transaction Costs 4
- Consider Costs Such As 4
  - Development 1
  - Expansions/amalgamations 11
  - Shared services for multiline utilities 1
- Freeze Rates
  - Use 1999 data 1
- Recommendations
  - Use 1999 data 1
  - Delay until have new accounting system 1
  - Asymmetric info issue for historical data 1
  - Delay for implementation 1
  - Consider a ROA 1

I. Basic PBR Scheme(s)

5a. Plan Term (16)

- 3 years 7
  - Initially 2 1
  - Review after 1.5 1
  - Initially 1 1
- 3-5 years 2
- 5 years 2
- 3 years minimum 1
- 2-3 years 1
- 2-5 years 1
- 3,4,5 optional 1
- 3 larger, 5 smaller 1

I. Basic PBR Scheme(s)

6a. Exit Ramps (13)

- Yes 13
- Only With M,A,D That Changed Group 1

I. Basic PBR Scheme(s)

6b. Trigger Events (14)

- Deviations From Norm or Peer Group 5
- Mergers, Acquisitions or Divestitures; Difficulties 4
- Unusual Events 4
- High Earnings 2
- Earnings Deviation 2
- Liberal Exit Initially 1
- Should Further Interests of Customers 1
- M,A,D, Not Trigger nor High Earnings Unless Symmetrical. Bankruptcy or Insolvency Would 1

I. Basic PBR Scheme(s)

6c. Trigger Process (15)

- All M,A,D 8
  - Not if P* < P 1
- Automated Deviations 7
- Scheduled Review 1
- Voluntary
  - OEB/LDC 3
  - LDC 3
  - OEB 1
  - Intervenors 1

II. Features of PBR Models

1a. Standard Metrics for Monopoly Service (16)

- Safety 12
- Reliability 5
- Call Response 9
- Interruptions
  - Number 6
  - Min 7
  - Cust. Min 1
- Customer Transfer Time 2
- Installation Time 4
- Customer Satisfaction 7
- Environmental 1
- Wires Charge 1
- Meter Reading 2
- Emergency Response 1
- Distribution System Integrity 1
- Informative and Courteous PR 1
- Public Safety Effort 1
- Maintenance Costs/km 1
- Controllable Costs 2
- Average Cost Per Customer 1
- Operating Efficiency 1
- Financial/profitability 3

II. Features of PBR Models

1b. Specific Standards (9)

- Average of MEA Indices 1
- Customer Transfers Within 3 to 6 Weeks 1
- Survey of Public Attitudes 1
- Days Lost Per Hours Worked 1
- High Risk Injuries 1
- Define Objectives of Standards 4
- SAIDI 1
- SAIFI 1
- CAIDI 1

II. Features of PBR Models

1c. Standards Differ by Class (II)

- Yes 8
- Core or some same 3
  - Customer satisfaction
  - Customer transfer time

II. Features of PBR Models

1d. Adoption (11)

- Phased-in 2
- Negotiated 2
- Peer Group Historical Data 1
- 1999 Data 1
- Power Interruption Statistics 1
  - Long Term Rolling Average
- Recognize Uncontrollable Factors 1
- Use 5% Bandwidth Around Target 1

II. Features of PBR Models

1e. Rewards/penalties (12)

- Yes — Rewards and Penalties 5
- No 1
- Nonperformance Penalties 4
- Performance Incentives 1
- Implications of WSHB Approach 1

II. Features of PBR Models

2a. distribution system losses by distributors (14)

- Cap for Each Utility Based on Group Trend (Some Losses Due to Transmission Const.)
- Figure Into Rates Geography and Load Density (e.g. at 3% Vendor Only Allowed to Retail 97% of Power Brought to LCD's Gate).
- System Losses As Separate Line on Bill Since Some Utilities Do Not Have Direct Control of System Losses.
- Allowable Max Cap on System Losses Based on Peer Group Average Loss Figure. Recover Through Distribution Charge
- Accounted for in Distribution Wires Charge With Transformer Ownership Allowances If Transformation Customer Supplied.
- Responsibility of LDC. Contained in Initial Revenue Requirement. Price Cap Scheme Will Incent Utility to Control Losses.

II. Features of PBR Models

2a. distribution system losses by distributors (14) (cont.)

