OVERVIEW

Alternatives to traditional utility regulation (a/k/a “alternative regulation” or “Altreg”), are increasingly popular in the US and Canada. The diverse approaches to Altreg include revenue decoupling, capital cost trackers, forward test years, and formula rates. Multi-year rate plans ("MRPs") are the most popular Altreg approach around the world. These plans, which are ubiquitous overseas, feature rate case moratoria and attrition relief mechanisms (ARMs) that adjust rates automatically between rate cases. The ability of MRPs to strengthen utility performance incentives despite a reduction in regulatory cost is a remarkable advance in the “technology” of regulation.

In North America, ARMs are often designed using research on utility price and productivity trends. Utilities thereby guarantee customers the benefit of industry productivity growth, and profit if their own productivity growth exceeds the norm. An MRP with this kind of ARM is a form of performance-based regulation (PBR). Canadian jurisdictions like Alberta and Ontario have recently become PBR leaders, and these provinces have witnessed important controversies concerning PBR plan design.

Interest in Altreg is increasing for many reasons. Growth in the volume of power delivered to electric utility customers has been slowed by a weak economy and burgeoning conservation programs. This has reduced a key means by which utilities have historically financed cost growth. For power distributors particularly, revenue growth must be achieved with more frequent rate cases over a repetitive set of issues. Natural gas distributors have been struggling with slow volume growth for more than a decade. The need for frequent rate cases is exacerbated for energy distributors engaged in accelerated system modernization to maintain or improve safety and service quality. Slow volume growth has prompted many vertically integrated electric utilities to postpone major generation plant additions. Their need for rate escalation has become more steady and predictable.

For all of these applications, MRPs are an attractive means of providing timely rate escalation without frequent rate cases. Formula rates are another means of achieving this outcome which is popular in the Southeast. Some regulators prefer more targeted means of reducing rate case frequency. Revenue decoupling can address the problem of slow volume growth. Capital cost trackers are a targeted means of financing accelerated system modernization and emissions control investments.

Distributed energy resources (DER) such as rooftop solar and combined heat and power (CHP) facilities are promising sources of clean energy diversification. DER are encouraged today by renewable resource mandates, tax and rate incentives, falling equipment costs, and low gas prices. However, DER can subject electric utilities to financial stress. Utilities may incur higher costs to handle power surpluses. High volumetric charges can trigger a “death spiral” of higher rates and further load losses.

Altreg remedies can help to handle the DER challenge. Revenue decoupling can make utilities whole for lost volumes. Cost trackers can help to recover costs occasioned by DER. MRPs can facilitate marketing flexibility that can help utilities address competition and develop new revenue sources.

This conference is designed to give participants a solid grounding in Altreg, while briefing more experienced practitioners on recent developments. Key issues in the development of Altreg plans will be identified. Results of recent research and the latest developments from leading Altreg jurisdictions around the world will be highlighted.

The regulatory challenge of distributed energy resources will receive special attention in this year’s course. Eric Ackerman, Director of Alternative Regulation at the Edison Electric Institute, will provide a utility industry perspective on the challenge. Dr. Blaine Gilles, Senior Advisor to PEG Research, will discuss how Altreg was used to address emerging competitive challenges in the telecommunications industry. Recent developments in Canadian PBR will be another focus. Dr. Ross Hemphill, Vice President of Energy Acquisition and formerly Vice President of Regulation at Commonwealth Edison, will discuss the progress of formula rates in Illinois.

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LEARNING OUTCOMES

- Review problems with traditional regulation in the evolving utility industry
- Identify challenges posed by distributed energy resources and Altreg remedies
- Discuss the ins and outs of revenue decoupling, MRPs, formula rates, and capital cost trackers
- Review special Altreg issues for vertically integrated electric utilities
- Review major controversies in Altreg proceedings
- Discuss Altreg approaches that facilitate infrastructure investment
- Review the key role of performance incentives in developing an Altreg strategy
- Review key Altreg precedents
- Discuss recent Altreg developments in the US and Canada

WHO SHOULD ATTEND

This program can benefit a wide variety of participants in gas and electric utility regulation: utility managers and executives, members and staff of regulatory commissions, consumer and environmental and environmental advocates, and attorneys representing these parties. The discussion will not be tilted in the direction of a particular stakeholder group. Overseas Altreg practitioners can learn about North American innovations. Detailed working knowledge of Altreg is unnecessary, although some familiarity with the concept will be helpful. Altreg practitioners are urged to attend and share their views and experiences.

