ELECTRIC
Technology, History, Statutory Foundations, Restructuring
Vertically Integrated vs. Distribution-Only Utilities
Revenue Requirements & Adjustments to Test-Year Data
System/Class Load Characteristics & Class Cost-of-Service Studies
Basic Cost-Based Rate Design, Block Rates & Time-of-Use Rates
Rate-Case Procedures, Integrated Resource Planning
Demand-Side Management, Demand Response and Revenue De-coupling
Regulatory Treatment of Renewable Energy and Net Metering

NATURAL GAS: LDC’s
Technology, Industry Structure, State Regulation
LDC Interaction with Pipelines and the FERC
Gas Procurement, Gas Cost Recovery, and Hedging
Issues Facing Gas Utilities and State Commissions
Outsourcing, Electric-Gas Substitution, Regulatory Oversight of Gas Procurement
The Process of Determining Revenue Requirements
Conducting a Cost-of-Service Study
Designing Rates for LDC Customers

NATURAL GAS: INTERSTATE PIPELINES
Technology, Industry Structure, Impact of FERC Orders
FERC Rate Making and FERC Enforcement Authority Under the Natural Gas Act
Examples of Prohibited Conduct and Remedies Imposed by FERC
Legislative Initiatives and Recent Developments at the FERC
The Process of Determining Revenue Requirements
Changes to the Proxy Group and its Impact on the ROE
Cost Allocation and Rate Design
Firm Rates, Interruptible Rates, Alternative Rate Design Methodologies
Interaction of Local Distribution Companies with Pipelines and the FERC
WHO SHOULD ATTEND

Attendees with less than one year’s experience in the regulatory arena and anyone wishing to obtain a basic understanding of the principles involved should attend this course. Commissioners, economists, rate analysts, accountants, attorneys, public information officers, administrative law judges, consultants, and consumer advocates will all benefit from the basic skills acquired in this course.

WHY EMPLOYEES SHOULD ATTEND THIS PROGRAM

The issues confronting Electric and Natural Gas Industries can be very complex and confusing to the employee with newly acquired responsibilities in the area of regulation. It is essential, therefore, for the employee not only to be able to understand these issues but also to be provided with an integrated framework that shows the interrelationships of the topics and how they fit together. This course will give the attendees the analytical skills necessary to be more productive in this changing environment.

FACULTY

Randi Aldridge, Manager/Revenue Requirements, Southwest Gas Corporation

Larry Blank, Economist, CPU, New Mexico State University

Ray Blatter, Regulatory Supervisor, Pacific Gas and Electric

Ken Costello, Principal, National Regulatory Research Institute

Doug Gegax, Director, CPU, New Mexico State University

Ed Gieseking, Director, Pricing and Tariffs, Southwest Gas Corporation

Ken Jacobs, Senior Specialist/Resource Planning, Southwest Gas Corporation

Ben Johnson, Manager of Rates, TransCanada Pipeline

Greg Junge, Van Ness Feldman, P.C.

Mike McFadden, McFadden Consulting, Inc.

Susan A. Olenchuk, Van Ness Feldman, P.C.

Scott Russell, Regulatory Analyst, TransCanada Pipeline

Tim Scanlon, Commercial & Federal Market Lead, Energy Efficiency, Bonneville Power Administration

Grant Siwinski, Manager of Safety and Quality Assurance, Public Utilities Commission of Nevada

Rick Smead, Director, Navigant Consulting Inc.

David Smith, Director Emeritus, CPU, New Mexico State University

Bill Steele, Principal Financial Analyst, Colorado Public Utilities Commission
PROGRAM OUTLINE
Electric Industry

