ELECTRIC INDUSTRY
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 Rate Design, Block Rates & Time-of-Use Rates
Rate Case Procedures

NATURAL GAS: Local Distribution Companies (“LDCs”)
Technology, Industry Structure, and State Regulation
LDC Interaction with Pipelines and the FERC
Gas Procurement, Gas Cost Recovery, and Hedging
Regulatory Oversight of Gas Procurement
Energy Efficiency
The Process of Determining Revenue Requirements
Conducting a Cost-of-Service Study
Traditional and Proposed Rate Designs
The Future Natural Gas Market
Rate Case Procedures

May 8–13, 2011
SHERATON UPTOWN
Albuquerque, NM
ELECTRIC INDUSTRY

SUNDAY, MAY 8
6:30 to 8:00 p.m.: Registration and Reception.

MONDAY, MAY 9
8:00 – 8:15 Welcome, and Overview of Course
Doug Gegax
8:15 – 10:00 Introduction to the Technology, Institutions and History of the Electric Industry:
Doug Gegax
  • 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
10:15 – 12:15 Introduction (continued)
Doug Gegax
1:30 – 2:15 Introduction (continued)
Doug Gegax
2:15 – 3:15 Overall Cost of Service/Revenue Requirements
Bill Steele/Gary Duncan
  • 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
3:30 – 4:45 Overall Cost of Service/Revenue Requirements
Steele/Duncan
4:45 – 5:15 Set up and Start Revenue Requirements Problem “Enchantment Electric Co.”
Steele/Duncan

TUESDAY, MAY 10
8:00 – 11:15 Revenue Requirements Problem
Steele/Duncan
11:15 – 12:15 Discussion of Revenue Requirements Problem
Steele/Duncan
1:30 – 5:15 Total System and Class-Specific Load Characteristics
Doug Gegax
  • Load Curves, Load Factor, Coincidental Peak Demand
  • Non-Coincidental Peak Demand, Average-Excess Demand
Overview of Class Cost-of-Service (CCOS) Studies
Doug Gegax
COS Studies: Cost Functionalization
COS Studies: Cost Classification

WEDNESDAY, MAY 11
8:00 – 10:15 COS Studies: Cost Allocation Across Jurisdictions
Gegax/Steele
COS Studies: Cost Allocation to Jurisdictional Rate Classes
10:30 – 12:00 CCOS Problem
Gegax/Steele
1:15 – 7:00 p.m. Trip to Santa Fe (optional)

THURSDAY, MAY 12
8:00 – 10:15 CCOS Problem (continued) and Discussion
Gegax/Steele
10:30 – 12:00 Components of a Tariff and Criteria for a Sound Rate Design
Larry Blank
  • Base Rates vs. Riders or Trackers
  • Issues Surrounding Fixed-Cost Recovery through the Energy Charge
  • Metering Issues, Monthly Billing Demand and Demand Ratchets
1:30 – 3:00 Billing Determinants & Customer, Energy and Demand Charges (Rates)
Larry Blank
  • Class Rate Design Alternatives: Determining Rate Elements by Class
  • Block Rate Design and Time-of-Use Rates
3:30 – 5:15 Block Rate Design and Time-of-Use Rates (continued)
Larry Blank
  • Rate Design Problem

FRIDAY, MAY 13 (Combined Session for Gas and Electric)
9:00 – 11:00 Step-by-Step Process and Procedures of a Rate Case:
Blank/Steele/Taylor
  • The Utility Application, Building the Record, Discovery, Written Testimony
  • Cross Examination, Settlement vs. Contested Hearing
  • The Final Order and Grounds for Appeals
  • Open Meeting Laws and Ex Parte Communication
**PROGRAM OUTLINE**

**NATURAL GAS INDUSTRY**

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

**MONDAY, MAY 9**

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:15 – 8:30</td>
<td>Welcome and Overview</td>
</tr>
</tbody>
</table>
| 8:30 – 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 Jurisdiction - The Federal Energy Regulatory Commission  
  - State Jurisdiction - State Regulatory Commissions  
  - Local Distribution Companies  
  - Role of the LDC  
  - Relationship with Interstate Pipelines and the FERC  
  - Gas Procurement  
  - Interstate Pipeline Services  
  - Storage                                                     |
| 1:30 – 3:00 | Gas Cost Recovery  
  - PGA Recovery  
  - Automatic Adjustments  
  - Performance Based Rates                                            |
| 3:30 – 5:00 | Key Issues Facing Gas Utilities and State Public Utility Commissions  
  - Gas supply planning and the role of regulators  
  - Energy efficiency  
  - The Future Natural Gas Market                                      |

