

## Course Description



# Marginal Costing for Electric Utilities: A NERA Course

*Los Angeles, CA — 8-10 November 2004*

The Fall 2004 session of NERA's annual seminar on the details of estimating the marginal costs of electricity service, now in its 23rd year, has been scheduled for 8–10 November in Los Angeles.

### **WHY ATTEND?**

In today's competitive world, electric utilities need to know what their marginal costs are, both for pricing purposes and for strategic planning of all sorts, including implementation of retail access, profitability analysis, evaluation of demand-side options, design of incentive rates and special contracts and development of marketing plans. Utility regulators need to use marginal cost information to evaluate the utility's proposals.

### **WHO SHOULD ATTEND?**

The Marginal Costing Course is designed for utility and regulatory personnel who have some familiarity with utility cost analysis and/or pricing. It will be particularly useful for managers and staff in the pricing, cost-of-service, planning, marketing and regulatory departments.

### **WHAT IS COVERED?**

NERA's Marginal Costing Course provides both theoretical background on estimating marginal costs and practical tools for applying the general costing principles.

Course topics include:

- Marginal costs and profitability;
- Costing unbundled services;
- Calculation of hourly marginal costs;
- New approaches to distribution cost estimation; and
- Effect of RTO rules on marginal generation & transmission costs.

The instructors use numerous specific examples of actual marginal cost studies and challenge participants with a number of numerical exercises to reinforce the lessons.



## AGENDA

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### Monday, 8 November, 2004

7:30 a.m. - 8:00 a.m.	Breakfast
8:00 a.m. - 10:00 a.m.	Introduction to Marginal Cost Theory and Applications
10:00 a.m. - 11:00 a.m.	Overview of NERA Approach
11:00 a.m. - 12:00 p.m.	Generation Marginal Costs in Various Market Structures
12:00 p.m. - 1:00 p.m.	Lunch
1:00 p.m. - 3:00 p.m.	Generation Costs (continued)
3:00 p.m. - 4:00 p.m.	Economic Carrying Charges

### Tuesday, 9 November, 2004

7:30 a.m. - 8:00 a.m.	Breakfast
8:00 a.m. - 12:00 p.m.	Transmission and Ancillary Services and Applications
12:00 p.m. - 1:00 p.m.	Lunch
1:00 p.m. - 4:00 p.m.	Distribution Costs

### Wednesday, 10 November, 2004

7:30 a.m. - 8:00 a.m.	Breakfast
8:00 a.m. - 10:00 a.m.	Other Expenses and Overheads
10:00 a.m. - 11:00 a.m.	Marginal Losses
11:00 a.m. - 12:00 p.m.	Costing Periods and Summary Tables
12:00 p.m. - 1:00 p.m.	Lunch
1:00 p.m. - 2:00 p.m.	Costing New Services
2:00 p.m. - 3:00 p.m.	Introduction to Marginal Cost-Based Pricing
3:00 p.m.	Adjournment



### **COURSE LOCATION**

The course sessions will be held at:

**Los Angeles Department of Water & Power**  
111 N. Hope Street  
Los Angeles, CA 90012  
A Level—The Los Angeles Room

### **HOTEL LOCATION**

**Omni Los Angeles Hotel at California Plaza**  
251 South Olive Street  
Los Angeles, CA 90012

The hotel is in downtown Los Angeles, approximately 20 minutes from the Los Angeles International Airport. The fixed taxi fare is \$35. The Super Shuttle fare from LAX is approximately \$15 ([www.supershuttle.com](http://www.supershuttle.com)). The hotel is within walking distance of LADWP and a wide variety of shops and restaurants, museums and entertainment, including Staples Center, the Music Center and the new Walt Disney Hall.

### **COST**

The cost of the course is \$2,500, which includes attendance at the class, course materials, breakfasts and lunches.

Payment must be received by October 8, 2004. Cancellation prior to October 8th will result in a full refund. **Cancellation after October 8th will result in a \$500 cancellation fee.** Substitutions may be made at any time.

### **COURSE RESERVATIONS**

Class size will be limited to facilitate group participation, so please reserve early. To reserve your place at the course, please call or fax, mail or e-mail your **registration form** to Jacqueline Gonzalez no later than October 8th, 2004.

**NERA Economic Consulting**  
777 South Figueroa Street  
Suite 4200  
Los Angeles, CA 90017

Phone: 213.346.3036 · Fax: 213.346.3030 · E-mail: [jacqueline.gonzalez@nera.com](mailto:jacqueline.gonzalez@nera.com)

### **HOTEL RESERVATIONS**

We have arranged for a special rate of \$110/single or double occupancy (plus tax) per night. Parking is \$24 per day. To reserve your hotel room, call or e-mail Mary Buckley, our Sales Manager, at the Omni Los Angeles Hotel at California Plaza.

Phone: 213.356.4129 · E-mail: [mbuckley@omnihotels.com](mailto:mbuckley@omnihotels.com)



### **INSTRUCTORS**

**HETHIE S. PARMESANO, Ph.D.**, is a Vice President in NERA's Los Angeles office. Dr. Parmesano holds a doctorate in economics from Cornell University. Since joining NERA, she has concentrated on studies of the electric, gas and water industries. She has conducted numerous marginal cost and rate design studies and has testified widely on these issues. Dr. Parmesano has worked on electric industry restructuring projects in the U.S., Canada, Mexico, U.K., Ireland, Greece, Kenya, Argentina, Brazil, Spain, El Salvador and India. She has also worked in various areas of technical and strategic planning for electric utilities and has prepared damage studies for negligence and antitrust cases. Dr. Parmesano directs NERA's Marginal Cost Working Group.

**AMPARO NIETO** is a Consultant at NERA's Los Angeles office. Ms. Nieto holds a Master's Degree in Economic Analysis and Public Finance from the Fiscal Studies Institute in Madrid, Spain. At NERA, Ms. Nieto specializes in electricity and gas marginal cost studies, electricity tariff policy reform, transmission pricing, distribution rate design, incentive regulation programs and retail pricing strategy in restructured markets. Ms. Nieto has advised numerous regulatory entities, governments and energy companies in the United States, Europe and Latin America. She has trained regulatory staff on marginal costing, rate design and computation of utility revenue requirements. In addition, Ms. Nieto has advised on the design of electricity wholesale market rules and energy contracts in Spain, Argentina and Kenya. Ms. Nieto is a participant in NERA's Marginal Cost Working Group.

### **ON-SITE SESSIONS**

NERA also offers private seminars for individual clients. If you would like information about hosting a session at your company or agency, please contact:

**Dr. Hethie Parmesano**, *Vice President*  
Phone: 213.346.3010 · E-mail: [hethie.parmesano@nera.com](mailto:hethie.parmesano@nera.com)

### **OTHER NERA TRAINING PROGRAMS**

For an overview of NERA's training programs, visit:  
[www.nera.com/Publication.asp?p\\_ID=2131](http://www.nera.com/Publication.asp?p_ID=2131)

For information on NERA's Rate Case Workshops, visit:  
[www.nera.com/Publication.asp?p\\_ID=2160](http://www.nera.com/Publication.asp?p_ID=2160)