



IPU Accounting and Ratemaking Course

March 12-14, 2024

INSTITUTE OF PUBLIC UTILITIES

MICHIGAN STATE
UNIVERSITY

About the IPU-MSU

- Institute of Public Utilities
 - ▶ Serving the regulatory policy community since 1965
 - ▶ Thousands of domestic and international program alumni
 - ▶ A national network of experienced experts in regulation
 - ▶ Financially self-sustaining at Michigan State University
- IPU's mission
 - ▶ To support informed, effective, and efficient economic regulation of electricity, natural gas, water, and broadband
- Integrative educational programs and research
 - ▶ A principled approach to regulatory practice
 - ▶ An empirical approach to regulatory analysis
 - ▶ A reasoned approach to regulatory reform
- We teach the “ideal” of economic regulation in the public interest
 - ▶ Interdisciplinary theory, regulatory institutions and culture, and critical thinking
 - ▶ Commitment to lifelong learning and appreciating what we do not know
 - ▶ Our purpose is not to formulate answers – but to help form good questions
 - ▶ Objective – but not unopinionated

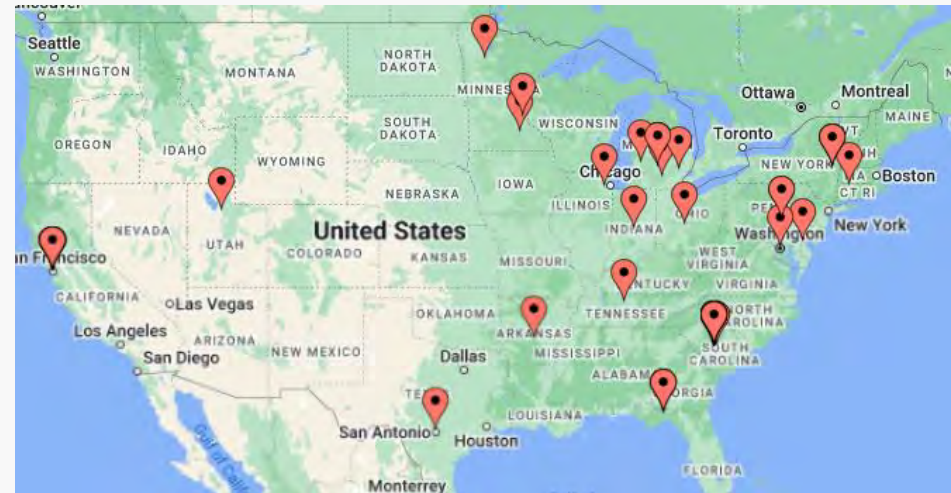


Welcome!

- Welcome to this live online learning experience
 - ▶ Thanks for being part of our community and joining us today
 - ▶ We recommend closing other screens and turning off notifications
 - ▶ Enjoy the relaxed dress code and remember to stretch, stand, and hydrate!
- We hope to give you a positive and interactive experience
 - ▶ Feel free to raise your hand to ask a question (clarifying or otherwise) at any time
 - ▶ Use the chat function for questions or comments during the program
 - ▶ For help, contact Erin West via the Q&A, erinwest@msu.edu, or 517-355-1876
- A few program notes
 - ▶ Accessing course materials
 - ▶ Polls and practical exercises
 - ▶ Certificates of attendance
 - ▶ Course evaluation forms
 - ▶ Continuing education credits
 - ▶ Opening code word: _____
- Schedule
 - ▶ From 10 Noon to 5 pm Eastern Time Zone Tu-Th (ending at 1 pm Thursday)
 - ▶ Four 80-min. modules with lunch from 1-2 pm and 20-min. breaks at 11:20 and 3:20

Poll 1: Where do you work?

- State commissions and agencies
- Federal commissions and agencies
- Consumer and environmental advocates
- Public utility providers – investor-owned
- Public utility providers – public or cooperative
- Law and consulting firms
- Universities
- Other



Q. Use the **chat** function to introduce yourselves – who and where are you?

Poll 2: What is your role?

- Commissioner
- Accountant or financial analyst
- Economist or policy analyst
- Engineer or technical analyst
- Attorney or law judge
- Manager
- Advisor
- Consultant
- Educator
- Other

Program learning objectives

- To understand the core principles, concepts, and methods of ratemaking
- To understand the policies, procedures, and processes that guide ratemaking
- To understand the elements of utility revenue requirements and tariffs
- To understand ratemaking goals and issues from different perspectives
- To understand ratemaking and rate oversight through interactive exercises

Q. Use the **chat** function to tell us what you hope to learn – what is your “burning issue” when it comes to utility ratemaking?

Introduction to the course

- Utility accounting and ratemaking are challenging
 - Our goal is to make ratemaking practice more accessible and understandable by unlocking the secret language of ratemaking
 - Course centers on the state regulatory paradigm, but concepts and methods are broadly applicable to and used by locally regulated utilities
 - Many important topics, issues, and methods cannot be covered in detail here
 - Many issues and methods will make more sense with experience (next time around)
 - *Ratemaking* is not an exact science
- Course materials (see links)
 - Presentations, spreadsheets, and supplemental materials (including the case)
 - All course materials are for use by registered attendees only (not for sharing)
 - Materials have been edited – original sources should be consulted
 - Some slides are designated as primarily for information purposes ⓘ
- The case study
 - Why a water case and why York Water?
 - Relevance to energy utilities
 - Policy and regulatory orientation

Overview

- About the instructors and our community of participants
 - ▶ Janice Beecher, Ph.D., Professor and Resident Fellow, IPU-MSU
 - ▶ Danny Kermode, CPA, Retired, Washington Utilities and Transportation Commission
- Course modules (half day each)
 - ▶ Part 1. Foundations of public utility accounting and ratemaking
 - ▶ Part 2. Balance sheet, capital expenditures, and rate base (CAPEX)
 - ▶ Part 3. Income statement, revenues, and operating expenditures (OPEX)
 - ▶ Part 4. Cash flow, debt and equity financing, and revenue requirements
 - ▶ Part 5. Cost allocation, rate design, tariffs, and consumer policies



Upcoming IPU-MSU Programs

- **IPU Annual Regulatory Studies Program: Fundamentals Course**
 - August 12-16, 2024
- **IPU Power Grid School**
 - Dates coming soon

