

Advanced Workshop in Regulation and Competition

15th Annual Western Conference

Embassy Suites, in South Lake Tahoe, California, on June 19–21, 2002

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

- %Future of Distribution
- &Innovations in Pricing and Technology
- %Market Structure
- &Strategies under Competition and Deregulation
- %Incentive Regulation
- %Auctions

Who should attend:

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

CENTER FOR
RESearch IN
REGULATED
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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 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

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

15th Annual Western Conference of the Advanced Workshop in Regulation and Competition

Wednesday, June 19, 2002

3:00 - 4:00 Registration *Emerald/Nevada Room*
 4:00 - 6:00 Welcome to Conference: Michael A. Crew
Cliff Rochlin: Is Electricity a Right?
William Kovacic: Regulation and the Law: The Year in Review
 6:00 - 9:00 Cocktail Hour, *Stanford/Blaisdel Room*
 Dinner, and Keynote Speech: **Commissioner Geoffrey F. Brown**
 California Public Utilities Commission

11:45 - 1:00
 1:00 - 2:30

Lunch Break
Concurrent Sessions

MARKET POWER I *Tallac Ballroom*

Chair: Ray Williams
 Discussants: Gary Stern & Lon Peters

Robert Earle & Karl Schmedders: Conditions for Short-term Efficacy of Price Caps

Steve Ostrover & Mursaleena Islam: Measuring Market Power in Deregulated Electricity Markets - Theory and Application

Carl Pechman: The Regulatory Treatment of Power Costs and Customer Vulnerability to Market Power

Thursday, June 20, 2002

8:00 - 9:45 **Concurrent Session** *Tallac Ballroom/Nevada Room*

PRICING & METERING I *Tallac Ballroom*

Chair: Glenn Vail
 Discussants: Fred Curry, Colin Loxley, & Paul Nelson
Timothy Brennan: Assessing the Benefits of Real-Time Metering

Peter Schwarz, Thomas Taylor & James E. Cochell: Industrial Customer Hourly Response to Electricity Real-Time Pricing: Short-Run and Long-Run

Chris King: Early Results from California's Real-Time Metering Implementation

TELCO REGULATORY REFORM *Nevada Room*

Chair: Larry Potischman
 Discussants: Brenda Kahn & Julie Kelly

Kent Currie: Natural or Unnatural Monopolies? Another Examination of Large ILEC

Carl Danner & G. Mitchell Wilk: The Next Stage of Local Telephone Regulatory Reform

Jino Kim: Issues in Telecommunications Regulatory Reform in Developing Countries

9:45 - 10:00 Coffee Break

10:00 - 11:45 **Concurrent Sessions**

PRICING & METERING II *Tallac Ballroom*

Chair: Anne-Marie Bellard
 Discussants: Carl Linvill
Robert D. Levin: Toward a Broader Definition of Peak Load: Does California Avoided Cost Methodology Undervalue Energy Efficiency?

Kevin Coughlan: A 20/20 Ex Post Look at California's: 20/20 Rebate Program

Mehdi Danesh and Steve Jack: Evaluation of SDG&E 20/20 Rebate Electric Conservation Program

DEREGULATION & EFFICIENCY *Nevada Room*

Chair: John Sumpter
 Discussants: Matthew Robinson, Scott Orloff & Kevin O'Meara
Michael A. Crew & Paul R. Kleindorfer: The Legacy of Deregulation: Where Do We Go from Here?

Stathis Kostopoulos, Shane Chapman & Brian Thomas: Efficient Rate Structures in Water Wholesale Markets

James Prieger: The Supply Side of the Digital Divide: Is There Redlining in the Broadband Internet Access Market?

2:30 - 4:00

DEFAULT SERVICE RISK *Nevada Room*

Chair: Richard Burdette
 Discussants: Michael Rothkopf

Hung-Po Chao: Risk Management in Electricity Market Design

Jeremy Bloom: Issues in Risk Management for Distribution Companies

John Jurewitz: Challenges in Designing Default Retail Electric Service

Concurrent Sessions

MARKET POWER II *Tallac Ballroom*

Chair: Keith Switzer
 Discussants: Jasmin Ansar, Johannes Van Lierop & Robin J. Walther

Robert Michaels: Measuring and Mitigating Market Power in Electricity: How Superior Is Supply Margin Analysis?

