Respondent No. 2 - Draft Regulations on Tariff Setting Methodology

Section 9 Fuel charge

Under a typical PPA structure, IPPs are paid a fixed price per kW and /or per kWh. They are not compensated directly for fuel, so you might not actually know the fuel costs. Unless you plan to structure your IPP contracts that way, you might want to consider changing the fuel charge to a fuel and purchased power charge and include the cost of fuel or the price paid under PPAs, as applicable.

Section 13 Annual adjustment

Will this include a recalculation of the fuel charge? It doesn't say so explicitly, but that is the charge that I would expect to be the most volatile. You seem to allow for this in Section 28, so I'm not sure that it has to be in this section, too, but I'm not sure why you would exclude it

Schedule 1 Part A 1.1

You might consider clarifying that it is the unamortized portion of the rate base

Schedule 1 Part A 1.4

If you do change you fuel charge to a fuel and purchased power charge, you can eliminate the IPP portion here. As I said, you might not always know the fuel costs for an IPP

Schedule 1 Part B 2.4(e)

The advantage of having a direct formula for ROE is that the licensee will always be able to calculate what they're going to have the opportunity to recover. The disadvantage is that the risk premium doesn't adjust to prevailing conditions in the capital market. There may be times when a 550 basis point premium is not sufficient to attract equity capital and sometimes when it is more than enough. See the OUR WACC calculation in the order I distributed during the course. That's a manageable methodology and a lot more flexible than this.

Schedule 1 Part C
Just so there's no confusion on the depreciation table, you should probably change the rate for Vehicles to 14 2/7 % or 6 2/3 years. It will save problems in the long run.

Also, on Bicycles, is it your intention that they depreciate only half of the cost? If not, one of those columns has to be adjusted.

Schedule 2 Part B

If the licensee achieves both the 2021 SAIDI and SAIFI targets, they still might not achieve the CAIDI target. Is that your intention?

That's all that struck me, though. Of course, you might also have to change Schedule 3 if you change the definition of the fuels charge, but as long as you think you'll be able to get fuel costs from the IPPs, you should be fine. Just be very sure that you can, because a number of your mechanisms assume that you'll be able to.