

Role of the Regulator in Encouraging Investment in the Natural Gas Sector



NARUC Energy Regulatory Partnership Program

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and
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Overview

- ❖ Value of an independent and impartial regulator
- ❖ Conflicting regulatory signals and investor expectations
- ❖ Transparency in market assessment and investment opportunities



Value of an independent and impartial Regulator

- ❖ Can make unpopular but necessary decisions
- ❖ Balances competing societal policies
 - Land use vs. land preservation
 - “Green” energy vs. “green” fields
 - Cost-based rates vs. low income access
- ❖ Resolves regulatory conflict
 - Condemnations
 - Project design
- ❖ Can direct utility action
 - Docket 6829
 - ◆ Vermont Gas “fill in” construction
 - ◆ Vermont Gas feasibility study



Conflicting regulatory signals and investor expectations

- ❖ Audience for signals is broader than just the immediate parties
 - U.S. Federal Regulators
 - Other U.S. State Regulators
 - Equity markets
 - International regulatory community
(example: Canada)



Conflicting regulatory signals and investor expectations

❖ Impacts of conflicting signals

– Can create regulatory uncertainty

◆ Can increase costs to ratepayers

- Higher capital borrowing costs for utility
- Higher costs for tracking and analyzing signals
- Less efficient planning:

“How should we know what to plan for?”

◆ Can discourage investment

◆ Can produce “stranded costs”



Transparency in market assessment and investment opportunities

- ❖ Importance of transparency in market assessment
 - Protects consumers from unfair pricing
 - Encourages utility diligence in meeting obligation to serve
 - Facilitates regulatory planning
 - ◆ Energy infrastructure
 - ◆ Energy portfolio mix



Transparency in market assessment and investment opportunities

- ❖ Importance of transparency in investment opportunities
 - Promotes efficient use of capital
 - ◆ Money is invested where it is needed, when it is needed for projects that are needed
 - Protects integrity of investment decisions
 - ◆ Best investment proposal vs. best “connected” investment proposal



Transparency in market assessment and investment opportunities

- ❖ How regulators create transparency
 - **Enactment of reporting rules**
 - ◆ 15 U.S.C. 717 - Natural Gas Market Transparency Rules
 - **Information gathering and dissemination**
 - ◆ Publications
 - Vermont Comprehensive Energy Plan
 - ◆ Websites
 - <http://publicservice.vermont.gov/planning/CEP%20%20WEB%20DRAFT%20FINAL%206-4-08.pdf>
 - <http://www.ferc.gov/market-oversight/mkt-views/2008/10-16-08.pdf>