

Advanced Workshop in Regulation and Competition:

MEETING THE COMPETITIVE CHALLENGES IN NETWORK INDUSTRIES

12th Annual Western Conference

Hyatt Islandia Hotel, San Diego, California • July 7–9, 1999

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

- Innovations in Pricing and Technology
- Transmission Pricing and Regulation
- Strategies for Competition
- Incentive Regulation

Who should attend?

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

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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TWELFTH ANNUAL WESTERN CONFERENCE

Wednesday, July 7, 1999

- 3:00 **Registration**
- 4:00 - 4:30 **Welcome to Conference:** *(Islands Room)*
Michael A. Crew
David Salant: Auctions and Regulation:
A Survey
- 4:30 - 6:00 **William E. Kovacic:** Economic Regulation
and the Law 1998-99: Developments in
Competition Policy Affecting Mergers
and Acquisitions
- 6:00 - 9:00 **Cocktail Hour, Dinner** *(Islands Patio)*
& **Speech:**
Pamela J. Fair, Vice President—Marketing and
Customer Services, San Diego Gas & Electric
- 11:30 - 1:00
1:00 - 2:30

Thursday, July 8, 1999

- 8:00 - 9:35 **Concurrent Sessions**
- PBR/INCENTIVE
REGULATION I** *(Islands A)*
Chair: David Pitcher
Discussants: Mike Ambrosio, David
Gamson, and Johannes Van Lierop
Jasmin Ansar and Mark Schankerman:
Performance Based Ratemaking Design
Paul T. Hunt: Do Performance-Based
Regulation Mechanisms Overcompensate
or Undercompensate Utilities?
Larry Schelhorse and Michael Schmidt: A
Comparison of Alternative Earnings
Sharing Features in Performance-Based
Ratemaking Mechanisms
- REAL-TIME PRICING** *(Islands B)*
Chair: Chris Holmes
Discussants: Ahmad Faruqui and Carl
Linville
**J. Stuart McMnamin, Eric Fox, Frank
Monforte, Mark Quan, and Fred Sebold:**
Comparison of Statistical Approaches to
Electricity Price Forecasting
*How Neural Networks Work
Robert H. Patrick and Frank A. Wolak:
Consumer Response to Real-Time Prices
in the England and Wales Electricity Market
- 9:35 - 9:55 Coffee Break *(Ante Room)*
- 9:55 - 11:30 **Concurrent Sessions**
- PBR/INCENTIVE
REGULATION II** *(Islands A)*
Chair: Mark P. Sweeney
Discussants: Allison Conrad and Edward
E. Ives
David Croyle: Utility Profitability in the
New Competitive Era
Robert H. Patrick: Transfer Pricing in
Integrated and Partially Regulated Firms
Dewey Seeto: Indexing Product Mix and
Unit Cost Structural Changes Under Price
Caps
- 2:30 - 4:00

ENVIRONMENTAL *(Islands B)*

- Chair: Bob Lane
Discussants: Julie Consilvio and
Christopher Garbacz
Timothy J. Brennan: Would Lower Prices
for Electricity Exacerbate Environmental
Externalities?
Janie Chermak and Kate Krause: Product
Pricing and the Impact of Heterogeneous
Demand for Environmental Goods
Dean Lueck and Jeffrey Michael:
Preemptive Habitat Destruction under the
Endangered Species Act
- Lunch Break

Concurrent Sessions

TRANSMISSION: MARKET POWER *(Islands A)*

- Chair: Ray D. Williams
Discussants: Larry Blank and Eric
Hilderbrandt
Robert J. Michaels: Electricity's Future:
The ISO or the Transco?
Kevin O'Meara: The California PX: Threat
or Menace? A Northwest Perspective
Gary A. Stern: Market Power and
Responses to Market Power in the New
California Electricity Markets

SERVICE QUALITY *(Islands B)*

- Chair: John Sumpter
Discussants: Michael Carnall, Fred Curry,
and Dennis M. Keane
Soheila Crane and Robin J. Walther: How
Electric Utility Customers Value Their
Service Reliability: A Case Study
**Gregory Duncan, Donald Perry, and
David Weitzel:** An Incentive Mechanism
for Monitoring and Inducing Equal Quality
of Service Between Competitors
**Thomas P. Lyon, Stefan Lutz, and John
Maxwell:** Quality Leadership when
Regulatory Standards are Forthcoming