AGENDA

Wednesday, April 23, 2014

8:00 – 8:30 a.m.  Registration and Continental Breakfast

8:30 – 9:15 a.m.  Introduction to Alternative Regulation
- Drivers of change in utility regulation
- Case study: Northeast power distributors
- What is Altreg and how can it help?

9:15 – 10:30 a.m.  Multiyear Rate Plans
- The basic idea
- Price caps vs. revenue caps
- Designing ARMs: indexes, stairsteps, hybrids, and freezes
- Marketing flexibility
- Other plan provisions

10:30 – 11:00 a.m.  Networking Break
AGENDA

Wednesday, April 23, 2014 (Continued)

11:00 a.m. – 12:00 p.m.  Altreg and the Challenge of Distributed Energy
  •  The emerging challenge of DER
  •  Alternative roles for utilities in a DER world
  •  The need for new regulatory policies & frameworks
  •  Pricing tools for fixed cost recovery
  •  Altreg for the smart grid
  •  Affiliate issues revisited

12:00 – 1:00 p.m.  Group Luncheon

1:00 – 2:00 p.m.  Coping with Competition: Lessons from Telecommunications
  •  Competitive challenges for incumbent telecom utilities
  •  Effective business and regulatory strategies
  •  How Altreg helped
  •  Lessons for energy utilities

2:00 – 3:00 p.m.  Revenue Decoupling
  •  Basic approaches: true ups, LRAMs, and fixed/variable pricing
  •  Design of decoupling true up plans
  •  Gas and electric precedents
  •  Decoupling pros and cons

3:00 – 3:15 p.m.  Afternoon Break

3:15 – 4:15 p.m.  Capital Cost Trackers & Formula Rates
  •  Basic concepts
  •  Special advantages for accelerated system modernization & emissions scrubbers
  •  Tracker design issues
  •  Electric, gas, and water utility precedents
  •  Key issues in tracker proceedings

4:15 – 5:15 p.m.  Formula Rates in Illinois
  •  Regulatory history leading to passage of Illinois’ Energy Infrastructure Modernization Act and formula ratemaking for electric distribution utilities
  •  Mechanics of the rate mechanism
  •  Performance metrics and penalties incorporated into the process
  •  Latest developments
  •  Prospects for the future
AGENDA

Thursday, April 24, 2014

8:00 – 8:30 a.m.  Continental Breakfast

8:30 – 9:15 a.m.  Service Quality Provisions of MRPs
  • Targeted service quality benchmark plans
    o Indicators
    o Benchmarks
    o Penalty/reward mechanisms

9:15 – 10:15 a.m.  Case Study: PBR in Ontario
  • Early incentive regulation in Ontario
  • Second & third generation IR for Ontario power distributors
  • Innovative use of benchmarking
  • The Board’s new plan for power distributors
  • Incentive regulation for Enbridge and Union Gas

10:15 – 10:45 a.m.  Networking Break

10:45 a.m. – 12:00 p.m.  Case Study: PBR in Other Canadian Provinces
  • Alberta
  • British Columbia
  • Quebec

12:00 p.m.  Wrap up/potential lessons for participants

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INSTRUCTORS

Mark Newton Lowry / President / PEG Research

Dr. Lowry, the conference chair, is a leading North American authority on alternative regulation. He pioneered use of input price and productivity research to design multi-year rate plans for energy utilities in the 1990s and continues to work at the cutting edge of the Altreg field. Less technical Altreg approaches have also been a focus of his work. He has testified several times in support of revenue decoupling, forward test years, and capital cost trackers and provided effective support for an approved attrition allowance in Washington State. He has advised the Edison Electric Institute (“EEI”) on a wide range of Altreg issues, conducting authoritative Altreg surveys and preparing white papers on key Altreg issues such as forward test years. He is currently testifying on productivity and other PBR issues in Massachusetts, Maine, British Columbia, and Quebec. Before joining PEG, Dr. Lowry was a professor of Mineral Economics at the Pennsylvania State University. A native Cleveland, he holds a Ph.D. in Applied Economics from the University of Wisconsin.

Lawrence Kaufmann / Senior Advisor / PEG Research

Dr. Kaufmann has worked with well-known utilities and regulatory commissions around the world. His specialties include PBR plan design, productivity measurement, performance benchmarking, service quality regulation, and regulatory theory. He has testified over 20 times on PBR, benchmarking, and related issues in various other jurisdictions. Dr. Kaufmann advised the Ontario Energy Board on the design of PBR plans for more than 80 provincial power distributors. Dr. Kaufmann has been active in regulation overseas for over a decade. A notable focus has been Australia, where he played a long-time advisory role to the Essential Services Commission in Melbourne. A St. Louis native, he holds a Ph.D. in Economics from the University of Wisconsin.

