



**National Association of Regulatory Utility Commissioners  
Energy Regulatory Partnership Program**

Partnership between

**The Georgian National Energy and Water Regulatory Commission**

and

**The Vermont Public Service Board**

Inaugural Partnership Activity – Agenda Version: June 20, 2008

Sponsored by the

**United States Agency for International Development (USAID)**

June 26 – July 3, 2008  
Tbilisi, Georgia



**USAID**  
FROM THE AMERICAN PEOPLE

## List of Participants

### Republic of Georgia

#### **Georgian National Energy and Water Regulatory Commission (GNERC)**

<http://www.gnerc.org>

Honorable Guram Chalagashvili, *Chairman*  
Honorable Irma Kavtaradze, *Commissioner*  
Honorable Zurab Gabelaia, *Commissioner*  
Giorgi Chakhashvili, *Executive Director*  
Elizbar Eristavi, *Advisor to Chairman*  
Nino Asatiani, *Head of Public and  
International Relations Department*  
Nugzar Beridze, *Head of Electricity  
Department*  
Vano Mechurchlishvili, *Head of Method-  
ological and Information Support Department*  
Dimitri Namgaladze, *Head of Gas Department*  
Gia Iosebashvili, *Head of Tariff Setting  
Department*  
David Chomakhidze, *Head of Legal Department*  
Alexsander Firtskhalaishvili, *Head of Certific-  
ation Division*  
Gocha Shonia, *Head of Methodology Division*  
Gulnara Bedoshvili, *Head of Gas Price Division*  
Eka Ioseliani, *Chief Specialist*

#### List of Participating Staff

Nino Lashkhia  
Keti Koberidze  
Tamar Noselidze

#### **Interpreters**

Irakli Todria  
TBA

### United States

#### **Vermont Public Service Board**

<http://www.state.vt.us/psb>

#### **Honorable John Burke, Commissioner**

Ms. Ann Bishop, *Chief Economist*  
Ms. June Tierney, *Staff Attorney*  
Ms. Andrea McHugh, *Utilities Analyst*  
Mr. Geoff Commons, *Staff Attorney*

#### **USAID Mission/Georgia Representatives**

Robert Wilson, *USAID Mission Director*  
John Hansen, *USAID E&E Office Director*  
Dana Kenney, *USAID Senior Energy  
Advisor*  
Nick Okreshidze, *USAID Sr. Engineer*

#### **US Embassy/Georgia**

Honorable John Tefft, *US Ambassador to  
Georgia*

#### **National Association of Regulatory Utility Commissioners (NARUC)**

<http://www.naruc.org>

Mr. James D. Lindley, Jr., *Deputy Director*  
Mr. Chris Mahon, *Program Officer*

## **Objective**

This is the inaugural exchange in a series of partnership activities designed as a vehicle for the exchange of experience and information between the Georgian National Electricity Regulatory Commission (GNERC) and the Vermont Public Service Board (VT PSB) with the goal of improving regulatory practices and fostering sustainable relationships between the two partnering institutions. The purpose of these regulatory synergies is to create a framework through which a specific U.S. public utility commission works with an individual energy regulatory authority in developing its institutional and decision-making capacities in market-based regulation. This introductory partnership activity will focus on broad fundamentals of regulation, such as authority, autonomy, accountability, structure, and capacities. Additionally, the delegates will discuss retail market tariff design, incentive regulation, technical and commercial losses, service quality regulation, natural gas transportation tariff setting, public participation in the regulatory process, and other timely issues. The partnership program will be formalized through signing of a memorandum of understanding among NARUC, GNERC and VT PSB.

### *Program Agenda*

#### **Wednesday, June 25, 2008**

*VT PSB and NARUC representatives arrive in Tbilisi.*

#### **Thursday, June 26 – Acclimation Day – TBD**

11:00            Transfer to Hotel Ambassador

Acclimation Day  
Activities TBD – GNERC

Free evening

#### **Friday, June 27 – Day 1**

Breakfast/activities at Hotel Ambadori conference room

**Session Topics:            Regulatory structures and functions**  
**Key regulatory issues and challenges**

09:00            **Welcome Remarks**

*Mr. Robert Wilson, USAID Mission Director, Georgia*  
*Mr. John Hansen, USAID E&E Office Director*  
*Chairman Guram Chalagashvili GNERC*  
*Commissioner John Burke, VT PSB*  
*Mr. James Lindley, NARUC*

**Introduction of GNERC Commissioners and Staff**  
**Introduction of Vermont delegation**

09:30            **The Georgian Energy sector overview**  
*Vano Mechurchlishvili, GNERC*

