

Developing a Strategy for the New
Regulatory Environment - ***Meeting
of the Minds***

Managing the Modern Utility Rate Case
February 14, 2006

Conclusion

1. The industry needs to invest in new infrastructure:
 - a. This will produce benefits for consumers
 - b. Certain, timely recovery is key to restoring utility credit ratings

2. Consumers value increased reliability, service quality, and pricing & service choices/options but
 - a. Want assurances that new infrastructure money is being spent wisely
 - b. Service quality standards, if fairly done, may be part of a win-win strategy

Conclusion (Con't)

3. Utility regulatory strategy can benefit greatly from current research on what customers value
4. New or Alternative Forms of Regulation can be the vehicle for a win-win regulatory strategy

Policy Principles

- 1. Voluntary participation**
- 2. Symmetry - The upside potential should equal the downside potential**
- 3. Performance goals broadly defined - (e.g., unit cost targets) - Maximum utility discretion**
- 4. Regulatory commitment - Terms should not be changed while the plan is in effect**