Blaine Gilles / Senior Advisor / PEG Research

Dr. Gilles comes to PEG Research after a distinguished career in telecommunications. Previously a Senior Vice President at WilTel Communications, he held several positions at Ameritech and continues to live in the Chicago area. A former Illinois Commerce Commission staffer and college professor, he holds a Ph.D. in Economics from Michigan State, where he studied under noted regulatory economist Harry Trebing.

Eric Ackerman / Director of Alternative Regulation / Edison Electric Institute

Eric is Director of Alternative Regulation at the Edison Electric Institute. He leads the Alternative Regulation Working Group, whose mission is to build a body of knowledge for use by all EEI members concerning regulatory policies that will enable members to capitalize on a range of possible new revenue opportunities created by the growth of distributed energy at scale. Eric holds a BA from Tufts University and an MBA from George Washington University.

Ross Hemphill / Vice President – Enegy Acquisition / Commonwealth Edison

Dr. Hemphill was for several years responsible for managing ComEd’s relationships with the Illinois Commerce Commission and its staff. His purview encompassed retail rates, revenue policy, ComEd’s ICC dockets, and analysis of strategic policy options for ComEd’s distribution business. He has grappled with a host of issues that include advanced metering infrastructure, formula rates, and fixed variable pricing. Before joining ComEd, Ross led a rate design team at Niagara Mohawk Power and held senior-level positions performing economic and management consulting assignments for clients. An Illinois native and Chicago area resident, he holds a Ph.D. in Resource Economics from The Ohio State University.

Matt Makos / Consultant / PEG Research

Matt plays a leading role in the monitoring of Altreg precedents at PEG Research. He has co-authored several white papers on Altreg and its various forms for EEI and other clients. A native of Darlington, Wisconsin, he holds a BBA from the University of Wisconsin.
ABOUT PEG RESEARCH

Pacific Economics Group ("PEG") Research LLC is a company in the Pacific Economics Group consortium that provides services in the field of energy and telecommunications utility regulation. Our staff includes three Ph.D. economists. Altreg, productivity research, and statistical benchmarking are company specialties. By working for a mix of well-known utilities and regulators, PEG has earned a reputation for objectivity and dedication to regulatory science. The practice is international in scope and has involved projects in a dozen countries. Work in the burgeoning Canadian PBR field has been especially extensive in recent years. Additional information about the company can be obtained at www.pacificeconomicsgroup.com.

INSTRUCTIONAL METHODS

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

REQUIREMENTS FOR SUCCESSFUL COMPLETION OF PROGRAM

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

CREDITS

EUCI has been approved as an Authorized Provider by the International Association for Continuing Education and Training (IACET), 1760 Old Meadow Road, Suite 500, McLean, VA 22102. In obtaining this approval, EUCI has demonstrated that it complies with the ANSI/IACET Standards, which are widely recognized as standards of good practice internationally.

As a result of its Authorized Provider membership status, EUCI is authorized to offer IACET CEUs for its programs that qualify under the ANSI/IACET Standards.

EUCI is authorized by IACET to offer 1.1 CEUs for the course.

EVENT LOCATION

A room block has been reserved at the The Allerton Hotel, 701 North Michigan Ave., Chicago, IL 60611, for the nights of April 22-23, 2014. room rates are $149, plus applicable tax. Call 1-312-440-1500 for reservations and mention the EUCI course to get the group rate. The cutoff date to receive the group rate is March 25, 2014, but as there are a limited number of rooms available at this rate, the room block may close sooner. Please make your reservations early.

PROCEEDINGS

The proceedings of the course will be published, and one copy will be distributed to each registrant at the course.
Please register the following:

**ALTERNATIVE REGULATION FOR EMERGING UTILITY CHALLENGES**

APRIL 23-24, 2014: US $1395
EARLY BIRD ON OR BEFORE APRIL 11, 2014: US $1195

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All cancellations received on or before March 21, 2014 will be subject to a US $195 processing fee. Written cancellations received after this date will create a credit of the tuition (less processing fee) good toward any other EUCI event or publication. This credit will be good for six months. In case of event 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.

EUCI reserves the right to alter this program without prior notice.