



EUCI Presents a Course on:

Alternative Regulation for Electric and Gas Utilities

June 25 – 26, 2007

WHAT ATTENDEES WILL LEARN

- The basics of AltReg plans
- The advantages and disadvantages of AltReg compared to cost of service regulation
- The range of available AltReg options
- The main issues involved in designing AltReg plans that apply to rates and service quality
- AltReg approaches that encourage infrastructure investment
- Important new developments in revenue decoupling AltReg and AltReg for bundled power services
- Recent and "state of the art" AltReg developments in the US, Canada and throughout the world

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Education

Alternative Regulation for Electric and Gas Utilities

June 25 – 26, 2007

OVERVIEW

Alternative Regulation (AltReg) has become increasingly popular in North America. More than two dozen US States and several Canadian Provinces have adopted some type of AltReg plan for electric or gas utilities. AltReg is also the norm overseas and has been implemented in most countries in Europe, Latin America, and Australia/New Zealand. AltReg can be designed to achieve a number of important regulatory objectives. For example, AltReg plans can reward utilities for good cost and quality performance and discourage bad performance. By linking financial outcomes to company performance, AltReg creates stronger incentives for utilities to manage costs, be innovative, and improve reliability and service quality compared with traditional cost-of-service regulation. A number of recent AltReg plans also establish innovative regulatory approaches for funding and recovering infrastructure investments.

This seminar is designed to give its participants a good understanding of the basics of AltReg. There will be a comprehensive review of the range of AltReg options and the types of plans that have been approved throughout North America. There will be an extensive analysis of the main issues companies need to address when designing AltReg plans for both rates and service quality applications. There will also be a discussion of an innovative "incentive power" model that companies and regulators can use to evaluate and compare regulatory alternatives. In addition, the seminar will consider recent experiences with AltReg in the US and Canada, including revenue decoupling for gas utilities and several plans for bundled power services, as well as "state of the art" developments in leading jurisdictions in North America and throughout the world.

WHO SHOULD ATTEND

The seminar is designed for management and senior level utility personnel, particularly those responsible for ratemaking, regulation and corporate strategy, as well as members of State, Provincial and Federal regulatory agencies. A detailed working knowledge of AltReg is not necessary, although some familiarity with the concept would be helpful. Utilities and regulators that have already adopted AltReg plans are strongly urged to attend and share their views and experiences.

PROGRAM AGENDA

MONDAY, JUNE 25, 2007

Registration and Continental Breakfast: 8:00 – 8:30 a.m.

8:30 - 9:15 a.m.

Overview of Alternative Regulation (AltReg)

- Rationale for AltReg
- Basic features of AltReg
- Comparison of AltReg and cost-of-service regulation
- Advantages of AltReg
- Disadvantages of AltReg
- Important Design Objectives for AltReg
 - Promoting efficient behavior
 - Sharing benefits with customers
 - Creating balanced incentives (e.g. cost containment and maintaining service quality)
 - Infrastructure investment

9:15 - 10:30 a.m.

Range of AltReg Options

- Index-based AltReg
 - Index-based price adjustments
 - Index-based revenue adjustments
- Extended freezes
 - Prices
 - Revenues/customer
- Benchmark AltReg
 - Comprehensive benchmarks
 - Targeted benchmarks
- Cost
- Fuel procurement
 - Service quality
- Earnings sharing and stabilization mechanisms
- AltReg for major capital additions
- Advantages/disadvantages of each AltReg option

10:30 -11:00 a.m. Networking Break

11:00 a.m. - 12:00 p.m.

Rate Adjustment Mechanisms in Index-Based AltReg

- Inflation measures
 - Economy-wide inflation measures (e.g. CPI, GDP-PI)
 - Industry-specific inflation measures
- The "X factor"
 - Importance of industry Total Factor Productivity (TFP) trends
 - Industry input price trends
 - X factor components
 - The consumer dividend/productivity "stretch factor"
- "Z factor" adjustments
 - Taxes
 - Regulatory mandates and policy changes
- Sharing benefits with customers

12:00 - 1:00 p.m. Group Luncheon

(Agenda Continued on Next Page)

Alternative Regulation for Electric and Gas Utilities

June 25 – 26, 2007

MONDAY, JUNE 25, 2007 (CONTINUED)

1:00 - 2:00 p.m.

Service Quality AltReg

- The need for service quality incentives
- Indicators of service quality performance
 - Criteria for selecting
 - Options for indicators
- Service quality benchmarks
 - Company's historical performance
 - Industry standards
 - Controlling for differences in company business conditions
- Evaluating service quality performance
 - Comparing measured and actual quality
 - Controlling for random events on measured quality
- Penalties and rewards for service quality performance
 - Symmetric or asymmetric service incentive plans
 - Adjustments to rates
 - Adjustments to allowed returns

2:00 – 3:00 p.m.