**TUESDAY, MAY 10**

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
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</table>
| 8:30 – 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 Problem                                                   |

**WEDNESDAY, MAY 11**

<table>
<thead>
<tr>
<th>Time</th>
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</table>
| 8:30 – 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  
    - Classification  
    - Allocation  
  - Class Cost-of-Service Problem                                                      |
| 1:00 – 7:00 p.m. | Trip to Santa Fe (optional)                                                                                                       |

**THURSDAY, MAY 12**

<table>
<thead>
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<th>Time</th>
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<tbody>
<tr>
<td>8:30 – 10:00</td>
<td>Cost-of-Service Study (Continued)</td>
</tr>
</tbody>
</table>
| 10:30 – 12:00 | 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                                                                                       |
| 1:30 – 3:00 | The Final Step: Rate Design (continued)  
  - New Rate Designs Under Consideration                                                                       |

**FRIDAY, MAY 13**

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| 9:00 – 11:00 | Step-by-Step Process and Procedures of a Rate Case:  
  - The Utility Application, Building the Record, Discovery, Written Testimony  
  - Cross Examination, Settlement vs. Contested Hearing  
  - The Final Order and Grounds for Appeals  
  - Open Meeting Laws and *Ex Parte* Communication                                                                 |

**INSTRUCTORS**

Larry Blank  
John Olenick  
Ken Costello  
Mike McFadden  
Randi Aldridge  
Ed Gieseking  
Ray Blatter  
John Fernald  
Blank/Steele/Taylor
**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, engineers, 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 rates and regulation. These two separate courses will give attendees practical analytical skills needed to understand the topics covered as well as an integrated framework showing how they fit together. Through a combination of lectures, discussion and integrated problems, these courses will give the attendees the analytical skills necessary to be more productive in the changing utility environment.

Each week-long course covers the basics of industry technology, industry structure and regulation, revenue requirements, cost allocation, rate design and rate-case procedures. The electric course is applicable to both vertically integrated utilities as well as distribution-only electric companies, and the natural gas course is focused on local distribution companies (LDCs).

**COURSE INSTRUCTORS**

The Center for Public Utilities is fortunate to have outstanding course instructors, with each having many years of practical experience in the regulatory arena. Not only are these instructors experts in their fields, but they have extensive teaching experience and are extremely approachable. Many of these instructors have been with the Center for Public Utilities for over 15 years. The CPU course instructors work collectively as a team and are continually re-evaluating and refining their individual set of materials as well as the overall organization and flow of the entire course. Each member is fully aware of how their own set of materials fits into the overall picture of the course. In this way, each of the week-long courses is truly integrated, which results in the best possible product for the attendees.

Randi Aldridge, Manager/Revenue Requirements, Southwest Gas Corporation  
Larry Blank, Associate Director, CPU, New Mexico State University  
Ray Blatter, Regulatory Supervisor, Pacific Gas and Electric  
Ken Costello, Principal, National Regulatory Research Institute  
Gary Duncan, Utility Rate Analyst, Montana Public Service Commission  
John Fernald, Manager of Regulatory Affairs, New Mexico Gas Co.  
Doug Gegax, Director, CPU, New Mexico State University  
Ed Gieseking, Director, Pricing and Tariffs, Southwest Gas Corporation  
Mike McFadden, McFadden Consulting, Inc.  
John Olenick, Senior Manager of Gas Purchases and Transportation, Southwest Gas Corporation  
Bill Steele, Principal Financial Analyst, Colorado Public Utilities Commission  
Jeff Taylor, Assistant Attorney General, NM Attorney General’s Office
The Center for Public Utilities (CPU) has been housed in the College of Business at New Mexico State University (NMSU) and has been conducting training courses since 1978. The National Association of Regulatory Utility Commissioners (NARUC) officially sanctions these programs offered by the CPU. The CPU:

- Produces practical training courses, instruction/training materials and out-reach programs directed towards the needs of professional staff at federal and state commissions, utility companies and other stakeholders in the Electricity and Natural Gas LDC and Natural Gas Pipeline Industries;
- Produces issues conferences directed towards the needs of upper management and professional staff at federal and state commissions, utility companies and other stakeholders in the Electricity, Natural Gas, Telecommunications and Water Industries;
- Is completely self-funded through the conference fees it charges for its programs and by industry sponsorships;
- Averages about 450 conference attendees per year, who come from all 50 states as well as many foreign countries.

