

Advanced Workshop in Regulation and Competition:

NETWORK INDUSTRIES IN TRANSITION

11th Annual Western Conference

Double Tree Hotel, Monterey, California • July 8–10, 1998

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

- Innovations in Pricing and Technology
- Restructuring and Stranded Assets
- Strategies for Competition
- Incentive Regulation

Who should attend?

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

Updated Program!

CENTER FOR RESEARCH IN REGULATED INDUSTRIES

THE STATE UNIVERSITY OF NEW JERSEY
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The *Center for Research in Regulated Industries*, located at Rutgers University, aims to further the study of regulation by research 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 almost twenty years of experience providing research, instruction, conferences, courses, seminars and workshops in the 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.

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ELEVENTH ANNUAL WESTERN CONFERENCE

Wednesday, July 8, 1998

- 4:00 - 4:30 **Welcome to Conference**—Michael Crew
(*Bonsai Ballroom*) **Barbara Cherry and Steve Wildman:** On the Subject of Stranded Costs
- 4:30 - 6:00 **William E. Kovacic:** Regulation, Competition, and the Law: The Year in Review
- 6:00 - 9:00 **Cocktail Hour, Dinner & Speech:**
(*Portola Room*) **Richard A. Bilas,** President, California Public Utilities Commission

Thursday, July 9, 1998

- 8:00 - 9:35 **Concurrent Sessions**
- UNIVERSAL SERVICE** (*Bonsai I*)
Chair: David Pitcher
Discussants: Kent Currie, Robert Lane, and William M. Takis
David Salant: Universal Service Provision: A Summary of Issues Facing US Regulators
Jeff Colvin and Michael D. Bradley: The Cost of the Universal Service Obligation: US Postal Service
Kenneth Rose: Jump Starting Electric Retail Competition for Small Customers while Short Circuiting Horizontal Market Power
- PERFORMANCE UNDER** (*Bonsai II*)
RESTRUCTURING
Chair: Elliot Roseman
Discussant: Barry B. Douglas, James Forcier, and John L. Scadding
Cliff B. Rochlin and Roger Clayton: Conflicting Incentives: Investment in Electricity Transmission
Mark Reeder: Market Power Analysis and Market Size
Paul D. Nelson: Impacts of Electricity Industry Restructuring on Transaction Costs
- 11:30 - 1:00
1:00 - 2:30
- 9:35 - 9:55 Coffee Break
- 9:55 - 11:30 **Concurrent Sessions**
- RETAIL** (*Bonsai I*)
Chair: Jerry Brooks
Discussants: Dennis M. Keane, Kevin O'Meara, and Glenn Vail
Hung-Po Chao and Shmuel Oren: An Illusory Market for Load Profile Pricing
Ahmad Faruqui and Ken Seiden: Anticipating Competitor Response in Retail Electricity Price Design
Laurna J. Hansen: DoD's Procurement Options and Business Strategy under a Deregulated Electric Utility Market

- PRICE CAPS/PBR** (*Bonsai II*)
Chair: Mark P. Sweeney
Discussants: Cameron Kashani and Larry D. Schelhorse
Paul T. Hunt: Why Performance-Based Regulation Mechanisms Cannot Be Evaluated By "X" Alone
Carl H. Silsbee: The Evolution of Utility Performance Based Ratemaking Mechanisms
Paul Richards and Jeremy Turk: Telecommunications in Transition: Lessons from the UK
Lunch Break
- Concurrent Sessions**
- STRANDED ASSETS I** (*Bonsai I*)
Chair: Steve Levinson
Discussants: Shimon Awerbuch, Larry Spancake, and Johannes Van Lierop
Michael A. Crew and Paul R. Kleindorfer: Stranded Assets in Network Industries in Transition
Robert J. Michaels: Stranded Costs: Theory Meets Practice in California
- INTERNET** (*Bonsai II*)
Chair: Laurna Hansen
Discussants: Christopher Garbacz and Jiong Gong
Brenda Kahn: Pricing@Internet.com
Padmanabhan Srinagesh and Bridger M. Mitchell: Some Competitive Issues Raised by Number Portability
Sandy Marble: Competition & Evolving Business Models in the Internet Economy
- 2:30 - 4:00
- Concurrent Sessions**
- STRANDED ASSETS II** (*Bonsai I*)
Chair: Ray D. Williams
Discussants: Dan Berry, James Fox, and Ralph Zarumba
William R. Moore: A Comparison, Quantification, and Common Approach to Stranded Costs for Electric and Telephone Utilities
Colin J. Loxley: An Economic Analysis of the Stranded Cost Issue
David T. Barker: Stranded Cost, Competition, and Auctioning Off Customers

