

Advanced Workshop in Regulation and Competition

23rd Annual Eastern Conference

Skytop Lodge
Skytop, Pennsylvania, May 19–21, 2004

The Conference features some of the latest developments in the telecommunications and energy sectors, including:

- & Strategies under Competition and Regulation
- % Governance
- & Shareholder/Investor Issues
- % Risk & Uncertainty
- & Market Response & Dynamics
- % Market Innovation

CENTER FOR
RESearch IN
REGULATED
INDUSTRIES

Who should attend:

- & Industry Economists
- % Marketing and Regulatory Managers
- & Consultants
- % Regulatory Commission Staff

THE STATE UNIVERSITY OF NEW JERSEY
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CENTER FOR RESEARCH IN REGULATED INDUSTRIES

The *Center for Research in Regulated Industries*, located at Rutgers University, aims to further study of regulation in economics, finance, and institutions. Its publications, seminars, workshops, and courses make available the latest advances to academics, managers, and regulatory commission staff. The Center has over twenty-five years of experience providing research, instruction, conferences, courses, seminars, and workshops in economics of network industries. The Center's *Journal of Regulatory Economics* is an international scholarly bi-monthly publication intended to provide a forum for the highest quality research in regulatory economics. Other research from the Center's programs has been published in the book series *Topics in Regulatory Economics and Policy*.

crri@andromeda.rutgers.edu
www.crri.rutgers.edu

Rutgers Business School 180 University Avenue Newark, NJ 07102-1897
973-353-5761 973-353-1348 (fax)

Wednesday, May 19, 2004

- 3:00 - 4:00 Registration
- 4:00 - 6:00 Welcome to Conference: Michael A. Crew
Timothy Brennan: Regulation and Competition as Complements
Subhendu Roy: Is Regulation Making Wireline Telephony Another Railroad Case Study?
- 6:00 - 9:00 Cocktail Hour
 Dinner & Keynote Speech: **Mack Wathen**, Vice President – Regulatory Affairs, Pepco Holdings, Inc.

Thursday, May 20, 20048:00 - 9:40 *Concurrent Sessions***MARKET EVOLUTION I***Library*

Chair: Carlos Candelario
 Discussants: Julie Kelly and J. Douglas Zona
Martijn Kuit: Strategic Actor Behavior and Innovative Regulatory Regimes in Network Industries
Carolyn Gideon: The Potential for Competition in Network Communications Industries

GENERATION*Club Room*

Chair: William Deehan
 Discussants: Timothy McClive & Menahem Spiegel
Timothy Mount & Surin Maneevitjit: Paying for Ancillary Services in Deregulated Markets for Electricity
Kiwan Lee: Optimal Backup and Supplemental Power Pricing in Electricity Markets
Sheldon Switzer: On-site Generation and Pricing Policies for a Local Distribution Company

9:40 - 10:00 Coffee Break

10:00 - 11:40 *Concurrent Sessions***MARKET EVOLUTION II***Library*

Chair: Ted Gerarden
 Discussants: Don Laub
John Karikari: Vertical Integration in Cable Television Services and Raising Rivals Costs
Thomas Lyon & Jing Li: Regulatory Uncertainty and Regulatory Scope
Debra Aron, E. Gerry Keith & Francis X. Pampush: State Commissions Systematically Set UNE Prices Below Costs

SHAREHOLDERS RIGHTS*Club Room*

Chair: Mark Beyer
 Discussants: Carl Klein
James Bohn: Shareholder Litigation in the Utilities Sector
Eric Helland: A Market Test of the Merits of Securities Litigation: Evidence from Reputation of Corporate Officers
J. McDonald, R. Michelfelder, and P. Theodossiou: Robust Estimation with Flexible Parametric Distributions: Estimation of Utility Stock Betas

11:40 - 1:00 Lunch Break

1:00 - 2:30 *Concurrent Sessions***CONTRACTING & RISKS***Library*

Chair: John Mayo
 Discussants: Marc Smith and Howard Spinner
Carl Pechman: Asymmetric Contract Protection in Competitive Electric Markets
Jonathan Lesser: Setting the Return on Equity for Regulated Utilities Under Incentive-Based Regulation
Glenn D. Meyers, David Meskhi & Seth Cohen: Must Investment in the Energy Sector be so Erratic?

RE-RESTRUCTURING*Club Room*

Chair: Ming Mui
 Discussants: John Kelly & Steve Sunderhauf
George Campbell: Are Large Vertically Integrated Utilities as Economically Efficient as Retail Access Markets
David Hunger: Re-bundling in the Electric Power Industry
George Pleat: The Evolving Role of the Energy Agent in the Deregulated Electricity Market

2:30 - 4:00 *Concurrent Sessions***UNIVERSAL SERVICE OBLIGATION***Library*

Chair: Saikat Sen
 Discussants: John Mayo and Agustin Ros
Daniel Ryan: Universal Telephone Service and Rural America
Christopher Garbacz & Herbert Thompson: Universal Service - A World Perspective
Eugene Floyd: The Economic Determinants of Packet Switching Deployment: An Econometric Analysis