For further information regarding CPU activities, please feel free to contact the following CPU staff members.

**Doug Gegax: Electricity Basics Course Administrator**

Doug Gegax is a Professor in the Department of Economics at New Mexico State University – where he has been employed since 1984 – and also serves as the Director with the Center for Public Utilities. Doug teaches graduate and undergraduate economics, econometrics and public utility classes at NMSU. He has over 25 years of extensive experience in the areas of revenue requirements, cost-of-service analysis and rate design as well as integrated resource planning, market structure analysis and electricity restructuring. Doug has provided written and oral testimony for federal and state regulatory agencies, as well as legislative committees, on topics such as electric industry restructuring, cost-of-service analysis and rate design.

Contact Information: dgegax@nmsu.edu  
(575) 646-1903

**Larry Blank: Natural-Gas Basics Course Administrator**

Larry Blank has 16 years of practical field experience in the area of public utility policy and regulation. He is currently an Associate Professor in the Department of Economics, and Associate Director with the Center for Public Utilities, at New Mexico State University. Larry teaches graduate and undergraduate economics and public utility classes at NMSU. He previously served as the Manager of Regulatory Policy & Market Analysis with the Public Utilities Commission of Nevada (PUCN) and as an Economist with the National Regulatory Research Institute. As a consultant, Larry has served government agencies, utility companies, and utility customer clients. He has helped draft extensive rules and regulations and has served as an expert in over 150 rate cases.

Contact Information: Larryb@nmsu.edu  
(575) 642-6148
The Center Sponsors provide invaluable financial support to the Center which helps cover expenses associated with conducting courses and conferences. We wish to thank our Center Sponsors listed below – along with each entity’s representative to the CPU – for their invaluable support. If you are interested in becoming a Center Sponsor or would like more information, please contact Jeanette Walter at jeawalte@nmsu.edu

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  Aldie Warnock, Vice President, External Affairs

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- **National Cable & Telecommunications Association**  
  Roy Lathrop, Director, State Govt. Affairs

- **NIPSCO**  
  David Hadley, Senior V.P., Regulatory Affairs

- **Northwestern Energy**  
  Robert Rowe, President and CEO

- **Oklahoma Gas and Electric**  
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- **ONCOR**  
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- **Pepco Holdings, Inc.**  
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- **Public Service Company of New Mexico**  
  Ron Darnell, Vice President, Reg. Policy

- **Southwest Gas Corp.**  
  John Hester, Senior V.P., Regulatory Affairs

- **The Gee Strategies Group LLC**  
  Robert Gee, President

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- **United Telecom Council**  
  Mike Oldak, V.P. and General Counsel

- **United Water New Jersey**  
  Walton Hill, Senior Vice President

- **U.S. Telecom**  
  Robert Mayer, V.P., Industry and State Affairs

- **Verizon Communications**  
  Kathy Farroba, Vice Pres., State Public Policy

- **Wal-Mart**  
  Steve Chriss, Manager, Rate Proceedings

- **Xcel Services**  
  Gary Lakey, Director, Regulatory Admin.
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 $130 single/$145 double, which includes a full breakfast. To guarantee this rate, you must mention the NMSU Public Utility Basics Conference. Reservations must be received on or before April 22, 2011. All guests should make reservations directly through the hotel’s central reservation department, at 800-325-3535 OR by going on line to: http://www.starwoodmeeting.com/StarGroupsWeb/res?id=1101258551&key=78318. 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.

TRANSPORTATION TO HOTEL: The airport is approximately 9 miles from the Sheraton. Sunport Shuttle Service provides transportation to all major hotels. Information and reservations can be found at http://www.sunportshuttle.com/ Cab fare is approximately $30 one way.

COST: The registration fee is $1295 for company representatives; $1095 for center sponsors, state commissions and all other governmental agencies. The fee covers all instructional materials presented, the reception, transportation to Santa Fe, and coffee breaks. The fee does not include travel, hotel accommodations or meals.

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, Fax: 575-646-6025, E-Mail: cpustaff@nmsu.edu

ENROLLMENT FORM - MAY 2011

REGISTRATION FEE:
$1,295 for Electric, and Natural Gas Companies
$1,095 for Center Sponsors, Commissions, and all other Governmental Agencies

MAKE CHECK PAYABLE TO:
New Mexico State University

MAIL CHECK AND PAYMENT TO:
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NMSU
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I will attend: Electric Course______ Natural Gas Course______