Concurrent Sessions

TRANSMISSION: PRICING *(Islands A)*

- Chair: Carl H. Silsbee
Discussants: Bob D. Levin, Michael
Schmidt, and Glenn Vail
Hung-Po Chao and Robert Wilson:
Nonlinear Priority Pricing of Ancillary
Services
Cliff B. Rochlin: Generator Pays
Ingo Vogelsang: Price Regulation for
Independent Transmission Companies

TELEPHONE COMPETITION *(Islands B)*

Chair: Stephen Levinson

Discussants: Carl R. Danner, Frank Pampush, and Rick Witherington

Jiong Gong and Sandy Marble: The Internet and International Telecommunications

Richard E. Simnett: Universal Service: Selling Someone Somewhere Some Service below Social Cost

Timothy J. Tardiff: The Growth of Local Exchange Competition: Implications for Telecommunications Regulation

4:00

Exercise Break

Friday, July 9, 1999

9:00 - 10:50 **Concurrent Sessions**

UNBUNDLING *(Islands A)*

Chair: Anne Selting

Discussants: Kent Currie, Joseph Hurd, and Keith Van Ausdal

Pete Ewen: The Market for Market Credits: Who Wins? Who Loses?

Brenda Kahn: Cable, Electric, Telecommunications: Bundles of Joy

Yasuji Otsuka: Unbundling of Cable Service under Price Cap Regulation

TRANSMISSION AND POSTAL COSTS *(Islands B)*

Chair: Fred Curry

Discussants: Bob Lane and Robert Mitchell
Jutta Elba Shaw: Incentive Regulation and Pipelines in Canada: Preliminary Results

Michael A. Crew and Paul R. Kleindorfer: Economic Cost Estimation for Postal Services

Joel Brainard: ISO Operations in New York: Some Outstanding Concerns

10:50 - 11:10 Coffee Break *(Ante Room)*

11:10 - 12:55 **LESSONS FROM DEREGULATION *(Islands Room)***

Chair: Michael M. Schneider

Discussants: Michael S. Alexander, Greg Attiyeh, and Carl H. Silsbee

Jeffrey J. Leitzinger: Economic Issues Associated with Deregulation in Natural Gas Distribution

Steve G. Parsons and Kevin Duffy-Deno: Regulatory Reform in Airlines, Telecommunications and Electric Power: Lessons for the Electric Power Industry

Dennis Weisman: A Note On Vertical Integration and Exclusionary Behavior In Network Industries

12:55 - 1:00 **Closing Remarks**—Michael A. 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)

Carl Pechman (Law & Econ. Consulting Group)

Cliff Rochlin (Southern California Gas)

David Salant (Law & Econ. Consulting Group)

Larry Schelhorse (Sempra Energy)

CONTACTING CRR I

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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 14, 1999. Registrations received after May 14, 1999, 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 Jeremy Guenter at above address. Credit cards (VISA/MC) are accepted for payment of registration fees. Fees include prescribed learning materials, dinner on Wednesday, July 7, 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 Hyatt Islandia 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

Michael S. Alexander, Manager—Gas Regulation, Southern California Edison
Mike Ambrosio, Director, Deloitte and Touche
Jasmin Ansar, Director, Pacific Gas & Electric
Greg Attiyeh, Senior Economist, Law and Economics Consulting Group, Inc.
Larry Blank, Manager—Regulatory Policy, Nevada Public Utilities Commission
Glenn Booth, Professional Leader—Economic, National Energy Board
Joel Brainard, Chief of Regulatory Research, New York Dept. of Public Service
Timothy J. Brennan, Professor of Policy Sciences and Economics, University of Maryland-Baltimore County
Michael Carnall, Managing Economist, Law and Economics Consulting Group, Inc.
Hung-Po Chao, Manager-Risk Analysis, Electric Power Research Institute
Janie Chermak, Assistant Professor of Economics, University of New Mexico
Allison Conrad, Consultant, PricewaterhouseCoopers
Julie Consilvio, Research Associate, Institute for Defense Analysis
Soheila Crane, Regulatory Economist, Southern California Edison Company
Michael A. Crew, Professor, Rutgers University
David Croyle, Team Leader—Pricing, San Diego Gas & Electric
Kent Currie, Manager—Economic Analysis, Ameritech
Fred Curry, Program Manager—Small Water Branch, California Public Utilities Commission
Carl R. Danner, Consultant, Wilk & Associates, Inc.
Kevin Duffy-Deno, INDETEC
Gregory Duncan, Vice President, NERA
Pete Ewen, Manager-Forecasts Dept., Arizona Public Service
Ahmad Faruqui, Area Manager—Retail and Power Markets, Electric Power Research Institute
David Gamson, Advisor, California Public Utilities Commission
Christopher Garbacz, Director—Economic & Planning Division, Mississippi Public Utilities Staff
Jiong Gong, Member of Technical Staff, Bell Communications Research
Eric Hilderbrandt, Manager—Market Monitoring Systems, California Independent System Operator
Chris Holmes, Director—Pricing and Economic Analysis, UtiliCorp United
Paul T. Hunt, Project Manager and Senior Economist, Southern California Edison
Joseph Hurd, Manager, Pacific Bell
Edward E. Ives, Principal Economist, Sierra Pacific Power Company
Brenda Kahn, District Manager-Local Cost Studies, AT&T
Dennis M. Keane, Senior Regulatory Economist, Pacific Gas & Electric
Paul R. Kleindorfer, Professor, University of Pennsylvania
William E. Kovacic, Visiting Professor, George Mason University
Bob Lane, Senior Policy Analyst, California Public Utilities Commission
Jeffrey J. Leitzinger, President, Econ One Research, Inc.
Bob D. Levin, Team Leader—Cost of Service Section, Pacific Gas & Electric

