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# 2008 CAMPUT

## Incentive Regulation and Return on Equity

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- Energy Intensive Energy Consumers
- Competitive Global Markets
- Ever-Changing Business Risks / Challenges
- Industry Earnings = Customer Need + Innovation

# Consumer Perspective

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- Counter Notion Canadian Gas Utility Returns are Unfair or Inadequate
- Offer a Reality Check

# Reality Check

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- Canadian Gas Utilities Face Little Competition
- Captive Utility Customers Bear Risk of Poor Utility Decisions / Under-Utilized Facilities
- Investors View Gas Utilities as Low Risk Investments

# Fair Canadian Returns

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- Opportunity to Earn Approved ROE
- Canadian Returns Reflect Cdn. Circumstances
- Actual vs. Approved Returns
- Opportunities to Over-Earn
- Balance Risk & Reward

# Cdn. ROE = Cdn. Circumstances

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- Stable Regulatory Environment
- Lower Regulatory Risk
- Frequent Rate Adjustments
- Lower Market / Customer Risk

# Historic ROE Performance

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- Actual > Approved
- Lower Canadian Market & Regulatory Risk
- Canadian Utilities Excellent Risk Managers
- Systemic Over-Earning Tools

# Future ROE Performance

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- IR = Higher Over-Earnings
- Powerful & Effective Utility ROE Lobby
- Recognize IR Over-Earning Opportunities

# IR Over-Earning Opportunities

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- Incentive Regulation

- Cost of Capital Excluded
- Generous Earnings Sharing Thresholds
- Built-In True-Up Mechanisms
- Interim Rates with Multiple In-Year Adjustments
- Automatic Annual Rate Adjustments



- Corporate Leveraging (Ownership of complimentary Cdn/US utility assets)
- Un-Regulated Monopoly Assets (Ontario Storage Facilities)

# Summary

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## Cdn. Gas Returns are Fair & Adequate

- ✓ Balance Rewards with Risks
- ✓ Balance Shareholder / Customer Interests
- ✓ Reflect Investor Risk / Reward Expectations