SUNDAY, SEPT 20  6:30 to 8:00 p.m.: Registration and Reception  INSTRUCTORS

MONDAY, SEPT 21
8:00 – 8:15  Welcome, and Overview of Course  Gegax
8:15 – 10:00  Introduction to the Technology, Institutions and History of the Electric Industry:
Electricity, Generation Technologies, Network Components;
System Operations, Ancillary Services & Interconnected Utilities;
The Basic Structure of Electric Utility Regulation;
Key Federal Statutes Affecting the Industry and FERC Orders 888 & 2000;
Wholesale & Retail Restructuring – Regional Differences in Industry Structure;
Distribution-Only Utilities vs. Vertically-Integrated Utilities  Gegax
10:15 – 12:00  Introduction (continued)  Gegax
1:15 – 2:00  Introduction (continued)  Gegax
2:00 – 3:00  Overall Cost of Service/Revenue Requirements
Components of Revenue Requirements – Rate Base, Expenses
Taxes, Depreciation and Net Operating Income;
The Components of the Weighted Average Cost of Capital;
What Triggers a Rate Case and Who are the Players?
The Book Data, Uniform System of Accounts & FERC Form 1; Test Year;
Adjusted Test-Year Revenue Requirements at Present & Proposed Rates  Steele
3:15 – 4:30  Overall Cost of Service/Revenue Requirements (continued)  Gegax
4:30 – 5:15  Set up Revenue Requirements Problem  Gegax

TUESDAY, SEPT 22
8:00 – 11:15  Revenue Requirements Problem: Enchantment Electric Co.  Steele
11:15 – 12:15  Discussion of Revenue Requirements Problem  Steele
1:30 – 3:00  Total System and Class-Specific Load Characteristics
Load Curves, Load Factor, Coincidental Peak Demand
Non-Coincidental Peak Demand, Average-Excess Demand  Blank
3:15 – 5:15  Overview of Class Cost-of-Service (COS) Studies  Gegax

WEDNESDAY, SEPT 23
8:00 – 12:00  COS Studies: Cost Functionalization
COS Studies: Cost Classification
COS Studies: Cost Allocation Across Jurisdictions
COS Studies: Cost Allocation to Jurisdictional Rate Classes  Gegax
1:00 – 7:00 p.m. Trip to Santa Fe (optional)

THURSDAY, SEPT 24
8:00 – 12:00  Components of a Tariff and Criteria for a Sound Rate Design
Base Rates & Automatic Adjustment Clauses
Billing Determinants & Customer, Energy and Demand Charges (Rates)
Class Rate Design Alternatives: Determining Rate Elements by Class
Issues Surrounding Fixed-Cost Recovery through the Energy Charge
Metering Issues and Class Demand versus Billing Demand
Block Rate Design, Interruptible-Service Rates and Time-of-Use Rates
Rate Design Issues for Distribution-Only Utilities and Standard-Offer Service
1:15 – 3:00  Integrated Resource Planning
Demand-Side Management (DSM) & Demand Response  Scanlon
3:30 – 5:15  Demand-Side Management (continued)  Scanlon

FRIDAY, SEPT 25
9:00 – 12:00  Renewable Portfolio Standards, Renewable Energy Credits, Net Metering
Rate Case Practice and Procedures:
Application Contents, Testimony, Discovery,
Hearing Procedures, Settlement Rules,
The Final Order and Procedures for Appeals  Blank
PROGRAM OUTLINE
Natural Gas Industry: Interstate Pipelines

*Note: Laptops Will Be Required for This Session

SUNDAY, SEPT 20  6:30 – 8:00 p.m.: Registration and Reception

MONDAY, SEPT 21
8:00 – 10:00  Overview of the Natural Gas Industry Technology

- Moving Gas from the Wellhead to the Burner Tip
- Segments and Players of the Natural Gas Industry
- Production
- Processing
- Transportation
- Storage
- Marketing Hubs
- Retail Distribution

Federal Jurisdiction

- Pipeline Services Regulated by FERC
- How Have FERC Orders Altered the Structure of the Gas Industry?
- Interaction of LDC’s with Pipelines
- Interaction of LDC’s with the FERC

10:30 – 12:00 FERC Ratemaking and Enforcement Authority under the Natural Gas Act

Overview of the Natural Gas Act
- Purpose and Scope of the Natural Gas Act
- Key Concepts Under the NGA
- Introduction to FERC’s Ratemaking Authorities (§§ 4, 5, and 7)
  - Burdens of Proof
  - Refund Authority

FERC’s Ratemaking Authorities

- Section 4 of the Natural Gas Act
  - Overview of Rate Case Mechanics
  - Applying the Just and Reasonable Standard
  - Hearing and Discovery
  - Rate Case Issues and Challenges
  - Settlement vs. Litigation

