PERFORMANCE BASED RATEMAKING

January 17, 2018
EUCI Office Building Conference Center
Denver, CO

POST-COURSE WORKSHOP
Revenue Decoupling
THURSDAY, JANUARY 18, 2018

EUCI is authorized by IACET to offer 0.8 CEUs for the course and 0.4 for the workshop
OVERVIEW

The way we generate, distribute, consume, and pay for power today has been slowly evolving over the past decades. Customers are generating some of their own power, advanced metering structures allow for more sophisticated rate design, and large industrial—and even some residential customers—can actively adjust their demand in reaction to price signals and peak events. Because of this current environment and ever-changing consumer preferences, some regulators are looking at new PBR-like mechanisms to incentivize utilities to respond to these changing needs.

Utilities must look for ways to recover sufficient revenues to provide a reasonable return for shareholders. States are looking at alternative ratemaking approaches, including performance-based ratemaking (PBR), to encourage consideration of third-party options, reduce frequency of rate cases, and decouple cost considerations from load changes. Join us for this PBR course where you’ll learn the principles of sound ratemaking and regulatory objectives, the history of PBR, the need for PBR in a high DER future because of increasing DER and elements of a successful PBR mechanisms.

LEARNING OUTCOMES

• Explore the principles of sound ratemaking and regulatory objectives
• Discuss the current environment of accommodating distributed energy, which is prompting the need for change
• Hear why some regulators are looking at new PBR-like mechanisms because of these changing needs
• Explain the need for performance based ratemaking in a high DER future
• Discuss the elements of a successful performance based ratemaking mechanism
• Review alternative ratemaking mechanisms
• List the steps and options for implementation
• Analyze revenue decoupling and its effectiveness
• Discuss the elements of a successful PBR mechanism

WHO SHOULD ATTEND

This course was developed for:
• Utility executives
• Corporate communication professionals
• Contact center management professionals
• Commissioners
• Commission staff
• Attorneys
• Regulatory affairs managers
• Pricing and load research managers
• Customer representatives and organizations
• Cost of service analysts
• Financial analysts
• Rate design, product development and customer strategy professionals

"EUCI offers a careful balance of continuing education, thought-provoking discussion, and networking."

SVP, Regulatory & External Affairs, Baltimore Gas and Electric
AGENDA

I. Introductions

II. Principles of Sound Ratemaking and Regulatory Objectives
   a. Stakeholder interests and perspectives
   b. Ratemaking principles and regulatory objectives in the context of a changing paradigm

III. Overview of Traditional Cost-of Service Ratemaking
   a. Pros and cons

IV. Current Environment – What is Prompting the Need for Change?
   a. Consumer preferences are changing; to incentivize utilities to respond to these changing needs, some regulators are looking at new PBR-like mechanisms
      i. These will likely include new metrics, including sustainability, promotion of interconnection, and in some cases inclusion of local labor workforces
      ii. Increasingly, utilities will need to further demonstrate that capital investments have had a positive impact on customers, beyond traditional reliability measures

V. Overview of Alternative Ratemaking Mechanisms
   a. Alternative ratemaking mechanisms fall along a spectrum from “incremental” to “comprehensive”
   b. Strengths and weaknesses of specific alternative ratemaking mechanisms

VI. What is PBR and Why You Should Care?
   a. History of PBR
      i. First implemented in 1990s, but was replaced with advent of multiyear plans/decoupling
      ii. Examples
         • Massachusetts, California
      iii. Lessons Learned: What worked and what didn’t work
   b. Types of PBR
      i. Performance incentives
         • Example: Massachusetts Energy Efficiency Performance Incentives
      ii. Price cap
      iii. Revenue cap
      iv. Benchmarking
      v. “Menu of options”
      vi. Pros and cons of each
      vii. Performance based ratemaking in a high DER future
         • Does traditional COSR provide utilities with appropriate regulatory direction and incentives in a high DER future?
         • Can some form of PBR provide improved regulatory direction and incentives in a high DER future?
AGENDA

WEDNESDAY, JANUARY 17, 2018

VII. Elements of a Successful PBR Mechanism
   a. Identify goals & objectives
   b. Identify outputs and outcomes
      i. Quantifiable and measurable metrics
      ii. Examples of metrics
   c. Aligning stakeholder interests

VIII. Steps and Options for Implementation
   a. Design elements
   b. Design considerations

IX. Case Studies

X. Conclusions & Takeaways

INSTRUCTORS

Bob Hevert
Partner, ScottMadden, Inc.

