

# FERC TRANSMISSION RATEMAKING

October 1-2, 2018  
EUCI Conference Center  
Denver, CO



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## OVERVIEW

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With margins in wholesale power markets shrinking in response to low natural gas prices, investment analysts have in recent years signaled a preference for utility investment in rate regulated activities, including transmission and distribution. Meanwhile, FERC's Order No. 1000 reforms created new opportunities for utilities and developers to build competitive regional transmission projects. These developments, combined with a recent proliferation of FERC rate proceedings to address utilities' return on equity and income tax recovery in transmission rates, have placed a premium on understanding how utilities subject to FERC's jurisdiction recover their investment in transmission facilities.

This course will provide attendees with a review of FERC's regulation of transmission-owning utilities and a working knowledge of cost-of-service rates for transmission. Attendees will learn how to construct a revenue requirement and calculate transmission rates from utility books and records using FERC's cost of service statements or a formula rate, and will learn about the latest developments in FERC ratemaking precedent, including hot button issues like ROE and tax reform. Attendees will return to their organizations ready to participate and add value in any initiative related to FERC transmission ratemaking.

## LEARNING OUTCOMES

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- Gain working knowledge of FERC's regulation of electric utilities under Part II of the Federal Power Act
- Gain familiarity with FERC's Uniform System of Accounts
- Discuss how to construct a transmission revenue requirement and transmission rates based on utility accounting records, including rate base, rate of return, depreciation, expenses, and taxes
- Identify how to populate and true-up a formula rate template
- Discuss how to estimate the return on equity using FERC's discounted cash flow methodology
- Review recent FERC ratemaking developments in areas such as ROE, income taxes, and incentive rates

## WHO SHOULD ATTEND

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- Utility analysts, attorneys, supervisors and directors without previous electric transmission ratemaking experience
- Managers and supervisors of municipal and cooperative utilities
- Transmission customers with significant transmission rate exposure
- Investors and financial analysts seeking a better understanding of transmission cost recovery
- Regulatory and legislative personnel dealing with transmission ratemaking as overseen by FERC
- Newcomers to the industry or to cost-of-service ratemaking working in areas such as legal, financial, regulatory, customer care, or community relations

# COURSE TIMING

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MONDAY, OCTOBER 1, 2018

**8:00 – 8:30 am**            **Registration & Continental Breakfast**

**12:00 – 1:00 pm**        **Group Luncheon**

**8:30 – 5:00 pm**        **Course Timing**

TUESDAY, OCTOBER 2, 2018

**8:00 – 8:30 am**        **Registration & Continental Breakfast**

**8:30 am – 12:00 pm**   **Course Timing**

# AGENDA

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## **I. Introduction to FERC’s Regulation of Electric Utilities**

- a. Part II of the Federal Power Act: Regulation of Wholesale Sales and Transmission in Interstate Commerce
  - i. FPA Section 205: Utility Rate Filings
  - ii. FPA Section 206: Third Party Complaints and FERC Investigations
- b. Uniform System of Accounts
  - i. Overview of key accounts
  - ii. FERC Form No. 1 and Quarterly Reporting
- c. Landmark Rulemakings: Transmission
  - i. Order No. 888: Mandatory Open Access and the pro forma OATT
  - ii. Order No. 2000: Regional Transmission Organizations
  - iii. Order No. 890: Refinements of the pro forma OATT
  - iv. Order No. 1000: Regional and Interregional Transmission Planning

## **II. Anatomy of a Rate Case: Section 35.13 of the Commission’s Regulations**

- a. Step through the development of a revenue requirement and rate design by reviewing FERC’s cost of service Statements AA-BM
- b. Emphasis on key components:
  - i. Rate Base
  - ii. Rate of Return, including ROE
  - iii. Depreciation
  - iv. O&M and A&G
  - v. Taxes
  - vi. Billing determinants
- c. Use of Period I/Period II data

# AGENDA

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## **III. Formula Rates**

- a. History of Formula Rates for FERC-jurisdictional services
- b. Pros and Cons
- c. In Depth Review of Sample Formula Rate:
  - i. Populating values from FERC Form No. 1
  - ii. Identifying key components of the revenue requirement
    1. Rate Base
    2. Rate of Return
    3. Depreciation
    4. Other Expenses
    5. Taxes
  - iii. Fixed Values:
    1. ROE
    2. Depreciation Rates
    3. PBOPs
- d. Annual Update Process
  - i. Calculation of True-Up Adjustment
  - ii. Projected costs
  - iii. Discovery and challenge procedures
  - iv. FERC informational filing

## **IV. Analysis of Current Issues**

- a. ROE: Opinion No. 531, Emera Maine, and where we go from here
- b. Income Taxes: Congressional tax reform and impacts on utility rates
- c. Incentive Rates
- d. Ancillary Services/Reactive Power
- e. Use of formula rates by non-jurisdictional municipal and cooperative utilities in RTO/ISO regions
- f. Use of formula rates by competitive transmission developers for competitive Order No. 1000 projects