Jing Chen: Reserve Margin Requirements Necessary to Promote Workable Competition

Doug Hale & Thomas Overbye: Some Costs of Reliability Limits on Electricity Trade

AUCTIONS *Nevada Room*

Chair: Michael Crew
 Discussants: David Mandy & Barry Huddleston

David Salant: Recent Developments in Simultaneous Auctions: Clocks Auctions

Gregory Duncan: Valuation of Previously Auctioned Properties: A Hedonic Approach to Valuing Radio Spectrum

Exercise Break

4:00

15th Annual Western Conference of the Advanced Workshop in Regulation and Competition

Friday, June 21, 2002

- 8:45 - 10:40 *Concurrent Sessions*
- ROR vs. PBR** *Nevada Room*
 Chair: Richard Burdette
 Discussants: Richard Clarke, Tom Frantz & Paul Hunt
Ron Knecht: Cost of Capital: Next Steps to Getting It Right
Jan Reid: Is the CAPM a Biased Estimator of Market Risk?
Larry Blank: A Yardstick Competition Model: For Performance-Based Regulation Benchmarks
- DEMAND** *Emerald Room*
 Chair: Yasuji Otsuka
 Discussants: David Mandy & Bob Jacob
Christopher Garbacz & Herbert Thompson: Demand for Local Telecommunications Network Access: 1970-2000
Wesley Wilson & Jeremy Zhou: Costs, Efficiency, and Heterogeneity in the Telephone Industry
- 10:40 - 11:00 Coffee Break
- 11:00- 12:55 Chair: Steve Keehn *Emerald/Nevada Room*
 Discussants: Art Altman, Greg Eastman, & Dennis Keane
David Gamson: A California Conundrum: Tradeoffs Among Rates, Reliability and the Environment During CA's 2000-2001 Energy Crisis
James Bushnell, Erin Mansur, & Celeste Saravia: A Cross-Market Analysis of the Performance of U.S. Electricity Markets
Mark Reeder: Merchant Transmission, Market Failure, and the Uneasy Interplay Between Regulated Providers
- 12:55 - 1:00 Closing Remarks—Michael A. Crew

SPEAKERS DISCUSSANTS & CHAIRS

Art Altman, Manager of Asset Valuation and Risk Management, EPRI
Jasmin Ansar, Manager, Pacific Gas & Electric
Anne-Marie Bellard, Economist, Public Utilities Commission of Nevada
Larry Blank, President and Chief Consultant, TAHOEconomics, LLC
Jeremy A. Bloom, Principal, Knowledge Development, Primen
Geoffrey F. Brown, Commissioner – California Public Utilities Commission
Timothy J. Brennan, Professor of Policy Sciences and Economics, University of Maryland Baltimore County
Richard Burdette, Manager – Resource and Market Analysis, Public Utilities Commission of Nevada
James Bushnell, Professor, UC Berkeley & California Energy Institute
Hung-Po Chao, Area Manager-Policy and Risk Analysis, EPRI
Shane Chapman, Program Manager, Metropolitan Water District
Jing Chen, Economist, Department of Market Analysis, California ISO
Richard Clarke, Director of Economic Analysis, AT&T
James E. Cochell, Senior Economist, Rate Department, Duke Power, A Division of Duke Energy Corporation
Michael Crew,
Kent Currie, Manager-Economic Analysis, SBC
Fred Curry, Chief, Water Advisory Board, California Public Utilities Commission
Mehdi Danesh, Senior Pricing Analyst, San Diego Gas and Electric

SPEAKERS, DISCUSSANTS & CHAIRS (CONT)