Bob Hevert is a financial and economic consultant with more than 30 years of broad experience in the energy and utility industries. He has an extensive background in the areas of corporate finance, mergers and acquisitions, project finance, asset and business unit valuation, rate and regulatory matters, energy market assessment, and corporate strategic planning. He has provided expert testimony on a wide range of financial, strategic, and economic matters on more than 100 occasions at the state, provincial, and federal levels.

Prior to joining ScottMadden, he served as managing partner at Sussex Economic Advisors, LLC. Throughout the course of his career, he has worked with numerous leading energy companies and financial institutions throughout North America. He has provided expert testimony and support of litigation in various regulatory proceedings on a variety of energy and economic issues. Mr. Hevert earned a B.S. in business and economics from the University of Delaware and an M.B.A. with a concentration in finance from the University of Massachusetts at Amherst. Bob also holds the Chartered Financial Analyst designation.

Rick Starkweather
Partner, ScottMadden, Inc.

Rick Starkweather has been a management consultant for almost 30 years and is a leader in ScottMadden’s regulatory practice. His areas of expertise include strategic and business planning, budgeting and forecasting, regulatory compliance and rate case support, and organizational and operations improvement. Prior to joining ScottMadden, he was a consultant with Deloitte Consulting. He also has experience in the healthcare and chemical industries and helped lead the start-up of two companies. Mr. Starkweather received a B.S. in mechanical engineering from Northwestern University and an M.B.A. from the University of Chicago Graduate School of Business. He is also a Certified Measurement and Verification Professional (CMVP) and Certified Energy Auditor (CEA) through the Association of Energy Engineers.

“Great speakers, thorough coverage of topics, knowledgeable presenters.”

Staff Rate Analyst, PSE&G
INSTRUCTORS

Jennifer Nelson
Manager, ScottMadden, Inc.

Jennifer Nelson has 10 years of experience in the energy industry, spanning the oil, gas, electric, and renewable energy segments. She has provided research and analysis on a variety of utility regulatory matters, including cost of capital, energy efficiency, integrated resource planning, electric grid modernization, and wholesale electric markets. Jennifer has also provided analytical support and analysis for natural gas pipeline development and natural gas supply planning. She has extensive experience researching regulatory and energy market issues, performing statistical analyses, developing economic and financial models, and providing policy analysis and recommendations.

Prior to joining ScottMadden, Ms. Nelson was a managing consultant at Sussex Economic Advisors, LLC, and before Sussex, was a staff member at the Massachusetts Department of Public Utilities. Jennifer holds a B.S. in business economics from Bentley University, where she graduated magna cum laude, and an M.S. in resource and applied economics from the University of Alaska.

Scott Brockett
Director, Regulatory Administration & Compliance, Xcel Energy

Mr. Brockett has worked for Xcel Energy Services in the Regulatory Department in Denver since July 2004. His current title is Director, Regulatory Administration and Compliance. His section is responsible for economic and financial analyses in support of regulatory filings and other Company initiatives. This responsibility includes the development and support of rates for Xcel’s gas, electric and steam services.

Prior to joining Xcel Energy, Mr. Brockett was employed at the Minnesota Department of Public Service, a state agency charged with developing energy policy and representing all customers in utility matters before the Minnesota Public Utilities Commission. He was employed at Consumers Energy, an investor-owned electric and gas utility based in Michigan, as Supervisor of Pricing and Revenue Forecasting. He also managed Consumers’ voluntary Green Power Pilot Program. He has a B.A. in English from Otterbein College and an M.A. in Economics from Miami University (Ohio).

