

NATURAL GAS COST OF SERVICE & RATE DESIGN

December 6 – 7, 2018
Hyatt Place Denver Tech Center
Denver, CO



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OVERVIEW

This two-day course is designed to explore the basic structure of cost of service applied to natural gas delivery at the state jurisdictional level. The course begins by setting cost of service and pricing questions in the context of the overall regulatory structure. Through this approach attendees are exposed to the two major approaches to cost of service: embedded and marginal cost. Applications of these approaches are taken from state rate setting proceeding with the major areas of contention among parties to regulatory proceeding highlighted. The course will also discuss the basics of rate design from a historical approach and trace the evolution of pricing as the concern over efficiency has grown and the potential for alternatives to grid-delivered energy evolve.

The course is designed in a lecture format with enough flexibility for student activities and group discussion.

The intent is that participants will be able to apply the information learned the first day they return to their jobs. Hands-on activities will be included throughout the day.

LEARNING OUTCOMES

- Discuss FERC Uniform System of Accounts
- Identify revenue requirements
- Examine utility case studies
- Discover energy allocation factors
- Define the steps in the ratemaking process
- List cost classifications

WHO SHOULD ATTEND?

This course is recommended for policymakers, managers, attorneys, regulators, key accounts representatives, accountants, engineers, and analysts who would like introductory, hands-on training related to cost-of-service concepts and techniques for natural gas utilities.

AGENDA

THURSDAY, DECEMBER 6, 2018

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

8:30 am – 4:30 pm **Course Timing**

12:00 – 1:00 pm **Group Luncheon**

Introduction and Regulation of Public Utilities

- The origin and meaning of the public utility concept
- The rationale for regulation
- The regulatory compact: duties and obligation
- The evolution of regulation and introduction of competitive markets
- Evolution of industry structure

Foundations

- The revenue requirement: assumptions and principles
- Principles applied to pricing
- Economics of natural monopoly
- Foundations of public utility pricing
- Pricing strategies and special topics

Cost of Service Overview

- Basic approach of cost of service
- Marginal v. Embedded
- Pricing traditional services
- Unbundling

Embedded Cost of Service

- Functionalization
- Classification and allocation
- Interclass revenue allocations

Exercise: Embedded cost and interclass revenue allocation

Marginal Cost of Service

- Purpose of a marginal cost study
- Planning and marginal cost
- Customer, T&D and generation costs
- Data used in MC studies
- Reconciliation with revenue requirement and interclass revenue allocation

AGENDA

FRIDAY, DECEMBER 7, 2018

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

8:30 am – 4:00 pm **Course Timing**

12:00 – 1:00 pm **Group Luncheon**

Traditional Rate Design

- Flat Rates
- Two-part and Multi-part rates
- Pricing capacity and access
- Volumetric rates
- Issues in using embedded costs for unbundling rates

Modern Rate Design

- Straight-fixed variable pricing
- Modern demand-based pricing
- AMI and smart metering
- Special pricing topics: demand management, TOU rates, load retention, NGV pricing

Special Topics in Rate Design

- Tracking mechanisms
- Volumetric risk
- Net energy metering
- Standby/buyback rates
- Special contracts and economic development rates

Alternative Regulation

- PBR and incentive regulation
- Utility of the future and platforms
- Revenue stabilization plans
- Multi-year ratemaking

Wrap-up and Discussion of Future Directions

INSTRUCTOR



Dr. Carl Peterson

Carl Peterson, Ph.D, is a Clinical Professor of Economics at the University of Illinois Springfield and Executive Advisor to Concentric Energy Advisors. Previously he was a Senior Consultant and Special Consultant with NERA Economic Consulting (2000-17), a senior advisor for energy policy (1996-2000) and rates economist (1994-96) at the Illinois Commerce Commission, and a staff economist at the Center for Regulatory Studies at Illinois State University (1993-94). Dr. Peterson has advised governments and private entities in Europe and the US on issues related to the regulation of public utilities since 1997.

Dr. Peterson is also a faculty member at the Institute of Public Utilities at Michigan State University where he teaches introduction and advanced utility ratemaking. He has taught at Illinois Central College and Eureka College and was a visiting professor at Ho Chi Minh City University of Technology. His work has appeared in *The Electricity Journal*, *Natural Gas and Electricity*, and several academic journals and edited volumes.

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 AN-SI/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 AN-SI/IACET Standard.

EUCI is authorized by IACET to offer 1.4 CEUs for the course.

REQUIREMENTS FOR SUCCESSFUL COMPLETION

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

Case studies, PowerPoint presentations and group discussion will be used in this event.

EVENT LOCATION

A room block has been reserved at the Hyatt Place Denver Tech Center, 8300 E Crescent Pkwy, Greenwood Village, CO 80111, for the nights of December 5-6, 2018. Room rates are US \$135, plus applicable tax. To reserve your room, please call **1-303-804-0700**. Attendees need to reference the **EUCI Meeting Group** to get the group rate. The cutoff date to receive the group rate is November 2, 2018 but as there are a limited number of rooms available at this rate, the room block may close sooner. ***Please make your reservations early.***

REGISTER 3, SEND THE 4TH FREE

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.**



Please make checks payable to "PMA"

EVENT LOCATION

A room block has been reserved at the Hyatt Place Denver Tech Center, 8300 E Crescent Pkwy, Greenwood Village, CO 80111, for the nights of December 2-4, 2018. Room rates are US \$149, plus applicable tax. To reserve your room, please call **1-303-804-0700**. Attendees need to reference the **EUCI Meeting Group** to get the group rate. The cutoff date to receive the group rate is November 2, 2018 but as there are a limited number of rooms available at this rate, the room block may close sooner. **Please make your reservations early.**

PLEASE REGISTER

NATURAL GAS COST OF SERVICE & RATE DESIGN COURSE

DECEMBER 6 – 7, 2018: US \$1495

EARLY BIRD on or before NOVEMBER 16, 2018: US \$1295

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

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CREDIT CARD INFORMATION

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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 November 2, 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.