COMPETITION & THE ENVIRONMENT*Club Room*

Chair: Dennis Stevens
 Discussants: Michael Plunkett
Eric Helland & Andrew N. Kleit: Estimating the Settlement Process in Environmental Litigation: A Game-Theoretic Approach
Ricardo Moraes & Marcelo Sainlive: The Brazilian Natural Gas Industry and Energy Policy: Promoting Competition and Market Development

4:00 Exercise Break

6:00 - 9:00 Cocktail Hour

Dinner & Keynote Speech: **Michael J. Kelleher**, Senior Vice President, National Grid USA

Friday, May 21, 20048:45 - 10:40 *Concurrent Sessions***COMPETITION & REGULATION**

Chair: David Roddy

Discussants: Matthew Robinson

Karl McDermott & Carl Peterson: An Investigation into the Effect of State Regulatory Policy on Local Telephony**Sarah Eckenrod:** An Empirical Examination of Contestability in Local Exchange Telecommunications**Richard Clarke:** Depreciation Costs Have Been Properly Incorporated into TELRIC*Library***TRADING & VOLATILITY**

Chair: Joseph Bowring

Discussants: Malcolm Ainspan and Pradip Chattopadhyay

Richard Michelfelder & Richard C. Perniciaro: Volatility of Electric Utility Stock Prices: Before and After the Enron Bankruptcy & Wholesale Deregulation**James Reitzes, J. Arnold Quinn & Adam Schumacher:** Regulation, Firm Strategies, and Forward Trading in PJM**Richard Schuler:** Forecasting and Analyzing Hourly New York ISO Load*Club Room*

10:40 - 11:00 Coffee Break

11:00 - 12:40 **SPARKS & SPIKES**

Chair: Colin Loxley

Discussants: Malcolm Ainspan and William Deehan

Steen Videbeck & Graeme Guthrie: High Frequency Electricity Spot Price Dynamics: Intra-Day Markets**Paul R. Kleindorfer & Lide Li:** Spark Spread Options in Electric Power Markets**Timothy Mount & Hyungna Oh:** Evaluating Alternative Ways of Mitigating High Prices in Electricity Markets Using Multi-Agent Simulations*Library*

12:45 - 12:55 Concluding Remarks – Michael A. Crew

12:55 - Lunch

SPEAKERS DISCUSSANTS & CHAIRS**Malcolm Ainspan**, Consultant, ISO New England, Inc.**Michael S. Alexander**, Manager of Energy Projects, Southern California Edison**Mark Beyer**, Manager, Office of the Economist, New Jersey Board of Public Utilities**James G Bohn**, Brattle Group**Joseph Bowring**, Manager of Market Monitoring Unit, PJM Interconnection**Timothy J. Brennan**, Professor of Policy Sciences and Economics, University of Maryland Baltimore County**George Campbell**, Manager - Power Marketing Group, South Carolina Electric & Gas Company**Carlos Candelario**, Assistant Director – Telecommunications, Maryland Public Service Commission**Pradip Chattopadhyay**, Utility Analyst - Electric Division, New Hampshire Public Utilities Commission**Richard N. Clarke**, Director of Economic Analysis, AT&T**William Deehan**, Vice President, Central Vermont Public Service Corporation**Sarah B. Eckenrod**, U.S. General Accounting Office**Eugene Floyd III**, Economic Consultant**Christopher Garbacz**, Director, Economics & Planning Division, Mississippi Public Utilities Staff**Ted Gerarden**, Division of Enforcement, Office of Market Oversight and Investigation, Federal Energy Regulatory Commission**Carolyn Gideon**, Assistant Professor, Fletcher School, Tufts University**Eric Helland**, Council of Economic Advisers**David E. Hunger**, Senior Economist, Federal Energy Regulatory Commission**John A. Karikari**, Assistant Director, US General Accounting Office**Michael J. Kelleher**, Senior Vice President, National Grid USA**John Kelly**, Director of Economics and Research, American Public Power Association**Julie Kelly**, Research Staff Member, Institute for Defense Analyses**Carl Klein**, Manager of Economic Resource Commitment, South Carolina Electric and Gas Company**Paul R. Kleindorfer**, Anheuser Busch Professor of Management Science and Economics, University of Pennsylvania**Andrew N. Kleit**, Professor of Energy, Environmental, and Mineral Economics, Pennsylvania State University**Martijn Kuit**, Researcher, Faculty of Technology, Policy, and Management, Delft University of Technology**Don Lab**, Director of Government Affairs for Telephony, Comcast**Kiwan Lee**, Research Fellow, The Risk Management and Decision Processes Center, University of Pennsylvania**Jonathan Lesser**, Director, Regulated Planning, Vermont Department of Public Service**Lide Li**, Power Team Exelon Corporation**Colin Loxley**, Manager – Process Standards and Development, PSE&G**Thomas P. Lyon**, Visiting Economist, Economic Analysis Group, Department of Justice**John Mayo**, Dean – McDonough School of Business, Georgetown University**Timothy McClive**, Chief Economist, Edison Electric Institute**Karl A. McDermott**, Vice President, NERA**David Meskhi**, Associate, KPMG**Glenn D. Meyers**, Director, FTI Consulting**Richard A. Michelfelder**, Assistant Professor of Finance, Rutgers University, School of Business – Camden**Ricardo Moraes**, Coordinator of Energy and Fuel, Brazilian Ministry of Finance**Timothy Mount**, Cornell University**Ming Mui**, Manager, Electric Market Planning, Long Island Power Authority / KeySpan**Frank Pampush**, Senior Managing Economist, LECG**Carl Pechman**, President, Power Economics**Richard C. Perniciaro**, Director, Center for Business and Regional Research, Atlantic Cape Community College**George Pleat**, Regulatory Affairs Manager, Constellation Energy Source**Michael Plunkett**, Manager, Pricing Strategy, United States Postal Service**James D. Reitzes**, Principal, Brattle Group**Agustin Ros**, Senior Consultant, NERA**Matthew Robinson**, Postal Rate and Classification Specialist, U.S. Postal Rate Commission**David Roddy**, Managing Director, Telecom Practice, FTI Consulting**Subhendu Roy**, Senior Staff Consultant - Financial Planning and Analysis, Verizon**Daniel Ryan**, Network Process Assurance, Verizon Communications**Marcelo Barbosa Sainlive**, Deputy Secretariat, Brazilian Ministry of Finance**Richard E. Schuler, Jr.**, Associate Economist, New York State Department of Public Service**Saikat Sen**, Regulatory Director, Law & Public Policy, AT&T**Marc Smith**, Economist, United States Postal Service**Menahe Spiegel**, Associate Professor, Rutgers University**Howard Spinner**, Director, Economics and Finance Virginia State Corporation Commission**Dennis Stevens**, Principal Economist, United States Postal Service**Steve Sunderhauf**, Manager-Program Design and Evaluation, Pepco Holdings, Inc.**Sheldon Switzer**, Director, Electric Pricing and Tariffs, Baltimore Gas & Electric Company**Herbert Thompson**, Assistant Professor, School of Communication Systems Management, Ohio University**Steen Videbeck**, New Zealand Institute for the Study of Competition and Regulation, Victoria University of Wellington**Mack Wathen**, Vice President – Regulatory Affairs, Pepco Holdings, Inc.**J. Douglas Zona**, Vice President, Cornerstone Research

