



Course length: 1 hour 45 minutes

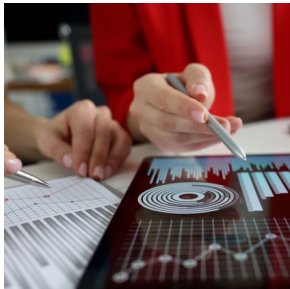
Subscription: 2 months - 12 months

Cost: \$295

Prerequisites: None, although general knowledge about the electricity industry and system is useful

An overview of ratemaking for electric utilities

This course covers the principles behind ratemaking for electric utilities including key concepts, determination of revenues that must be collected to cover costs and provide an acceptable return, methods for allocating revenues between customer classes, design of rate structures, calculation and implementation of new rates, and evolution of ratemaking with changes in the electricity industry.



WHO WILL BENEFIT FROM THIS COURSE?

- All employees of an electric utility who do not have a full understanding of the rate process and its importance in maintaining a solid financial position
- Experienced professionals from other industries moving into positions at an electric utility
- Experienced electric utility employees from departments such as operations, engineering, information technology, and customer services who have not been exposed to ratemaking
- New electric utility board members
- Professionals in finance, legal, and public relations who provide services to electric utilities
- Recent hires at an electric utility
- Professionals from other energy industry sectors who need to understand how electric utilities are unique

WHAT PARTICIPANTS WILL LEARN

- Analyze how ratemaking impacts utilities and their customers
- Apply the foundational principles that drive ratemaking to explain why utilities set rates the way they do
- List the steps involved in setting rates
- Identify the components of the revenue requirement
- Determine how the various cost factors and utility return contribute to the overall revenue requirement
- Describe methodologies used to determine cost causation and revenue allocation, and interpret how they impact rate levels for each customer class
- Analyze rate design methods and how they affect revenue recovery and impact customers
- Calculate rates given specific inputs and determine the impact of rate changes on specific customers
- Identify tools for implementation of rate changes including communicating changes and assisting customers to manage impacts
- Evaluate how ratemaking is evolving as the electric industry changes

COURSE AGENDA

Introduction to Ratemaking

- What ratemaking is and what it does
- Various objectives that ratemaking must balance
- Why ratemaking is fundamental to a utility's financial stability and customer satisfaction
- Who regulates ratemaking
- The concept of cost-of-service ratemaking
- Principles behind setting rates
- Non-financial considerations for rates
- The ratemaking process including the general rate case

Determining the Revenue Requirement

- What the revenue requirement is
- Steps in determining the revenue requirement
- The project team
- Selecting a test year
- Collecting data
- Determining the ratebase
- Setting the capital structure
- Determining the rate of return
- Forecasting usage and expenses
- Calculating the revenue requirement
- Addressing regulatory lag
- Revenue requirement adjustments between rate case cycles

Allocating the Revenue Requirement

- What revenue allocation is
- The cost-of-service study
- Steps in the cost-of-service process
- Defining customer classes
- The cost allocation process
- Functionalizing costs
- Classifying costs





- Developing allocation factors
- Implementing revenue allocation to determine each class's revenue

Determining Rate Design

- What rate design is
- The steps in the rate design process
- Rate design considerations
- Determining cost causation
- Determining customer classes
- Technology impacts on ratemaking
- Determining charge types and structures for each customer class
- Determining other charges and fees
- Determining payments for DER services
- Allocating revenue to each charge type

Calculating and Implementing Rates

- The steps in the rate calculation process
- Examples of rate calculations
- Determining rate impacts
- Setting a rate implementation plan
- Communicating rate changes
- Helping customers manage rate impacts
- Monitoring rates

Evolution of Ratemaking

- Ongoing monitoring of rates
- The electric industry evolution
- Potential new utility services
- How industry evolution impacts utilities' rate practices
- Rate design innovations
- Adapting to continual change