- Uplift Charge Based on kWh Usage
- Distributor Assumes Responsibility for System Losses If Mechanism in Rate Process for Cost Recovery for Capital Invested in Load Reduction and Energy Efficiency
- Should Be Part of Wires Charge
- Recovered From All Customers of LDC Based on Historical Average
- Treat As Other Targets by Establishing Acceptable Range With Suitable Exceptions
- Apportioned to system users. Each customer charged proportional share of line losses and included in delivery cost
- Wire uplift cost to customer. Separate engineering losses from theft/unmetered energy
- Separate out losses not under utility's control before benchmarking

II. Features of PBR Models

3a. Z Factors (18)

- Yes 18
  - Broad enough for all LDCs but same for all 1

II. Features of PBR Models

3b. Define Z Factors (19)

- Weather/Catastrophic 11
- Accounting/Tax Change 7
- Legislative/Regulatory 12
- Amalgamations/Structuring 4
- Expansion 3
- Capital Improvement 2
- Process 1
- Third Party Damage to Plant/Uninsured Losses 2
- Equipment Failure 2
- Safety 1
- Environmental 3
- Litigation Costs 1
- Economic/Customer Loss 2
- Underground Cable 1

II. Features of PBR Models

4. Form of Sharing (16)

- Yes 11
  - Deadband 3
  - Symmetrical 1
  - Favoring shareholders 3
  - Favoring customers 1
- Depends on Plan Parameters/Circumstances 2
- Not Necessary for Municipal Utilities 1
- Utility Should Propose 2

II. Features of PBR Models

5a. PBR Impacts on Competition (11)

- Minimal Impacts 3
- PBR Framework Should 6
  - Further competition 1
  - Minimize impacts 1
  - Achieve level playing field 2
  - Be comparable 2

II. Features of PBR Models

5b. Achieve Symmetry (12)

- Issue Is:
  - Very complex 1
  - Not necessary 1
- PBR Framework Should 10
  - Be comparable 6
  - Achieve level playing field 3
  - Focus on cost and rewarding efficiency 1

III. Implementation of PBR

1a. Implementation Date (16)

- 2000 4
- 2001 2
- Immediately/asap 3
- 18 Months After Rules Established 1
- With Restructuring 5
- Phased 1
- After Hydro Ceases Oversight 1
- Within 1 Year of Incorporation 1
  - Consider interim regulatory procedures

III. Implementation of PBR

1b. Same Start Date (10)

- Yes 6
- Staggered by Peer Group 2
- Likely Staggered Due to incorporation timing 1
- Option to Start When Services Unbundled 1

III. Implementation of PBR

1c. Options for Late Filing or Implementation Delay (5)

- Yes 1
- No 2
  - Within first 2 years 1
  - If resource constrained 1
- Private utilities need reasonable rules to deal with unique issues 1

III. Implementation of PBR

2a. Routine data collection (13)

- Necessary for OEB/PBR 8
- Routine Operational and Financial 2
- Data Provided to MEA 1
- Depends. Focus on Historical Trend 2
- Data to examine: 4
  - Cost Allocation and Subsidization 1
  - Reasonableness of Rates 1
  - Nonperformance and Summary Financial Performance 1
  - Profits, Service Qs, Zs, Actual Inflation, and Productivity 1

III. Implementation of PBR

2b. Frequency of Data Collection (14)

- Annual 10
- Semi-Annual 1
  - For profits, quality, and Z
  - Rest annually
- Quarterly 3
  - All 1
  - Some 1
  - Initially for benchmarking; annual thereafter 1

III. Implementation of PBR

2c. Submissions Similar (10)

- Same 4
- Within Peer Group 4
- By Size or Circumstances 3

III. Implementation of PBR

3a. Data Availability (14)

- MEA 7
- Yes 3
- No 1
- Difficulties 4

III. Implementation of PBR

3b. Timely data available (3)

- MEA 1
- Utility load density, rural/urban, OH/UG 1
- base cost, industry inflation, actual productivity 1

III. Implementation of PBR

4. **Benchmarks (12)**

- Consultative Process 1
- Peer Group 4
- Geography/size 7
- Growth 1
- Customer Profile/mix 3
- Load Density 3
- Urban/rural 11
- Underground 2
- Smaller Utilities Lack Data, Need Standard Format for Collection
- Voltage 1
- Plant Age 1
- Distribution System Design 1
- /Transformer Assets 1