- Energy legislation
- Institutional Capacity of Energy sector
- Development of wholesale and retail markets
- Third-party access
- Reliability and security of supply

10:00 **Introduction of the VT PSB and the Value of an Independent and Impartial Regulator**  
*Commissioner Burke, VT PSB*

- Legal framework and institutional setting
- Regulatory philosophy
- Energy legislation, statutory and rulemaking functions
- Key characteristics of regulatory commissions (autonomy-authority-accountability)
- Decision-making independence and financial autonomy
- Political impact of regulatory decisions (tariffs)

10:45 Coffee Break

11:00 **Overview of the Georgian National Electricity Regulatory Commission**  
*Maka Salkhinasvili, GNERC*

- Legal framework, energy legislation, secondary legislation
- Extent and scope of Genre's regulatory authority, philosophy, institutional and financial autonomy

11:45 **Structure of the Vermont PSB**  
*Commissioner Burke, VT PSB*

- Organizational structure, distribution of staff and responsibilities
- Development of regulatory capacities and institutional strengthening
- Processing and flow of information into the commission
- Working relationships among Commissioners and technical staff
- Transparency in the commission's activity, including
  - Methodology and practice of holding open and closed sessions
  - Decision-making procedures, voting, announcement of decisions
  - Decision-making process in practice (collegiality, accountability, relations)
  - Confidentiality and ethical issues
  - Submission of information to third parties
- Relationship with State and Federal agencies
- Regional regulatory considerations

12:45 Lunch

14:00 **Structure of the GNERC**  
*Giorgi Chaknashvili, GNERC*

- Organizational structure, distribution of staff and responsibilities
- Development of regulatory capacities and institutional strengthening

- Working relationships among Commissioners and technical staff
- Transparency in the commission's activity, including
  - Methodology and practice of holding open and closed sessions
  - Decision-making procedures, voting, announcement of decisions
  - Confidentiality and ethical issues
  - Submission of information to third parties
- Relationship with other government agencies
- Regional and international cooperation

14:45      **Key Regulatory Issues and Challenges Confronting the VT PSB**  
*Commissioner Burke, VT PSB*

- Regulatory developments
- Price regulations and recent rate reviews
- Demand projections and capacity allocation
- Service quality and consumer issues
- Transmission infrastructure status and expansion
- Third-party access
- Demand side management, energy efficiency, renewables
- Stakeholder process
- Reliability and security of supply

15:45      Coffee break

16:00      **Public Participation in the Regulatory Process**  
*Nino Asatiani, GNERC*

- Public participation
- Public information and education
- Stakeholder process
- Relationship with Customers
- Transparency
- Media relations

16:45      **Roundtable Discussion on the Day's Topics**

17:00      **Meetings conclude for the day**

17:30      **Transfer to MOU Signing Ceremony**

19:00      **Inaugural Partnership MOU signing ceremony (See Attached Short Schedule)**

Welcoming remarks: Honorable John Tefft, US Ambassador to Georgia  
 Georgian Prime Minister

Remarks:      GNERC

Remarks:      Commissioner Burke, VT PSB

Remarks:      Mr. James Lindley, Deputy Director, NARUC

## **Official signing of the Partnership MOU (GNERC-VT PSB-NARUC)**

### **Press conference and interviews (TBD)**

Refreshments

#### *Participants*

*US Embassy/USAID Representatives*

*GNERC Representatives*

*VT PSB Representatives*

*NARUC Representatives*

*Local Press*

### **Saturday, June 28 – Day 2**

Breakfast at hotel

08:45            Transfer to GNERC

#### **Session Topics:        Rate Regulation, Water Rate Regulation**

09:00            Principles of Rate Regulation

*Andrea McHugh, VT PSB*

- Economic objectives and goals
- Sectors in Vermont
- Price Regulation
- Rate case principles
- Steps for a Vermont PSB rate case

10:15            Coffee break

10:30            **Tariff Development I: Overview of Rate Regulation and Basic Ratemaking Process (including Fundamental Concepts of Cost-of-Service Studies)**

*Ann Bishop, VT PSB*

- Determining revenue requirement
- Test year
- Allowable costs
- Operating expenses
- Rate base determination
- Cost of capital
- “Decoupling” revenues from sales

11:30            **The Tariff Regulation: Perspective from Georgia**

*Gocha Shonia, GNERC*

- Activities subject to price regulation by GNERC
- Current status of price control, tariff development and rates approval

- Tariff methodologies
- Tariff development
- Retail tariffs.