ORGANIZING COMMITTEE

Eric Ackerman (Edison Electric Institute)
Michael Ambrosio (Deloitte and Touche LLP)
Michael A. Crew (Rutgers University)
Kent Currie (SBC)
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Christopher Garbacz (Mississippi Public Utility Staff)
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Douglas Zona (Cornerstone Research)

CONFERENCE STAFF

Michael A. Crew, Director—CRRI
Conference Chair
Menahem Spiegel, Associate Director—CRRI
Conference Co-Chair
Jeremy T. Guenter, Administrative Assistant—CRRI,
Conference Administrator
Address: Center for Research in Regulated Industries
Rutgers Business School
180 University Avenue
Newark, NJ 07102-1897
Phone: 973-353-5761
Fax: 973-353-1348
Email: mcrew@andromeda.rutgers.edu (Michael Crew)
crri@andromeda.rutgers.edu (Jeremy Guenter)
Website: <http://crri.rutgers.edu>

HOTEL RESERVATIONS

Sufficient Rooms are reserved at the Skytop Lodge for all of the Conference participants. Participants should register for the conference by returning registration forms to Skytop Lodge must be received by April 4, 2004. Hotel reservation can be made through:

Skytop Lodge
One Skytop
Skytop, PA 18357-1099
Phone: 1-800-617-2389 or 1-570-595-7401
Fax: 1-570-595-9691
http: www.skytop.com

REGISTRATION INFORMATION

To Register: Please complete and return the form below. Registrations are accepted by mail, email, fax, and telephone. Please confirm telephone registrations by sending in a completed and signed registration form. The deadline for registrations is April 9, 2004. Registrations received after April 9, 2004, will be admitted on a space available basis.

Volume discount: Second and subsequent applications received in the same envelope, fax, email, or made at the same time by phone will receive a 5% volume discount.

Payment Information: Make checks payable to “**Rutgers University**” and mail to the attention of **Jeremy Guenter** at the above address. Fees include prescribed learning materials, receptions and coffee breaks, but do not include lodging and meals. All persons that do not stay at the Skytop Lodge will be required to pay for meals separately. The government registration fee is available for government employees.

REGISTRATION FORM: 23rd Annual Eastern Conference

Name: _____
Title: _____
Company: _____
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Billing Information:

Payment enclosed \$840.00 U.S. Dollars.
 Send invoice to participant at above address.
 Send invoice to _____
 Credit Card: VISA MC Exp. ____/____

GOVERNMENT RATE: Government employees may apply for reduced enrollment fees.
 I would like to apply for the government rate of \$435.00
Card # _____

CANCELLATION POLICY: Until April 9, 2004 cancellation is allowed without penalty and refunds will be allowed in full. After this date, the indicated fee is due in full whether or not the participant actually attends. Substitutions may be made at any time.

Signature of Participant: _____