

The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

September 20, 1994

SEP 26 AM 10:41

CAMBRIDGE MA.

D.P.U. 94-158

Investigation by the Department of Public Utilities on its own motion into the theory and implementation of incentive regulation of gas and electric companies under its jurisdiction.

Notice Requesting Comments

In its recent Order in Mergers and Acquisitions, D.P.U. 93-167-A (1994), the Department of Public Utilities ("Department") reaffirmed its commitment to develop a more competitive energy market as a means to achieve its regulatory goals and noted that "it [is] worth investigating whether significant benefits could accrue to customers if a performance-based [i.e., incentive] regulatory process were developed." Id. at 21. In that Order, the Department committed itself to issuing a Notice of Inquiry into incentive regulation of public utilities. Id. This Notice of Inquiry is issued pursuant to that pronouncement.

This inquiry is intended to focus on incentive regulation as a means of transition to a more competitive environment in the electric and gas industries. In this inquiry, the Department requests written comments from interested persons on the Department's review of certain issues regarding the theory and implementation of incentive regulation of the gas and electric companies under its jurisdiction. Those issues, which are developed in more detail in a list available from the Secretary of the Department at the address below, focus on:

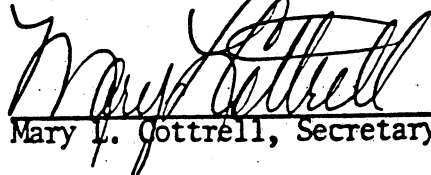
- (i) The theory and jurisdictional considerations regarding incentive regulation.
- (ii) Broad-based versus narrowly-targeted incentives.
- (iii) The effect of incentives on the current regulation of gas and electric companies' services.
- (iv) Procedural considerations concerning the implementation of incentives.

The Department invites comments from interested persons on the above issues and the specific related questions available from the Secretary. Initial comments should be filed by November 1, 1994. Reply comments should be filed by December 15, 1994. Comments must identify clearly the docket number of this proceeding, and must comply with the format of the procedural ground rules which are available from the Secretary of the Department. For all comments, an original and ten copies, as well as a computer disc copy in Word Perfect 5.1 format, should be filed with:

Mary Cottrell, Secretary
Department of Public Utilities
100 Cambridge Street, Room 1210
Boston, Massachusetts 02202

After all comments have been reviewed, the Department will determine if a public hearing on the comments is appropriate. After the close of the comment periods and any public hearing, the Department will issue a policy statement on incentive regulation early in 1995, summarizing the comments received, identifying the Department's position on the issue, outlining any review guidelines for specific incentive proposals and the next steps for implementation, and opening any further proceedings that appear appropriate.

By Order of the Department,



Mary L. Cottrell, Secretary

Consent Comm. # 6

5-412
Notice of an investigation by the DPU
of incentive regulation of gas and
electric companies under its jurisdiction.

In City Council,

Oct. 3, 1994

*Referred to the
City Manager
Copy sent to City Mgr
10/5/94*