- Section 5 of the Natural Gas Act
  - FERC’s Use of Section 5
  - Customers’ Use of Section 5
  - Section 7 of the Natural Gas Act
  - Rolled-in vs. Incremental Rates
  - Alternative Ratemaking: Negotiated Rates

12:00 – 1:30 Lunch

1:30 – 5:00  Enforcement of the Natural Gas Act

FERC’s Civil Penalty Authority

- Jurisdictional issues: FERC and the CFTC
- Due Process Issues
- Policy Statements on Enforcement and Compliance

Examples of Prohibited Conduct and Remedies Imposed

- Market Manipulation
- Undue Discrimination
- Material deviations and non-conforming contracts
- Compliance with capacity release regulations
- Standards of Conduct

Legislative Initiatives and Recent Developments

INSTRUCTORS
Smead

Olenchuk/Junge
TUESDAY, SEPT 22

8:00 – 12:00  FERC Requirements for Determining ‘Just and Reasonable’ Rates
   Overview of the 5 Steps Involved in Cost-of-Service Ratemaking
   Step 1: Establishing a Cost-of-Service
       Base Period vs. Test Period
       O&M/A&G Expenses
       Rate Base
       Rate of Return
   What should be included in the Test Period?
1:30 – 5:00  Cost Of Service Problem
   Introduction of Cost of Service Problem
   Presentation of Group Solutions
   Review and Summary of Cost of Service

WEDNESDAY, SEPT 23

8:00 – 12:00  A Discussion on Return
   Changes to the Proxy Group and Its Impact on Approved ROEs
   Step 2: Functionalization of Cost of Service
       Direct Assignment vs. Allocation
       Kansas-Nebraska (“KN”) Methodology
   Step 3: Cost Classification
       Fixed vs. Variable
       Reservation vs. Delivery
   Changes to Rate Design Policy over Time
   Impact of Load Factor
1:00 – 7:00 Trip to Santa Fe (Optional)

THURSDAY, SEPT 24

8:00 – 5:00  Steps 4 & 5: Cost Allocation and Rate Design
   Allocation Factors and Billing Determinants
   Firm Rates
   Interruptible Rates
   Types of Cost-Based Rate Design
   Alternate Rate Design Methodologies
   Discount Adjustments
   Rate Design Problem
   Introduction of Rate Design Problem
   Presentation of Group Solutions
   Review and Summary of Rate Design
   Rate Design Proposals on the Horizon

FRIDAY, SEPT 25

9:00 – 10:30  “Summing It All Up: How Do All of the Pieces Fit”?
## Program Outline

### Natural Gas Industry: Local Distribution Companies

**SUNDAY, SEPT 20**
6:30 to 8:00 p.m.: Registration and Reception

**MONDAY, SEPT 21**
8:00 – 12:00 Overview of the Natural Gas Industry
   - Technology
   - Moving Gas from the Wellhead to the Burner Tip
   - Segments and Players of the Natural Gas Industry
   - Federal and State Rate Regulation
     - Federal Jurisdiction - The Federal Energy Regulatory Commission
     - State Jurisdiction - State Regulatory Commissions
   - Local Distribution Companies
     - Role of the LDC
     - LDC’s and Pipelines
     - LDC’s and the FERC
   - Gas Procurement
     - Procuring Gas
     - Interstate Pipeline Services
     - Storage

1:30 – 3:00 Gas Cost Recovery
   - PGA Recovery
   - Automatic Adjustments
   - Performance Based Rates
   - Gas Cost Hedging
     - Physical Hedges
     - Financial Hedges

3:30 – 5:00 Key Issues Facing Gas Utilities and State Public Utility Commissions
   - Financial speculation in commodity markets
   - Gas supply planning and procurement: comprehensive regulatory oversight
   - Outsourcing of gas utility functions
   - Electric-to-gas substitution
   - Recent developments in natural gas markets and a look ahead

**TUESDAY, SEPT 22**
8:00 – 12:00 The Process of Determining Revenue Requirements
   - Rate Base, Expenses, Taxes, Depreciation and Net Operating Income
   - Determining the Components of the Rate of Return
   - The Test-Year, Adjusted Revenues at Present and Proposed Rates