AltReg for Capital Investment

- AltReg for small, continuous capital investments
- AltReg for major capital investments
 - Pre-approval of investment plans
 - Accelerated cost recovery
 - Multi-year forecasts
 - Expected return adjustments

3:00 – 3:15 p.m. Networking Break

3:15 - 4:30 p.m.

Comparing AltReg Options

- Concept of "incentive power" – a tool for comparing AltReg plans
- For a given plan, incentive power model can quantify
 - Expected benefits to shareholders
 - Expected benefits to customers
 - Overall power of incentives created by the plan
- Incentive power and evaluating the feasibility of specific cost containment initiatives under different types of AltReg
- Potential importance to regulators and companies
- Illustrative examples

TUESDAY, JUNE 26, 2007

Continental Breakfast: 8:00 – 8:30 a.m.

8:30 - 9:30 a.m.

Revenue Decoupling for Gas Distributors

- The declining volume per customer issue
- Revenue decoupling basics
- Revenue decoupling design issues
- Recent decoupling precedents

9:30 - 10:30 a.m.

AltReg for Gas Procurement and Revenue/Earnings Stabilization

- Gas procurement AltReg
 - Basics
 - Precedents
- Revenue/earnings stabilization plans
 - Basics
 - Precedents

10:30 - 11:00 a.m. Networking Break

11:00 a.m. - 12:00 p.m.

Recent Developments in AltReg in North America and Throughout the World

- Important and "state of the art" AltReg developments in:
 - Ontario
 - Massachusetts
 - United Kingdom
 - Australia/New Zealand
- Wrap up/potential lessons for participants

Course Adjourns 12:00 p.m.

ABOUT THE INSTRUCTOR

Dr. Lawrence Kaufmann is a **Partner** in the Madison office of **Pacific Economics Group LLC (PEG)**, an economic consulting firm with offices in Pasadena, California and Madison, Wisconsin. His primary responsibilities include developing and undertaking supporting empirical research on performance-based regulation (PBR) and competitive market reforms for energy utilities. He has worked with many leading utilities in North America on these issues. Dr. Kaufmann's specialties include PBR plan design, statistical benchmarking, estimating total factor productivity (TFP), and incentive regulation theory. He is also a specialist on service quality issues. Dr. Kaufmann has testified over 20 times on PBR, AltReg and benchmarking issues.

In addition to his work in North America, Dr. Kaufmann has been active in regulation overseas for a decade. He has advised regulators and electricity distributors, electricity transmission companies, and gas distributors in Mexico, Bolivia, Argentina, Japan, New Zealand, Jamaica, Curacao and the UK. He has also been particularly active in Australia, where he has worked for nearly all of Australia's major energy utilities and several regulatory agencies, including a long-time advisory role to the Essential Services Commission in Victoria. Dr. Kaufmann was also the head of an international consulting consortium for the Bundesnetzagentur (BNetzA), the recently-created energy network regulator in Germany. Dr. Kaufmann advised the BNetzA on international developments in incentive regulation and incorporating the lessons from this experience in Germany's newly-established energy regulation framework.

Dr. Kaufmann is the author or co-author of over twenty publications, including several White Papers on PBR/AltReg and code of conduct issues for the Edison Electric Institute. Before joining PEG, he was a Senior Economist at Christensen Associates. He holds a Ph.D. in Economics from the University of Wisconsin.

COURSE PROCEEDINGS

The proceedings of the Course will be published and one copy will be distributed to each registrant.

CONFERENCE LOCATION

EUCI has reserved a room block at the Radisson Hotel Boston 200 Stuart Street Boston, MA 02116 for the nights of June 24 – 27, 2007. The rate is \$179 single/double occupancy, plus applicable tax. Call (617) 482-1800 for reservations and mention the EUCI Conference to get the group rate. Make your reservations prior to June 4, 2007. Reservations after this date will be on a space available basis and **cannot be guaranteed at the conference rate.**



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REGISTRATION INFORMATION

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All cancellations received on or before May 25, 2007 will be subject to a \$195 processing fee. Written cancellations received after this date will create a credit of the tuition (less processing fee) good toward any other EUCI conference or publication. This credit will be good for six months. In case of conference cancellation, Electric Utility Consultants' liability is limited to refund of the conference registration fee only. For more information regarding administrative policies such as complaint and refund, please contact our offices at (303) 770.8800. **EUCI reserves the right to alter this program without prior notice.**

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- Alternative Regulation for Electric and Gas Utilities Course, June 25-26, 2007 \$1395, **Early Bird Before June 15, 2007: \$1195**

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