Stephen Levinson, Economist, AT&T
Carl Linvill, Regulatory Economist, Nevada Public Utilities Commission
Dean Lueck, Associate Professor of Economics, Montana State University
Thomas P. Lyon, Associate Professor and Bank One Faculty Fellow, Indiana University
Sandy Marble, Member of Technical Staff, Bell Communications Research
J. Stuart McMenamin, Senior Vice President, Regional Economic Research, Inc.
Robert Mitchell, Assistant to the Commission, United States Postal Rate Commission
Robert J. Michaels, Professor of Economics, California State University at Fullerton
Frank Monforte, Director of Forecasting, Regional Economic Research, Inc.
Paul D. Nelson, Regulatory Economist, Southern California Edison
Kevin O'Meara, Senior Economist, Public Power Council-PPC St 18
Yasuji Otsuka, Economist, Public Utilities Commission of Nevada
Frank Pampush, Director—Economic and Policy Studies, Ameritech
Steve G. Parsons, VP Regulatory & Litigation Support, INDETEC International
Robert H. Patrick, Associate Professor, Rutgers University
David Pitcher, Corporate Economist, Bell Atlantic
Cliff B. Rochlin, Market Consultant, Southern California Gas Co.
David Salant, Director, Law and Economics Consulting Group, Inc.
Larry Schelhorse, Principal Energy Economist, Sempra Energy
Michael Schmidt, Regulatory Policy Leader, Sempra Energy
Michael M. Schneider, Director—Business Analysis, San Diego Gas & Electric
Dewey Seeto, Senior Rates Analyst, Pacific Gas & Electric
Anne Selting, Senior Economist, NERA
Carl H. Silsbee, Manager of Regulatory Economics, Southern California Edison
Richard E. Simnett, Director, Strategic Alternatives Analysis, Bellcore
Gary A. Stern, Director of Restructuring Strategies, Southern California Edison
John Sumpter, District Manager, AT&T
Mark P. Sweeney, Director—Competitive Transition, Pacific Enterprises
Timothy J. Tardiff, Vice President, National Economic Research Associates
Glenn Vail, Financial Analyst, Southern California Edison
Keith Van Ausdal, Manager—Retail Pricing, Arizona Public Service Company
Johannes Van Lierop, Director—Government and PUC Regulatory Affairs, Southern California Gas Company
Ingo Vogelsang, Professor, Boston University
Robin J. Walther, Project Manager, Southern California Edison Company
Dennis Weisman, Professor, Kansas State University
Ray D. Williams, Manager—Hydro Divestiture Project, Pacific Gas & Electric
Robert Wilson, Professor, Stanford University
Rick Witherington, Vice President—Government Affairs, AT&T
Frank A. Wolak, Professor, Stanford University

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GOVERNMENT RATE: Government employees may apply for reduced enrollment fees.
 I would like to apply for the government rate of \$415.

CANCELLATION POLICY: Until May 14, 1999 cancellation is allowed without penalty and refunds will be allowed in full. After this date the fee of \$790 (Gov't \$415) is due in full whether or not the participant actually attends. Substitutions may be made at any time.

Signature of Participant: _____