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

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.

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973-353-5761 é 973-353-1348 (fax)
Wednesday, June 19, 2002

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

11:45 - 1:00 Lunch Break

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

**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

2:30 - 4:00 Concurrent Sessions

**MARKET POWER II** Tallac Ballroom
Chair: Keith Switzer
Discussants: Jasmin Ansar, Johannes Van Lierop & Robin J. Walther
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
# 15th Annual Western Conference of the Advanced Workshop in Regulation and Competition

**Friday, June 21, 2002**

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

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Jasmin Ansar, Manager, Pacific Gas & Electric
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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

## Program Chairs

**11:00-12:55 Chair: Steve Keehn**

**10:40 - 11:00 Coffee Break**

**8:45 - 10:40 Concurrent Sessions**

### ROR vs. PBR

- **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

- **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

### Closing Remarks

- **Closing Remarks** – Michael A. Crew
**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)

**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 95264-7614

Phone: 530-544-5400  
http://www.embassytahoe.com

**REGISTRATION INFORMATION**

To Register: Please complete and return the form on the back page. 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 May 8, 2002. Registrations received after May 8, 2002, 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 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, dinner on Wednesday night, June 19, all receptions and coffee breaks, but do not include lodging and other meals. The government registration fee is available for government employees.

**REGISTRATION FORM: 15th Annual Western Conference**

Name:  
Title:  
Company:  
Complete Address:  

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Fax:  
Email:

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: ________________________________________________________________

**CONTACTING CRRI**

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