

IPUMSU

MICHIGAN STATE UNIVERSITY | INSTITUTE OF PUBLIC UTILITIES Regulatory Research and Education
517.355.1876 | 517.355.1854 fax | ipu.msu.edu | ipu@msu.edu



IPU Ratemaking Course

Sep. 30 to Oct. 2, 2019

A concise and comprehensive introduction to public utility accounting, financing, and pricing to ensure sustainability and protect ratepayers.

Program Agenda - Preliminary

Monday

7:30-8:30 am **Registration and Breakfast**

A full breakfast is provided daily at 7:30 am in the Lincoln Room Hallway.
Daily networking breaks are at 10:00 am and 3:00 pm.

8:15-8:30 am **Welcome and Introductions**

15 min.

Kellogg Center – Lincoln Room (all sessions)

8:30-12:15 pm **Foundations of Public Utility Regulation and Ratemaking**

195 min.

Introduction to the course. System capacity and sustainability. Regulatory policy foundations. Role of accounting. Accounting governance (FASB, GASB). Generally accepted principles and standards. Regulatory accounting vs. GAAP. Uniform systems of accounts (USoA). Financial statements and reports. Regulatory auditing. Ratemaking process and key steps. Revenue requirement formulas (public, private). Test year periods for rates. Standards of review. Case-study overview.

12:15-1:30 pm Lunch at the Brody Hall Cafeteria (provided)

1:30-5:15 pm **Balance Sheet, Capital Expenditures, and Rate Base (Capex)**

195 min.

Balance sheet overview. Capital planning and asset management. Certificates of need and preapproval. Utility plant in service. Contributed capital (CIAC). Funds for construction (AFUDC, CWIP). Asset valuation. Acquisition adjustments. Plant service lives. Accumulated depreciation. Deferred income taxes. Working capital. Reserve accounts. Regulatory assets and liabilities. Deriving the rate base. Rate-case scenarios.

5:30-6:30 pm **Welcome Reception**

Tuesday**8:30-12:15 pm Income Statement, Revenues, and Expenses (Opex)**

195 min.

Income statement overview. Sales revenues by customer class. Nonrevenue production. Operating revenues. Operating expenses. Salaries, wages, and pensions. Expenses by function. Disallowed expenses. Depreciation expense. Income and other taxes. Cost-adjustment mechanisms (trackers). System improvement charges. Financial auditing. Management auditing. Rate-case scenarios.

12:15-1:30 pm Lunch at the Brody Hall Cafeteria (provided)

1:30-5:15 pm Cash Flow, Debt and Equity Financing, and Revenue Requirements

195 min.

Cash-flow statement overview. Funding vs. financing. Utility ownership structures. Corporate governance and accountability. Financial regulation and reporting. Risk factors and disclosure. Capital structure (debt and equity). Debt financing and credit ratings. Equity financing and capital markets. Cost of equity methods. Weighted cost of capital. Authorized rates of return. Regulatory lag and performance incentives. Financial metrics and ratios. Revenue requirements and adjustments. Revenue conversion factors. Rate-case scenarios.

Wednesday**8:30-12:30 pm Tariffs, Cost Allocation, Rate Design, and Consumer Policies**

195 min.

Rate schedules (tariffs). Role of price and policy criteria. Full-cost concepts. Price elasticity of demand. Cost-of-service studies. Functionalization and classification. Cost allocation by class. Price differentiation and subsidy. Metering and billing. Fixed and variable charges. Rate-design alternatives. Bill calculation and impact. Revenue risk and assurance mechanisms. Consumer rights and responsibilities. Affordability and assistance. Implementing rate changes. Rate-case scenarios.

12:30 pm **Program Adjourns**



College of Social Science
MICHIGAN STATE UNIVERSITY

IPU Ratemaking Course 2019

Sep. 30 to Oct. 2, 2019 | Kellogg Center, MSU

Program Faculty



Mr. Danny Kermode (dkermode@wutc.wa.gov) is the Assistant Director for Water and Transportation at the Washington Utilities and Transportation Commission. Mr. Kermode has more than thirty years of accounting experience. Previously, as a Senior Energy Policy Advisor, he reviewed and analyzed technical information and regulatory policy issues while providing advice on current and emerging energy issues. He has been a program faculty member for the Institute of Public Utilities' Annual and Advanced Regulatory Studies Programs. He has worked on a number of international peer-to-peer projects for USAID. Mr. Kermode has appeared as an expert witness in numerous contested cases, presenting financial, income tax, and accounting issues. He has also published several research papers. Mr. Kermode holds a Bachelor of Science degree in Accounting from Arizona State University and is a Certified Public Accountant.



Dr. Janice Beecher (beecher@msu.edu) has served as IPU Director since 2002, bringing more than thirty years of applied research experience to the position. Her areas of interest include regulatory principles, institutions, governance, and pricing and she specializes in the water sector. She is a frequent author, lecturer, and participant in professional forums and Editor of the journal *Utilities Policy* (Elsevier). She co-authored the book *Risk Principles for Public Utility Regulators* (MSU Press). Dr. Beecher is presently serving on the U.S. EPA's Environmental Finance Advisory Board and has served as an appointed advisor to the State of Michigan on infrastructure and water policy. She previously held positions at The Ohio State and Indiana Universities and the Illinois Commerce Commission. She is a faculty member in MSU's Department of Political Science and holds a Ph.D. in Political Science from Northwestern University.

IPUMSU

MICHIGAN STATE UNIVERSITY | INSTITUTE OF PUBLIC UTILITIES Regulatory Research and Education
517.355.1876 | 517.355.1854 fax | ipu.msu.edu | ipu@msu.edu

IPU Ratemaking Course 2019

Sep. 30 to Oct. 2, 2019 | Kellogg Center, MSU

Program Notes

Internet access

Free internet access is available throughout the Kellogg Center using the login MSUnet Guest.

Accessing program materials

Presentations and supplemental materials are available to all attendees. Please navigate to the attendee link on the program web page and enter the program password: _____.

Submitting questions during the program

Program attendees are encouraged to ask clarifying questions at any time. To queue up a question for speakers from your phone, tablet, or computer, visit www.sli.do and enter event code #_____. Downloading the sli.do app is optional.

Continuing education credits

If you would like IPU-MSU to certify your attendance for continuing education purposes, please complete the personal attendance form and turn it in at the conclusion of the program. IPU programs are NASBA-approved for Continuing Professional Education (CPE) credits in accounting. For Continuing Legal Education (CLE) credits and others, attendees must submit application materials to their certifying body.

IPU will provide a confirmation letter and certificate based on reported attendance and program hours. All attendees will earn credit toward IPU's Certificate of Continuing Regulatory Education. Please visit ipu.msu.edu/ccre for details.

Evaluation forms

IPU is committed to continuous improvement and your feedback is very important to us. Please complete the daily and overall evaluation forms, which can be accessed through the attendee link on the program web page.

Copyright notice

Program materials are copyrighted and intended only for use by registered attendees. Please do not distribute by electronic or other means or cite without permission.



College of Social Science
MICHIGAN STATE UNIVERSITY