

1 PUB-CA-005

2 **On page 28, in discussing the options of shorter-term customer-owned**
3 **DER projects versus the longer-term, Elenchus states at lines 4 to 8:**
4 **“Limiting consideration of alternatives to what has been traditionally**
5 **viewed as “good utility practice” may have been prudent in the past.**
6 **But that does not suggest that the same approach in the future, or even**
7 **the present, is prudent. This conclusion is unavoidable if the PUB**
8 **determines that the prudent economic life to use for a capital asset can**
9 **be shorter than its physical, or potential service, life.” Are there**
10 **examples from other Canadian jurisdictions where this determination**
11 **has been made and applied by regulators in reviewing utility capital**
12 **programs?**

13 RESPONSE:

14 Elenchus is not aware of examples from other Canadian jurisdictions where
15 this determination has been made and applied by regulators in reviewing
16 utility capital programs.

17 To date, utilities in other Canadian jurisdictions have not as a matter of
18 course sought regulatory approval for DER projects with lower capital costs
19 and shorter lives than traditional capital assets. The regulatory risk
20 associated with innovative approaches is an impediment to utilities
21 advancing innovative proposals without regulators providing policy
22 “signals” that innovative approaches will be accepted if properly supported.
23 For this reason, to date the issues have been addressed primarily through
24 policy processes that will provide a regulatory framework for assessing
25 capital planning innovations. See the response to PUB-CA-003 (b) for
26 examples of policy processes that are addressing these issues.

27
28 In some jurisdictions, regulatory policy and/or legislation will have to be
29 updated before due consideration can be given to the full scope of DER
30 alternatives. In addition, it is possible that the A-J Effect, which is discussed
31 on page 14 and footnote 21, is a disincentive to some utilities advancing
32 such proposals.

33
34 Elenchus observes that the NL PUB appears to have set out prudence review
35 standards that are more advanced than seen in some other Canadian
36 jurisdictions. Similar to other leading jurisdictions such as the California
37 PUC and the NYPSC, the stated prudence review requirements appear to
38 reduce the regulatory risk associated with the adoption of DER alternatives.
39 Implementation of those prudence standards would place the PUB ahead of
40 the major Canadian jurisdictions where regulators are engaged in processes
41 that are designed to modernize their regulatory frameworks (i.e., Ontario
42 and Alberta).