

UNDERTAKING NO. J2.2: TO UNDERTAKE TO ASK NAVIGANT WHETHER THE LDCS SHOULD GET A DEBT RATE RETURN ON THE SUBSIDIZED CAPITAL OR NOTHING AT ALL

Either option is available to the Board. The intended view was that providing a full return on equity on the subsidized portion will both increase the burden on non-benefitting customers, and maximize the incentive to the LDC to expand at any and all costs regardless of the merits. These negative impacts and incentives can be mitigated to some extent by allowing only a debt rate of return on this subsidized capital. These negative impacts and incentives can be mitigated even further by allowing only a strict return of capital with no further rate of return on the subsidized portion.