

Proposed sub-questions for Utility Incentives Workshop on November 13, 2008

- a) A utility's incentive to build, rather than buy generation, and how Commission policies influence that incentive.
 - i. When a utility is deciding whether to build or buy incremental generation, what are the top three regulatory and/or non-regulatory issues the company will look at to make the decision?
 - ii. Beyond the issue of minimizing costs, do large customers care about utility ownership of generation?
 - iii. Is the decision criteria to build or buy different for traditional fossil fuel than renewables? If so, why and how?
- b) Risk and rate-of-return trade-offs and how various Commission policies on adjustment clauses, cost recovery, and utility deployment of new technologies impact both risk and return.
 - i. Assuming generation from new resources may be more risky (wind, solar, geothermal, IGCC, nuclear), would technology-specific or project-specific rates-of-return be useful in rewarding the deployment of new technologies? If yes, what management and accounting practice changes are necessary?
 - ii. In rate cases, peer group analysis is used to justify a utility's requested cost of capital. Should these peer group comparisons be normalized for the percentage of utility revenues that are recovered by fixed charges, adjustment clauses, and usage charges, respectively?
 - iii. How should the Commission adjust a utility's overall rate-of-return to account for reduced risk associated the fraction of revenues that are recovered through adjustment clauses and fixed charges?
 - iv. How do depreciation policies impact risk? Should accelerated depreciation be considered for new technologies that are considered more risky? For older technologies that may become obsolete as a result of the emergence of new technologies?
 - v. What are the relative merits of listing numerous detailed rate riders on customer monthly bills?
- c) A continued discussion of meaningful measures of the efficiency of the utility firm.
 - i. Assuming the data for measures of efficiency are available, is it more meaningful to measure a utility's efficiency over time, or compare it to appropriate peer groups?

- ii. Are general measures, such as a time series of revenue requirement per kilowatt hour useful? If not, what are the downfalls of using them?
 - iii. What measures of relative industry performance do utilities routinely calculate? Would knowledge of such measures be useful to the Commission and to parties of interest?

- d) A discussion of policies that promote innovation and the appropriate adoption of new technologies.
 - i. Are there ways to promote innovation and the adoption of new technologies in addition to changes in state or federal policy on CO2 reduction that effectively mandate such activities?
 - ii. What drives expenditures in research and development by utilities in the absence of government mandates?
 - iii. If ratepayers assist in funding and/or assuming the risk of new innovative and new technologies, how does the Commission ensure that they also receive an equitable share of the benefits of such activities?