COST ANALYSIS

(Bonsai II)

Chair: Joseph Alexandrovich

Discussants: Steve G. Parsons,
Richard Simnett, and John Waller

Timothy J. Tardiff: Pricing Essential
Inputs and Efficient Competition

Robert D. Levin: The Marginal Cost of
Wires and Pipes: A Practitioners View

Exercise Break

4:00

Friday, July 10, 1997

9:00 - 10:50

Concurrent Sessions

UNBUNDLING

(Bonsai I)

Chair: Ronald L. Reeder

Discussants: John C. Garrett and
Dewey Seeto

David Croyle: Competitive Metering
and Billing

Dennis Weller: After the Wars: Pricing
and Competition in the Aftermath

Richard Simnett: Interconnection
Between Telephone Networks

IMPERFECT INFORMATION

(Bonsai II)

Chair: Susan Schneider

Discussants: Lorna A. Greening and
Kathy Treleven

**Robin J. Walther and Soheila S.
Crane:** Standardized Disclosure of
Consumer Information in Electricity
Markets

Michael Ward and Carlos Arango:
Product Differentiation and Imperfect
Information as Sources of Market
Power

Timothy J. Brennan: Demand-Side
Management Programs Under Retail
Electricity Competition

10:50 - 11:10

Coffee Break

11:10 - 12:55

REGULATORY INNOVATION

(Bonsai)

Chair: Michael M. Schneider

Discussants: Jasmin Ansar and
Jeff Leitzinger

Fred Curry: Alternative Regulatory
Frameworks—Can We Apply Them to
Water Utilities?

Larry Blank: Regulatory Choice:
Constraints and Inefficiency

Dennis Weisman and Dale E.

Lehman: The Next Generation of Price
Cap Plans

12:55 - 1:00

Closing Remarks—Michael Crew

ORGANIZING COMMITTEE

Jasmin Ansar (Pacific Gas & Electric)

Jerry Brooks (Pacific Bell)

Jeremy Bloom (EPRI)

Michael Crew (Rutgers University)

Fred Curry (California Pub. Util. Comm.)

Christopher Garbacz (Mississippi Public Utilities Staff)

John Jurewitz (Southern California Edison)

Dennis Keane (Pacific Gas & Electric)

William Kovacic (George Mason Univ.)

Carl Pechman (Law & Econ. Consulting Group)

Cliff Rochlin (Southern California Gas)

David Salant (Law & Econ. Consulting Group)

Larry Schelhorse (San Diego Gas & Elec.)

CONTACTING CRRI

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or mcrew@andromeda.rutgers.edu (Michael Crew)

REGISTRATION INFORMATION

To Register: Please complete and return the form on the back page. Registrations are accepted by mail, e-mail, fax, and telephone. Please confirm telephone registrations by sending in a completed and signed registration form. The deadline for registrations is May 15, 1998. Registrations received after May 15, 1998, will be admitted on a space available basis.

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

Payment Information: Make checks payable to "Rutgers University" and mail to Linda Brennan at above address. Credit cards (VISA/MC) are accepted for payment of registration fees. Fees include prescribed learning materials, dinner on Wednesday, July 8, all receptions, and coffee breaks, but do not include lodging and other meals. The government rate registration fee is available to government employees.

HOTEL RESERVATIONS

Sufficient rooms are reserved at the Double Tree Hotel for all of the Conference participants. Participants should register for the conference by returning the registrations form. Hotel reservation forms will be sent to participants after their registration forms have been received.

