



Course length: Four hours
(two sessions can be presented in one day)
Prerequisites: None
CPE credits: 4

A simple look at how utilities make money

The overriding goal of any investor-owned utility is to make money while providing cost-effective, safe, and reliable service to its customers. Yet many utility company employees do not fully understand how their companies are regulated and what factors impact utility earnings. How Your Utility Makes Money is customized to your utility and takes an uncomplicated look at the often complex process of generating revenue and profits as a regulated investor-owned utility. Participants learn the differences in how non-regulated and regulated companies make money; why utilities are constrained by regulation and how regulation balances consumers' needs with those of utility shareholders; how cost-of-service and incentive ratemaking work; and the various factors that determine if a utility exceeds or falls short of earnings potential.



WHO WILL BENEFIT FROM THIS SEMINAR?

- Recent hires into any position at a gas or electric utility
- Utility employees from departments such as operations, engineering, information technology, and customer service who do not fully understand utility earnings
- Virtually any utility employee who could benefit from a better understanding of how their company makes money
- Employees from companies selling services to utilities who need a better understanding of what motivates utility buyers

WHAT PARTICIPANTS WILL LEARN

- The basic revenue and earnings formulae and how they apply to non-regulated companies and to utilities
- What capital investment, sources of capital, and expenses are
- How a regulated company makes money
- How cost-of-service rates are set including rate base, rate of return, revenue requirements, and the rate case
- How incentive regulation works
- How utility earnings can exceed or fall short of targets and how employee actions affect profitability

COURSE AGENDA

How a Competitive Company Makes Money

- The basic earnings formula
- Capital and O&M expenses
- Sources of investment: debt and equity
- How revenues are calculated
- How price affects potential revenues
- Ways for a competitive company to make more money

How a Regulated Company Makes Money

- Sources of capital for a regulated company
- How capital and expenses are treated differently under regulation

- Types of utility expenses and why they are different from non-regulated competitive companies
- How revenues are calculated
- Why a regulated company can't increase earnings in the same ways as a non-regulated competitive company

Basic Concepts of Utility Regulation

- What is regulation?
- Who are our regulators?
- The state regulatory compact
- The role and goals of regulation

How a Utility Sets Rates and Makes Money

- Earnings
- What is rate base?
- How depreciation affects rate base
- What is rate of return?
- The cost-of-capital proceeding
- The revenue requirement
- Balancing accounts
- Decoupling revenues from earnings
- The rate case proceeding (customized to your utility)
- How cost-of-service rates are set
- The various steps in the regulatory process
- Incentive regulation (customized to your utility)

How a Utility Can Exceed/Fall Short of Earnings Potentials

- Increasing earnings under cost-of-service regulation (customized to your utility)
- Earnings risks under cost-of-service regulation
- Disallowances
- How earnings can increase or decrease under incentive regulation (customized to your utility)
- Can you answer these questions about your utility and how it makes money?