1:30 – 5:00 Revenue Requirements or the Total Cost of Service
   - Revenue Requirements Problem

**WEDNESDAY, SEPT 23**
8:00 – 12:00 Assigning Costs to Various Customer Classes
   - What is a Class Cost-of-Service Study?
   - Steps Involved in a Class Cost-of-Service Study:
     - Functionalization
     - Classifying
     - Allocation
   - Class Cost-of-Service Problem

1:00 – 7:00 Trip to Santa Fe (optional)

**THURSDAY, SEPT 24**
8:00 – 10:00 Cost-of-Service Study (Continued)
   - The Final Step: Rate Design— Recovering Assigned Costs from Various Customer Classes

10:30 – 5:00 The Final Step: Rate Design-- Recovering Assigned Costs from Various Customer Classes
   - What is Rate Design?
   - Criteria Used to Determine Rates
   - Components Found in a Tariff
   - Types of Rate Designs Used by LDC’s Today
   - Rate Design Problem

**FRIDAY, SEPT 25** (Combined Session for Gas and Electric)
9:00 – 12:00 Renewable Portfolio Standards, Renewable Energy Credits, Net Metering
   - Rate Case Practice and Procedures:
     - Application Contents, Testimony, Discovery,
     - Hearing Procedures, Settlement Rules,
     - The Final Order and Procedures for Appeals
ENROLLMENT FORM - SEPTEMBER 2009

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September 20-25, 2009
Sheraton Uptown
Albuquerque, NM

GENERAL INFORMATION

LOCATION and HOTEL RESERVATIONS: The conference will be held at the newly renovated Sheraton Uptown, Albuquerque, NM. A block of rooms has been reserved at a special rate of $110. To guarantee this rate, reservations must be received on or before Sept. 4, 2009. There are a limited number of rooms available at government rates. The government rate will be the prevailing Federal Per-diem rate at the time. All guests should make reservations directly through the hotel’s reservations department, at 800-252-7772, Monday through Friday, 8 AM – 5 PM MST, on an individual basis, identifying themselves as attendees of the NMSU Basics course, in order to receive the special rates outlined above. Rates cannot be changed at check-in or checkout time for guests who fail to identify their affiliation at the time the reservation is requested. Rooms will need to be guaranteed to a major credit card at the time the reservation is made. This is for guarantee purposes only; your credit card will not be charged until you check-out. Please be advised that for any reservation, in which there is a no-show, the first night’s room rate and tax will be charged to the form of payment and the entire reservation will be cancelled. Reservations may be cancelled up to 48 hours prior to arrival without penalty. For general information about the hotel, please call 505-881-0000.

COST: The registration fee is $1095 for company representatives; $995 for center sponsors, state commissions and all other governmental entities. The fee covers all instructional materials presented, the reception, transportation to Santa Fe, breakfast each morning, and coffee breaks. The fee does not include travel, hotel accommodations or meals other than those specified.

CLE and CPE CREDIT: While NMSU does not apply to each state as a sponsor, CLE and CPE credits have been given by numerous states on an individual basis. It has been approved in New Mexico for CLE credit. Each individual requesting CLE and CPE credits should contact their state board individually prior to the course and notify the CPU if there are special requirements. You will receive a certificate of completion for this course.

REGISTRATION: MUST BE MADE IN ADVANCE. To reserve a space, telephone 575-646-4876 or 575-646-3242, send a fax to 575-646-6025, e-mail to cpustaff@nmsu.edu or mail your completed enrollment form to the address below. You will receive confirmation of your registration prior to the course. Payment by check or credit card with enrollment is preferred.

CANCELLATION POLICY: If notice is received more than five working days prior to the meeting, the tuition fee will be refunded in its entirety. Cancellations after that time are subject to a $100 service charge per person. No refunds will be made after the start of the program; however, tuition may be applied to future programs. Substitutions can be made at any time.

FOR MORE INFORMATION CONTACT: Center for Public Utilities MSC 3MPD, New Mexico State University, Box 30001, Las Cruces, NM 88003-8001, 575-646-4876 or 575-646-3242, Fax: 505-646-6025, E-Mail: jeawalte@nmsu.edu or cpustaff@nmsu.edu Web Site: http://business.nmsu.edu/programs-centers/cpu/