Carl R. Danner, Consultant, Wilk & Associates/LECG, LLC.
Gregory M. Duncan, Senior Vice President, National Economic Research Associates
Robert L. Earle, Principal, Charles River Associates Inc.
Greg Eastman, Manager, Cornerstone Research
Tom Frantz, Chief Economist, New Hampshire Public Utilities Commission
David Gamson, Advisor of Commissioner Brown, California Public Utilities Commission
Christopher Garbacz, Director, Economics & Planning Division, Mississippi Public Utilities Staff
Barry Huddleston, Dynegey
Paul Hunt, Manager of Regulatory Finance and Economics, Southern California Edison
Bob Jacob, Sprint
John L. Jurewitz, Manager-Regulatory Policy, Southern California Edison
Brenda Kahn, District Manager-Local Services and Access Management, AT&T
Dennis Keane, Senior Analyst, Pacific Gas & Electric
Steve Keehn, Policy Manager, Sempra Energy
Julie Kelly, Research Associate, Institute for Defense Analyses
Jino Kim, Economist, Econ One Research, Inc.
Chris King, Executive Director, American Energy Institute
Paul R. Kleindorfer, Professor, University of Pennsylvania
Ron Knecht, Public Utilities Commission of Nevada
Stathis Kostopoulos, Senior Resource Specialist, Metropolitan Water District
William E. Kovacic, General Counsel, Federal Trade Commission
Robert D. Levin, Principal Regulatory Analyst - Regulatory Analysis Department, Pacific Gas & Electric
Carl Linvill, Energy Advisor to Governor Guinn and Director of the Nevada State Office of Energy
Colin Loxley, Director – Resource Planning, PSE&G
David Mandy, Professor of Economics, University of Missouri
Robert J. Michaels, Professor of Economics, California State University at Fullerton
Paul Nelson, Consultant, Southern California Edison
Kevin O'Meara, Senior Economist, Public Power Council
Scott Orloff, Consultant, PricewaterhouseCoopers
Steve Ostrover, Senior Consultant, Econ One Research, Inc.
Yasuji Otsuka, Economist, Public Utilities Commission of Nevada
Thomas J. Overbye, Professor, University of Illinois at Urbana-Champaign
Carl Pechman, President, Power Economics
Lon L. Peters, President, Northwest Economic Research, Inc.
Larry Potischman, Economist, Verizon
James E. Prieger, Assistant Professor, University of California at Davis
Mark Reeder, Chief of Regulatory Economics, New York State Department of Public Service
Jan Reid, California Public Utilities Commission
Matthew Robinson, Postal Rate & Classification Specialist, U.S. Postal Rate Commission
Cliff B. Rochlin, Market Consultant, Southern California Gas Company
Michael Rothkopf, Professor, Rutgers Business School, Rutgers University
David Salant, Senior Vice President, National Economic Research Associates
Karl Schmedders, Professor, Northwestern University
Peter M. Schwarz, Professor of Economics, Belk College of Business Administration, University of North Carolina at Charlotte
John Sumpter, Vice President – Regulatory, Pac-West Telecomm, Inc.
Gary Stern, Director of Market Monitoring and Analysis, Southern California Edison
Keith Switzer, Special Projects/Tariff Manager, Southern California Water Company
Thomas Taylor, Senior Economist, Rate Department, Duke Power, A Division of Duke Energy Corporation
Glen Vail, Financial Analyst, Southern California Edison
Johannes Van Lierop, Director of Regulatory and Business Analysis, Southern California Gas Company
Robin J. Walther, Independent Consultant
Ray Williams, Manager-Hydro Divestiture Project, Pacific Gas & Electric
Wesley W. Wilson, Associate Professor of Economics, University of Oregon
Jeremy Zhou, Associate Professor of Economics, Aomori Public College

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ORGANIZING COMMITTEE

Jasmin Ansar (Pacific Gas and Electric)
 Jeremy Bloom (EPRI)
 Michael A. Crew (Rutgers University)
 Fred Curry (California Public Utilities Commission)
 David Gamson (California Public Utilities Commission)
 Christopher Garbacz (Mississippi Public Utility Staff)
 John Jurewitz (Southern California Edison)
 Dennis Keane (Pacific Gas & Electric)
 Carl Pechman (Power Economics)
 Cliff Rochlin (Southern California Gas)
 David Salant (National Economics Research Associates)

CONTACTING CRRI

Home Page: <http://crri.rutgers.edu>
 Address: Center for Research in Regulated Industries
 Rutgers Business School, Rutgers University,
 180 University Avenue
 Newark, NJ 07102-1897
 Phone: 973-353-5761
 Fax: 973-353-1348
 Email: mcrew@andromeda.rutgers.edu (Michael Crew)
schuh@andromeda.rutgers.edu (Joseph Schuh)
crri@andromeda.rutgers.edu (Jeremy Guenter)

HOTEL RESERVATIONS

Sufficient Rooms are reserved at the Embassy Suites for all of the Conference participants. Participants should register for the conference by returning registration forms to Embassy Suites. Reservations must be received by June 5, 2002. Hotel reservation forms can be downloaded from the internet at:

<http://crri.rutgers.edu/ws/>

Embassy Suites
 4130 Lake Tahoe Blvd.
 South Lake Tahoe, CA 53544-7643

Phone: 530-544-5400

<http://www.embassytahoe.com>

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REGISTRATION FORM: 15th Annual Western Conference

Name _____

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Billing Information:

- Payment enclosed \$855.00 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 \$465

Card # _____

CANCELLATION POLICY: Until May 8, 2002 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: _____