## **V. Summary and Calculation Exercises**

## **VI. Course Evaluation**

# INSTRUCTORS



## Thomas C. Orvald

**Senior FERC Counsel, Federal Regulatory Affairs**  
**NextEra Energy, Inc.**

Tom Orvald is an electric regulatory attorney with seventeen years of experience representing public utilities, hydroelectric licensees, and other energy market participants before the FERC, other federal agencies, state utility commissions, and federal courts of appeal. Since 2009, Mr. Orvald has been an in-house counsel in the Federal Regulatory Affairs division of NextEra Energy, Inc., the parent company of Florida Power & Light Company (FPL) and NextEra Energy Resources, LLC. His practice focuses on FERC legal and compliance matters for FPL and other NextEra companies. Tom is the lead attorney for cost-of-service and accounting proceedings involving FPL before the FERC. He is also lead attorney for NextEra’s enterprise-wide compliance program for the North American Electric Reliability Council (NERC) reliability standards.



## Justin P. Moeller

**Partner**  
**Van Ness Feldman, LLP**

Justin Moeller is a partner in the DC office of Van Ness Feldman with an active practice representing electric utilities before FERC. Justin has extensive experience representing utilities in cost-of-service rate proceedings before FERC, including transmission formula rate cases. Since 2012, Justin has represented firm clients in more than a dozen different transmission formula rate cases. Justin has also assisted clients in responding to complaints involving formula rate issues and in responding to issues arising during the formula rate annual update process. He has assisted clients in developing and prosecuting stated rates for transmission and ancillary services, including wind integration charges. In addition, he regularly advises electric utility clients on issues pertaining to participation in organized markets for energy, capacity, and related products, including the Western Energy Imbalance Market.

# IACET CREDITS



EUCI has been accredited as an Authorized Provider by the International Association for Continuing Education and Training (IACET). In obtaining this accreditation, EUCI has demonstrated that it complies with the ANSI/IACET Standard which is recognized internationally as a standard of good practice. As a result of their Authorized Provider status, EUCI is authorized to offer IACET CEUs for its programs that qualify under the ANSI/IACET Standard.

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## REQUIREMENTS FOR SUCCESSFUL COMPLETION

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Participants must sign in/out each day and be in attendance for the entirety of the course to be eligible for continuing education credit.

## INSTRUCTIONAL METHODS

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PowerPoint presentations will be used in this event.

## EVENT LOCATION

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### **EUCI Conference Center**

4601 DTC Blvd., B-100  
Denver, CO 80237

## NEARBY HOTELS

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### **Preferred Hotel**

#### **Hyatt Place Denver Tech Center**

8300 E. Crescent Parkway, Greenwood Village, CO 80111 (0.9 miles away)

Call Central Reservations at **888-492-8847** and ask for the corporate rate of \$159 under the **Group Code: EUCI**.

or visit [https://denverttechcenter.place.hyatt.com/en/hotel/home.html?corp\\_id=102338](https://denverttechcenter.place.hyatt.com/en/hotel/home.html?corp_id=102338) for the corporate rate using the

**Group Code: EUCI**

#### **Hyatt Regency Denver Tech Center**

7800 E. Tufts Ave  
Denver, CO 80237  
Phone: 303-779-1234  
0.3 miles away

#### **Hilton Garden Inn Denver Tech Center**

7675 E. Union Ave  
Denver, CO 80237  
Phone: 303-770-4200  
0.6 miles away

#### **Denver Marriott Tech Center**

4900 S. Syracuse St  
Denver, CO 80237  
Phone: 303-779-1100  
0.7 miles away

## REGISTER 3, SEND THE 4TH FREE

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Any organization wishing to send multiple attendees to this Course may send 1 FREE for every 3 delegates registered. Please note that all registrations must be made at the same time to qualify.

**REGISTRATION**  
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 4601 DTC Blvd., B-100  
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 OCTOBER 1-2, 2018: US \$1395  
 EARLY BIRD on or before SEPTEMBER 14, 2018: US \$1195

How did you hear about this event? (direct e-mail, colleague, speaker(s), etc.)

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Company

What name do you prefer on your name badge?

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City State/Province Zip/Postal Code Country

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List any dietary or accessibility needs here

### CREDIT CARD INFORMATION

Name on Card Billing Address

Account Number Billing City Billing State

Exp. Date Security Code (last 3 digits on the back of Visa and MC or 4 digits on front of AmEx) Billing Zip Code/Postal Code

**OR** Enclosed is a check for \$ \_\_\_\_\_ to cover \_\_\_\_\_ registrations.

### Substitutions & Cancellations

Your registration may be transferred to a member of your organization up to 24 hours in advance of the event. Cancellations must be received on or before August 31, 2018 in order to be refunded and will be subject to a US \$195.00 processing fee per registrant. No refunds will be made after this date. Cancellations received after this date will create a credit of the tuition (less processing fee) good toward any other EUCI event. This credit will be good for six months from the cancellation date. In the event of non-attendance, all registration fees will be forfeited. In case of course cancellation, EUCI's liability is limited to refund of the event registration fee only. For more information regarding administrative policies, such as complaints and refunds, please contact our offices at (201) 871-0474.