Zev Simpser
Shareholder, Briggs and Morgan

Zev Simpser is a member of the Energy section and he practices principally in the areas of Energy law, Regulatory compliance, Regulatory proceedings and disputes, Regulated transactions, and Risk management.

Mr. Simpser has a diversified energy law practice which includes counseling clients in compliance matters, electricity sale and purchase transactions, asset transfers, complex jurisdictional interconnections and sales, and representing clients in regulatory proceedings.

Prior to law school, Zev served as an aide to U.S. Senator Bob Graham, where he advised the Senator on matters related to energy, the environment and agriculture. While in law school, Zev was a staff member of the Minnesota Journal of Law and Inequality. He holds a J.D. from the University Minnesota Law School and a B.A. from Middlebury College.
POST-COURSE WORKSHOP

Revenue Decoupling

THURSDAY, JANUARY 18, 2018

8:00 – 8:30 am  Registration & Continental Breakfast
8:30 am – 12:00 pm  Workshop Timing

OVERVIEW

An increasingly popular alternative regulatory mechanism is revenue decoupling, which can help address declining sales and weather volatility. Decoupling is designed to eliminate or reduce the utility’s dependence of a utility’s revenues on sales. Decoupling mechanisms can take several forms but all accomplish the same thing: customer rates are automatically adjusted to immunize utility earnings from sales fluctuations.

The purpose of the workshop is to provide attendees with an understanding of how traditional rate of return regulation works and why it is a problem for utilities and customers in this modern world. Through valuable research shared throughout the workshop, attendees will take away valuable information regarding the impacts and effectiveness of revenue decoupling and learn about different decoupling experiences to date.

LEARNING OUTCOMES

• Process how traditional rate of return regulation works, how it creates a throughput incentive, and why that is a problem for the modern utility and its customers
• Discuss potential solutions to the throughput incentive, with an emphasis on decoupling
• Explore options and key questions for designing a decoupling mechanism tailored to local needs
• Analyze the impacts and effectiveness of revenue decoupling

LEARNING OUTCOMES

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THURSDAY, JANUARY 18, 2018

8:00 – 8:30 am  Registration and Continental Breakfast

8:30 am – 12:00 pm Workshop Timing

- Introductory Remarks
- Brief Review of Traditional Rate of Return Regulation
- Understanding the Need for Changes to Traditional Rate of Return Regulation
  - What is the “Throughput Incentive” and Why is It a Problem?
  - How do Distributed Energy Resources and Power Sector Transformation Further Drive the Need for Change?
- What is Decoupling and How does It Address the Throughput Incentive?
- Options for Designing a Decoupling Mechanism:
  - Which customer classes should be covered?
  - What cost categories should be included?
  - How should utility revenues be adjusted?
  - How should refunds or surcharges be handled?
  - How can customers benefit from decoupling?
- Experiences to Date with Decoupling:
  - Where has this been done?
  - What impacts have been observed?
  - Case studies/examples
- Alternatives and Complements to Decoupling
- Closing Remarks

INSTRUCTOR

John Shenot
Senior Associate, US Programs, Regulatory Assistance Project (RAP)

John Shenot advises state utility commissions and environmental regulatory agencies throughout the United States on public policy best practices. A unifying theme throughout his work is the need to craft public policies that simultaneously meet societal objectives for affordable, reliable energy and environmental quality. Mr. Shenot’s projects have included providing a series of training workshops and webinars for state and federal regulators on the air quality impacts of energy efficiency and renewable energy; planning and facilitating meetings of the Mid-Atlantic Distributed Resources Initiative (MADRI); and supporting several initiatives of the State and Local Energy Efficiency Action Network (SEE Action). He has also authored or co-authored a wide variety of RAP publications, available in RAP's library.

