

Table 4
Summary of Incentive Regulation Recommendations

	HQD	HQT
Basic Approach to Incentive Regulation	Multiyear rate plan	Multiyear rate plan
Revenue Caps or Price Caps	Revenue caps for most customers Price caps for industrial customers	Revenue caps
Relaxing the Revenue/Usage Link	Revenue decoupling for small volume customers LRAMs for large volume customers	Revenue decoupling
Attrition Relief Mechanism	Indexation	Indexation preferred: Hybrid is fallback
Phase 2 Studies	Productivity & Benchmarking	Productivity & Benchmarking
Y factors	Power Supply, Transmission, CDM	Limited Capital Cost Option if ARM is indexed
Z Factors	Yes	Yes
Incentive Compatible Menus	Worthwhile for both, but may be premature. Independent forecasting must improve.	
Performance Incentive Mechanism	Reliability Safety Customer Service Power Supply Cost Peak Load Management	Reliability Safety Customer Service Environment
Earnings Sharing Mechanism	Yes	Yes
Off Ramps	Yes	Yes
Marketing Flexibility	Yes	No
Plan Term	4 years	4 years
Regulation of Autonomous Systems	Included in Plan	Not applicable