

# BAI's 29th Annual Spring Conference

## Utility Ratemaking Fundamentals

April 24 – 25 in St. Louis, MO

Hilton St. Louis Frontenac

### Agenda

#### Tuesday – April 24

8:00 AM

Registration and Continental Breakfast

8:30 AM

Welcome and Introduction

#### Basic Concepts & Emerging Issues

Current issues such as greenhouse gases, conservation, capital investment, renewable mandates and automatic price clauses, smart grid, and interruptible credits will be discussed. Basic terms and concepts encountered in the regulatory world will also be reviewed.

#### Overview: The Regulatory Process

Discussion of the basic principles underlying regulation, the regulatory process, key players in that process, and how regulation can impact your company.

#### Utility Revenue Requirements

The starting point of a Commission's determinations is the total revenue that a utility can reasonably be allowed an opportunity to earn which is referred to as the "revenue requirement." Topics will cover such items as tracker cost accounting, double recovery and other important issues that must be decided to arrive at revenue requirements.

#### Cost of Service Studies & Issues

If rates are to reflect the cost of providing service, it is critical to have a solid cost of service study in order to identify the cost of serving the various customer classes. Essentially, this involves splitting the revenue requirement among customer classes. How this is done and the pitfalls and differences of opinion, make this one of the more contentious portions of a utility rate case.

#### Rate Design Issues

Once both the total utility and customer class revenue requirements are established, there is still much to be done to ensure reasonable rates. The importance of properly setting each component of rates so that individual customers will each make their proper contribution to the utility revenue requirement will be covered. Various rate design tools such as time differentiated rates, voltage differentiated rates and interruptible rates that can be used to allow customers to benefit from achieving load profiles that also benefit the system and its other customers will also be discussed.

#### Water & Wastewater Cost of Service

Cost of service and rate design for water and wastewater utilities reflect the utility's unique infrastructure that is designed to meet its load and operating conditions. This presentation will expand the cost of service and rate design concepts to include a brief overview of the cost of service characteristics of water and wastewater systems used to allocate costs across rate classes. Rate designs that reflect cost of service produce efficient price signals, and encourage customers to make efficient consumption decisions on water and wastewater systems.

#### Recap

4:45 PM - End of Day 1

6:00 – 7:00 PM - Reception

#### Wednesday – April 25

8:30 AM

Continental Breakfast

9:00 AM

Recap of Day 1 and Overview of Day 2

#### Natural Gas Pipeline / LDC Rates

Rate cases are on the rise. Natural gas rate case fundamentals and how to plan and respond to utilities proposals to increase natural gas delivery costs.

#### Wholesale Electric Power Markets & Transmission

The workings of wholesale power markets and the transmission grid are important to customers purchasing in both regulated and competitive procurement markets. To better understand this difficult area, concepts such as RTOs, ISOs, ancillary services, RTO dispatch, auctions and more will be covered.

#### Competitive Procurement: Market Structure, Products & Players

Competitive solicitation offers many opportunities for procuring electric power and gas. Understanding the supply product options available, the structure of the marketplace, and how different price risks can be managed is critical to conducting a successful competitive solicitation. This section will take you through the important elements of market structure, power products, price risk, and the major players in a competitive marketplace. It also will outline and describe available market commodity price data.

#### Competitive Procurement: Process & Procedures

Planning and preparing for a competitive solicitation will ensure an effective and successful supply agreement. Preparing for this competitive solicitation requires careful planning, data collection and forecasting, and effective interactions with prospective suppliers. This section will outline the steps necessary to produce a Request for Proposal, conduct a solicitation, analyze the supplier offers received, negotiate with suppliers, develop favorable contract terms and conditions, and complete a successful supply agreement.

#### Market Economics

While electricity and gas markets are difficult to predict, there are fundamental factors which help to develop outlooks for future wholesale commodity and capacity pricing. This presentation will discuss the fundamental components of capacity and commodity pricing for electricity and natural gas. Forecasting techniques and methods for commodity and capacity prices are presented. This presentation will discuss information available to gauge an independent outlook on changes in prices that can be used to supplement a company's forecast.

#### Seminar Recap / Final Remarks

Review topics/lessons learned and put into perspective. Discuss real-world examples that bring the concepts that have been discussed into focus.

4:45 PM - End of Conference