SPEAKERS, DISCUSSANTS, AND CHAIRS

Joseph Alexandrovich, Senior Network Planning Specialist, U.S. Postal Service
 Jasmin Ansar, Director, Pacific Gas & Electric
 Carlos Arango, University of Illinois at Urbana-Champaign
 Shimon Awerbuch, Independent Researcher, Nashua, NH
 David T. Barker, Economist, Southern California Gas Company
 Dan Berry, Regulatory Economist, Public Service Commission of Nevada
 Larry Blank, Manager of Regulatory Policy, Public Service Commission of Nevada
 Michael D. Bradley, Professor of Economics, George Washington University
 Timothy J. Brennan, Professor of Policy Sciences and Economics, University of Maryland-Baltimore County
 Jerry Brooks, Manager, Pacific Bell
 Hung-Po Chao, Manager-Risk Analysis, Electric Power Research Institute
 Barbara Cherry, Director—Issues Analysis, Ameritech
 Roger Clayton, Consulting Engineer, General Electric Power Systems
 Jeffrey Colvin, Manager, Cost Attribution, U.S. Postal Service
 Michael A. Crew, Professor of Economics and Director, Center for Research in Regulated Industries, Rutgers University
 David Croyle, Team Leader—Pricing, San Diego Gas & Electric
 Kent Currie, Manager—Economic Analysis, Ameritech
 Fred Curry, Program Manager, California Public Utilities Commission
 Barry B. Douglas, Director—Operations Support & Forecasting, Pacific Gas & Electric
 Ahmad Faruqi, Area Manager—Retail and Power Markets, Electric Power Research Institute
 James Forcier, Senior Consultant, National Economic Research Associates
 James Fox, Team Leader, National Energy Board
 Christopher Garbacz, Director, Economics & Planning Division, Mississippi Public Utilities Staff
 John C. Garrett, Manager—Demand Analysis, Bell South Telecommunications
 Jiong Gong, Member of Technical Staff, Bell Communications Research
 Lorna A. Greening, Manager, Hagler Bally Services Inc.
 Laurna J. Hansen, Research Staff Member, Institute for Defense Analyses
 Paul T. Hunt, Project Manager and Senior Economist, Southern California Edison
 Brenda Kahn, District Manager—Local Cost Studies, AT&T
 Cameron Kashani, Economist, U.S. Postal Service
 Dennis M. Keane, Senior Regulatory Economist, Pacific Gas & Electric
 William E. Kovacic, Professor of Law, George Mason University, School of Law
 Robert Lane, Commissioner's Advisor, California Public Utilities Commission
 Jeff Leitzinger, President, Econ One
 Robert D. Levin, Team Leader—Cost of Service Section, Pacific Gas & Electric
 Stephen Levinson, Economist, AT&T
 Colin J. Loxley, Director—Resource Planning, Public Service Electric & Gas

Sandy Marble, Member of Technical Staff, Bell Communications Research
 Robert J. Michaels, Professor of Economics, California State University at Fullerton
 William R. Moore, Government Affairs Director, AT&T
 Paul D. Nelson, Regulatory Economist, Southern California Edison
 Kevin O'Meara, Senior Economist, Public Power Council
 Steve G. Parsons, General Manager, INDETEC
 David Pitcher, Corporate Economist, Bell Atlantic
 Mark Reeder, Chief of Regulatory Economics, New York State Department of Public Service
 Ronald L. Reeder, Market Manager—Resale Markets, Sprint
 Paul Richards, Economist, British Telecommunications
 Cliff B. Rochlin, Market Advisor, Southern California Gas Co.
 Kenneth Rose, Senior Research Economist, National Regulatory Research Institute
 Elliot Roseman, Consultant, Price Waterhouse
 David Salant, Director, Law and Economics Consulting Group, Inc.
 John L. Scadding, Chief of Staff to the President, California Public Utilities Commission
 Larry D. Schelhorse, Principal Energy Economist, San Diego Gas & Electric
 Michael M. Schneider, Manager—Pricing Services, San Diego Gas & Electric
 Susan Schneider, Vice President—Client Services, California Independent System Operator
 Dewey Seeto, Senior Rates Analyst, Pacific Gas & Electric
 Carl H. Silsbee, Manager—Regulatory Economics, Southern California Edison
 Richard Simnett, Director—Strategic Alternatives Analysis, Bellcore
 Larry R. Spancake, Economist, U.S. Energy Information Administration
 Padmanabhan Srinagesh, Principal, Charles River Associates
 Mark P. Sweeney, Director—Competitive Transition, Pacific Enterprises
 William M. Takis, Partner, Price Waterhouse
 Timothy J. Tardiff, Vice President, National Economic Research Associates
 Kathy Treleven, Assistant to the Vice President for Policy Coordination, Pacific Gas & Electric
 Jeremy Turk, Chief Economist, British Telecommunications
 Glenn Vail, Financial Analyst, Southern California Edison
 Johannes Van Lierop, Director—Gov. & PUC Reg. Affairs, Southern California Gas
 John Waller, Cost Analyst, U.S. Postal Rate Commission
 Robin J. Walther, Senior Regulatory Economist, Southern California Edison Company
 Michael Ward, Assistant Professor, University of Illinois at Urbana-Champaign
 Dennis Welsman, Professor, Kansas State University
 Dennis Weller, Chief Economist, GTE Telephone Operations
 Ray D. Williams, Manager—Revenue Requirements, Pacific Gas & Electric
 Ralph Zarumba, Vice President, Analytical Support Network

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GOVERNMENT RATE: Government employees may apply for reduced enrollment fees.

I would like to apply for the government rate of \$405.

CANCELLATION POLICY: Until May 15, 1998 cancellation is allowed without penalty and refunds will be allowed in full. After this date the fee of \$765 (Gov't \$405) is due in full whether or not the participant actually attends. Substitutions may be made at any time.

Signature of Participant: _____