Mr. Shenot came to RAP after serving as policy advisor to the Public Service Commission of Wisconsin from 2008 to 2011. He contributed to numerous commission investigations of energy efficiency, renewable energy, and climate change topics. Mr. Shenot previously spent 15 years with the Wisconsin Department of Natural Resources as an air pollution regulator and electric utility specialist. He is a member of the editorial board for the International Confederation of Energy Regulators’ journal, The ICER Chronicle. He also serves on the Air Quality Advisory Board for the City of Fort Collins, CO. In 2004, he was awarded an Atlantic Fellowship in Public Policy by the Foreign and Commonwealth Office of the United Kingdom for collaboration with regulators at the Environment Agency in Bristol, England. Mr. Shenot received a bachelor's in engineering from the University of Maryland and a master's in resource policy from the University of Michigan.
REQUIREMENTS FOR SUCCESSFUL COMPLETION

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

INSTRUCTIONAL METHODS

Case Studies, Panel Discussions and PowerPoint presentations will be used in this program.

IACET CREDITS

EUCI has been accredited as an Authorized Provider by the International Association for Continuing Education and Training (IACET). In obtaining this accreditation, EUCI has demonstrated that it complies with the ANSI/IACET Standard which is recognized internationally as a standard of good practice. As a result of their Authorized Provider status, EUCI is authorized to offer IACET CEUs for its programs that qualify under the ANSI/IACET Standard.

EUCI is authorized by IACET to offer 0.8 CEUs for this course and 0.4 for the workshop.

EVENT LOCATION

EUCI Conference Center
4601 DTC Blvd., B-100
Denver, CO 80237

PREFERRED HOTEL

Hyatt Place Denver Tech Center
8300 E. Crescent Parkway, Greenwood Village, CO 80111
0.9 miles away
Call Central Reservations at 888-492-8847 and ask for the EUCI rate of US $149 plus applicable tax (CODE: EUCI) or visit Hyatt Place Denver Tech Center - EUCI

OTHER NEARBY HOTELS

Hyatt Regency Denver Tech Center
7800 E. Tufts Ave
Denver, CO 80237
Phone: 303-779-1234
0.3 miles away

Hilton Garden Inn Denver Tech Center
7675 E. Union Ave
Denver, CO 80237
Phone: 303-770-4200
0.6 miles away

Denver Marriott Tech Center
4900 S. Syracuse St
Denver, CO 80237
Phone: 303-779-1100
0.7 miles away
PLEASE REGISTER

- **BOTH PERFORMANCE BASED RATEMAKING COURSE AND WORKSHOP:** JANUARY 17-18, 2018: US $1395
  Early bird on or before January 5, 2018: US $1195

- **PERFORMANCE BASED RATEMAKING COURSE ONLY**
  JANUARY 17, 2018: US $895
  Early bird on or before January 5, 2018: US $795

- **POST COURSE WORKSHOP ONLY: REVENUE DECOUPLING:** JANUARY 18, 2018: US $595
  Early bird on or before January 5, 2018: US $495

**ENERGIZE WEEKLY**

EUCI’s Energize Weekly e-mail newsletter compiles and reports on the latest news and trends in the energy industry. Newsletter recipients also receive a different, complimentary course presentation every week on a relevant industry topic. The presentations are selected from a massive library of more than 1,000 current presentations that EUCI has gathered during its 30 years organizing courses.

- **Sign me up for Energize Weekly**

How did you hear about this event? (direct e-mail, colleague, speaker(s), etc.)

Print Name

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What name do you prefer on your name badge?

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**CREDIT CARD INFORMATION**

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Security Code (last 3 digits on the back of Visa and MC or 4 digits on front of AmEx)

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**OR** Enclosed is a check for $ to cover registrations.

Substitutions & Cancellations:

Your registration may be transferred to a member of your organization up to 24 hours in advance of the event. Cancellations must be received on or before December 21, 2017 in order to be refunded and will be subject to a US $195.00 processing fee per registrant. No refunds will be made after this date. Cancellations received after this date will create a credit of the tuition (less processing fee) good toward any other EUCI event. This credit will be good for six months from the cancellation date. In the event of non-attendance, all registration fees will be forfeited. In case of course 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 303-770-8800.

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