

# IPU ONSITE: RATEMAKING AND PERFORMANCE ISSUES

MICHIGAN STATE UNIVERSITY ■ INSTITUTE OF PUBLIC UTILITIES REGULATORY RESEARCH AND EDUCATION

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## Ratemaking and Performance Issues (Dr. David Dismukes)

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Morning 90 min **Rate Design and Policy**

- Consumer choice theory: prices and demand
- Theory of the firm: costs and prices (cost concepts used in pricing)
- Equilibrium and competitive market pricing (how prices get set in theory)
- Market failures, regulation, and pricing (how prices are often set in the real world)
- Pricing and price discrimination in less than perfect markets
- Utility costs in the real world (embedded, marginal, and estimated costs)
- Traditional two-part tariffs (rationale, charges, cost recovery issues, evaluation criteria) - Utility pricing, efficiency, and policy
- Applied rate design as second or “nth” best solution?
- Pricing, technology, & innovation: how do they relate to smart grid?

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90 min **Test Year and Regulatory Lag**

- Definition of a “test year”
- Definition-overview: regulatory lag and prudence
- Regulatory lag as a “good thing” or a “bad thing”
- Forecast test years – costs and demand - Performance and regulatory risk
- Prudence as a “good thing” or a “bad thing”
- Risk relationships: traditional regulation
- Modified/ex ante prudence

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Afternoon 60 min **Arguments Offered for Changing the Existing Paradigm**

- Inflationary pressures and “attrition”
- Capacity development requirements
- Accommodation of new resource requirements (renewables, DSM, etc.) - Modernization and reliability
- Investments to support new end uses (EVs, NGVs)

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60 min **Emerging Methods and Issues Designed to Address Regulatory Lag**

- Revenue decoupling
- Cost trackers and recovery mechanisms
- Performance and incentive regulation
- Risk relationships: alternative forms of regulation

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60 min **Regulatory Innovations and Regulating Innovations**

- Regulatory design challenges & potential remedies
  - Practical issues: filing requirements, timing, dispute resolution, adjudication - Case studies
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**David Dismukes** [dismukes@lsu.edu](mailto:dismukes@lsu.edu). David E. Dismukes is a Professor, Executive Director, and Director of Policy Analysis at the Center for Energy Studies, Louisiana State University. He also serves as a Professor in the Department of Environmental Sciences, and as the Director of the Coastal Marine Institute, both of which are in the School of the Coast and the Environment at LSU. David’s research interests are related

to the analysis of economic, statistical, and public policy issues in energy and natural resources. Over the past 26 years, he has worked in consulting academia, and government service. David has been on the LSU faculty for close to twenty years and has lead a number of the Center's research efforts on energy and natural resource related topics. He speaks regularly to professional, trade, and civic associations on important energy issues, trends, and topics. Dr. Dismukes received his M.S. and Ph.D. in economics from the Florida State University.