

1 NP-CA-2

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3 **Q. In CA-NP-65 the Consumer Advocate introduced Delaware’s *Electric Service***
4 ***Reliability and Quality Standards*. In footnote 16 on page 39 of Mr. Bowman’s**
5 **evidence he introduces the *Service Quality and Reliability Plan* for Green Mountain**
6 **Power Corporation. Similar plans are required for the 20 electric utilities in the**
7 **State of Vermont.**

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9 **For the purpose of providing regulatory context please describe the regulatory**
10 **regimes in both the Delaware and Vermont jurisdictions. In particular, please**
11 **advise if the utilities require annual capital budget approval and provide the**
12 **frequency of General Rate Applications for all utilities regulated by the respective**
13 **state regulatory body over the past ten years. Please comment on the progress of**
14 **deregulation or re-regulation in the two states.**

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16 **A.** Mr. Bowman has not conducted detailed research into the reporting requirements
17 of distribution utilities in Vermont and Delaware. However, he understands from
18 discussions with staff of the Public Service Board that each distribution company in
19 Vermont is required to submit an annual report according to a format dictated by the
20 Department of Public Service. Generally, the annual reports include FERC Form 1
21 requirements which include cost reporting according to the FERC system of accounts and
22 reporting of a number of performance measures. Annual capital budget submissions are
23 not a requirement, but utilities in Vermont have typically been submitting rate
24 applications every couple of years owing to increasing purchased power costs.

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26 Mr. Bowman notes that in all jurisdictions where he has worked, the distribution wires
27 business (distribution asset management) is considered a monopoly; i.e., entities do not
28 “compete” to provide distribution assets and distribution asset management services to
29 consumers. As such, the distribution business is regulated requiring specific reporting
30 requirements that tend to vary from one jurisdiction to another. In jurisdictions with retail
31 competition (customers have a choice of supplier) such as Ontario, competition regulates
32 the supply business (power procurement, billing and settlement, and other customer
33 services), although reporting requirements remain. For example, electricity “Retailers” in
34 Ontario are subject to reporting requirements defined in the Retailer license, the
35 Electricity Retailer Code of Conduct, the Retail Settlement Code, and the Accounting
36 Procedures Handbook.

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38 Vermont does not have retail competition. The distribution and supply businesses are
39 combined into a single entity and subject to regulation much the same as Newfoundland
40 Power. Delaware does have retail competition with two distribution companies and
41 several supply businesses. Like Newfoundland and Labrador, distribution companies in
42 Vermont and Delaware are subject to cost of service regulation, although late last year
43 the Vermont Public Service Board approved a new regulatory framework for Green
44 Mountain Power referred to as “alternative regulation”. According to the Green Mountain
45 Power website¹, the intent of the alternative regulation mechanism is to streamline the

¹ See <http://www.gmpvt.com/altreg/index.shtml>

1 process by which Green Mountain Power's electric rates are established while
2 simultaneously creating new incentives for it to improve customer service. The regulator
3 will continue to review Green Mountain's rates based on the cost of service standard, but
4 there will be three primary differences: 1) Power supply costs will be filed and adjusted
5 every three months to reflect actual power supply costs incurred; 2) non-power supply
6 costs such as wages, taxes, health care, materials, etc. may be adjusted for limited small
7 increases through 2009; and 3) there will be an earnings sharing mechanism whereby
8 customers are entitled to profits above a specified level set by the state, and help make up
9 for an earnings shortfall below a specified level. The plan has been approved for three
10 years during which it will be evaluated.

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12 It is understood from Green Mountain Power's website that its Service Quality and
13 Reliability Plan remains in place without change under the new regulatory mechanism.
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