



Course length: One day

Prerequisites: None

CPE credits: 8

An Introduction to State and Federal Regulation of Electric Utilities and Transmission Companies

Regulation greatly impacts how energy companies operate, offer services, generate revenue, and earn profits. How Electricity is Regulated provides a thorough overview of electric regulation in the United States. This seminar focuses on regulation of transmission and distribution assets and addresses who the energy regulators are, who regulates what on state and federal levels, the basic principles and purpose of regulation, how regulatory proceedings work, the steps in the ratemaking process, and current issues evolving transmission and distribution regulation. This course assumes no prior knowledge of energy regulation.



WHO WILL BENEFIT FROM THIS SEMINAR?

- Experienced electric company employees who have limited knowledge of regulation
- Experienced professionals moving into the energy industry
- Recent hires into regulatory positions in electric companies
- Energy professionals from departments such as operations, engineering, information technology and customer services who are becoming active in regulatory proceedings or who have interaction with regulators
- Electric company supervisors and managers who will oversee participants in regulatory proceedings or interact with regulators
- Finance, legal, public relations, and regulatory professionals needing a better understanding of gas and electric regulation
- Recent hires at state or federal regulatory agencies
- Recent ISO/RTO hires who need to understand how regulation impacts ISOs and their members

WHAT PARTICIPANTS WILL LEARN

- The principles of regulation in the electric industry
- Who the regulators are and who regulates what
- The purpose of regulation in the electric industry
- Principles of regulation in competitive markets
- Types of regulatory proceedings and how they are conducted
- Details of the ratemaking process
- Regulation of terms of service and other aspects of transmission
- Current issues affecting transmission and distribution regulation

COURSE AGENDA

Basic Concepts of Energy Regulation

- The role of regulation
- What is regulation?
- What does regulation do?
- Why industries are regulated
- Energy companies that are regulated and why it's important to regulate them
 - Natural monopolies (LDCs, UDCs, vertically-integrated electric utilities, ISOs/RTOs)
 - Essential facilities (electric transmission lines, gas pipelines, gas storage facilities, LNG terminals)
 - Competitive market participants (merchant generators, wholesale traders, financial services providers, retail marketers)
- Who are the regulators and who do they regulate?
 - Federal
 - State
 - Local
- A brief history of electric regulation in the U.S.
- The regulatory compact (federal and state)
- Six goals of regulators
 - Safe and reliable energy
 - Just and reasonable pricing
 - Economic efficiency
 - Consumer protection
 - Public goods programs including environmental protection, justice, and equity
 - Fair return to shareholders





Concepts of Competitive Electric Markets

- Fundamentals of competitive wholesale markets
 - Market liquidity
 - Market power
 - Transparent pricing
 - Open access
 - Consistent rules
- The status of competitive wholesale markets in the U.S.
- The role of the RTO/ISO
 - Grid operations
 - Market administration
 - Power system planning
- Regulatory oversight of competitive markets
 - FERC
 - SEC
 - ERCOT in Texas
- Open Access Transmission Tariffs (OATT)
- Regulatory oversight of retail competition

Regulatory Proceedings

- The purpose of a regulatory proceeding
- Who initiates proceedings
- Participants and their roles and goals: commissioners, presiding officer, commission staff, regulated energy companies, regulated energy company employees, intervenors
 - Proceedings initiated by a regulator
 - Rulemakings
 - Inquiries and investigations
- Proceedings initiated by a regulated company
 - Cost of capital proceedings
 - Rate cases
 - Applications for permits to site and project certification

- Mergers and acquisitions approvals
- Proceedings initiated by others
 - Complaints
 - Petitions
- The regulatory process step-by-step: proceeding initiation, initial conference, opening briefs, discovery, hearings, closing briefs, draft decision, final decision, implementation, appeal
- Settlements

Cost-of-Service Ratemaking

- Fundamentals of cost-of-service ratemaking and revenue allocation
 - Foundational principles for rates
 - Key ratemaking concepts including just and reasonable, good utility practice, balancing multiple priorities
 - The eight steps for cost-of-service ratemaking
 - Alternatives to cost-of-service (performance-based, market-based)
 - The importance of the general rate case
 - Overview of your company's rate proceedings
 - Key intervenor groups and their influences
- Determining the revenue requirement
 - What the revenue requirement is and why it is important
 - Establishing rate base (capital cost, depreciation, allowance for funds used during construction, other components such as working capital and deferred taxes, looking at your company's historic and forecast rate base)
 - Determining the cost-of-capital (debt, equity, preferred equity, debt/equity ratios)
 - Forecasting usage and expenses (test year expenses, forecast usage and other rate determinants, key cost drivers for your company)
 - Depreciation (what it is and how it is determined)

- Taxes (including actual taxes versus taxes for ratemaking purposes)
 - Adjusting the revenue requirement between rate cycles
- Revenue allocation
 - The concepts behind revenue allocation to services and customer classes
 - Revenue allocation methodologies
 - Revenue allocation at your company
- Rate design and rate calculations
- Rate design principles
- The issue of fixed costs and usage-based rates
- Charge types (fixed/customer charges, energy charges, demand charges)
- How fixed charges are structured
- How energy charges are structured
- How demand charges are structured
- Allocating revenue requirement to charge types
- Calculating rates
- Adjusting rates between rate cases
- How performance-based ratemaking differs from cost-of-service
- Overview of rates for your company
- How ratemaking impacts your company and possible future changes
 - How ratemaking impacts company earnings and risk profiles
 - Pressures on the current cost-of-service model
 - Possible future revenue streams for transmission and distribution companies





Key Current Issues (this section customized to your specific business focus – following are examples)

- Transmission regulation issues
 - FERC Order 1000 – Transmission planning and cost allocation
 - FERC Orders 841 and 2222 – Integrating distributed energy resources (DERs) into wholesale markets
 - FERC NOPR concerning permits to site transmission
 - Generator transmission interconnection rules
 - Federal-state task force on electric transmission issues
 - The future of transmission regulation
- Distribution regulation issues
 - Supply choice – community aggregation
 - Paying for grid modernization
 - Affordability
 - Net metering
 - New services offerings
 - Integrating renewables and DERs
 - Compensation for grid services from DERs
 - New revenue streams
 - New models for the role of the distribution company