12:15 Group lunch

13:45 **Tariff Development II: Developing a Rate Design**

*Ann Bishop, VT PSB*

- Goals of rate design
- Designing sound tariff structures
- How a rate design is developed
  - Determining customer groups
  - Allocating costs among customer groups (class cost-of-service studies)
  - Designing tariffs (including marginal cost pricing)
- Tariffs (time-of-use rates; rates to encourage targeted energy usage; stand-by tariffs)

14:45 **Water Regulation in Vermont – Part I**

*Geoff Commons, VT DPS*

- Areas of Regulation
  - Economics
  - Water quality
- VT Regulatory Agencies
- Public Service Board
  - Water Supply Division
- What Systems are Regulated
  - By the PSB
  - By the WSD
- Regulatory Requirements
  - WSD – testing, source protection, construction standards and permits
  - PSB – franchise (CPG) criteria, rates & terms of service (tariffs), review of borrowing, rate design
- Issues in Economic Regulation of Water Systems
  - Economies of scale, access to capital, rate impacts, expertise of operators, other
- Dispute Resolution

15:45 **Coffee Break**

16:00 **Water Regulation in Vermont – Part II**

*Geoff Commons, VT DPS*

(Continuation of the previous session)

17:00 **Meetings conclude for the day**

Free evening

## **Sunday June 29 – FREE DAY – GNERC hosted activities**

### **Monday, June 30 – Day 3**

Breakfast at hotel

#### **Morning Session Topics: Regulatory monitoring; Service quality regulation; Losses**

09:00 **Monitoring quality of service in Georgia**

*Elizbar Eristavi and Aleksander Firtskhalaishvili, GNERC*

- Framework of performance monitoring in Georgia
- Role of regulator in monitoring of service quality
- Methodologies and types of monitoring
- Availability of technical and operational data

10:00 **Regulatory monitoring of service quality -- VT Perspective**

*Ann Bishop, VT PSB*

- Rationale and objectives of performance monitoring process
- Role of regulator in monitoring of service quality
- Methodologies and types of monitoring
- Availability of technical and operational data
- Vermont electric service quality plans
- Enforcement

10:45 Coffee break

11:00 **Regulator – Customer Interface: Experience of Georgia**

*Malkhaz Dzidzikashvil, GNERCi*

- Consumer services (existing and new) and public education
- Emergency and telephone assistance programs (reporting templates)

#### **Afternoon Session Topics: Site Visit to Hydro Plant**

11:45 Departure for Site Visit

- Hydropower station Dzinvali located about 30 km far from Tbilisi and this is the most important station with double function producing electricity and water supply to Tbilisi and Tbilisi surroundings.

12:15 Lunch

18:00 Return to Tbilisi

Free Evening

### **Tuesday, July 1 – Day 4**

**Session Topics: Electricity: Transmission/Distribution Connection Regulations**

**09:00 Licensing in the Electricity Sector**

*Nugzar Beridze, GNERC*

- Electricity sector
- The Legal framework
- The Licensees procedures
- The application of Licensee
- Monitoring process

**09:00 Losses in the Electricity System**

*Nugzar Beridze, GNERC*

- Technical Losses
- Commercial Losses

**10:00 Purchased power contracts under regulated and competitive markets: Perspectives from Vermont**

*Ann Bishop, VT PSB*

- Structure of Vermont electric industry
- Legal and regulatory framework within which utilities purchase power
  - Vermont law
  - Regional market rules
- Structure of purchased power contracts
  - Products
  - Price
  - Delivery location
  - Risk management provisions
- Purchased power contracts and retail tariffs
  - Cost-of-service regulation
  - Special contracts
  - Purchased power adjustment clauses

11:30 Coffee break

**11:45 Purchased power contracts under regulated and competitive markets: Perspectives from Vermont**

*Ann Bishop, VT PSB*

(Continuation of the previous session)

**12:30 Roundtable discussion on purchased power contracts**

12:45 Lunch

**14:15 Experience of GNERC with Electricity price regulation**

*Eka Iioselian, GNERC*

- Electricity tariff methodology
- Legal basement
- Application of tariff setting
- Tariff regulation procedures
- Electricity tariff structure

15:15 Coffee Break

15:30 **Electric Energy Efficiency in Vermont**  
*Andrea McHugh, VT PSB*

- Choosing energy efficiency
- Background and history
- Funding energy efficiency
- Institutional structure
- Mechanism for delivery and measuring performance
- Efficiency results

16:45 **Roundtable Discussion on the Day's Topics**

17:15 **Meetings conclude for the day**

Free evening

### **Wednesday, July 2 – Day 5**

#### **Session Topics: Natural Gas: Distribution & Transportation Issues**

9:00 **Background on Vermont's Natural Gas Sector**

9:20 **Legal Aspects of Natural Gas Regulation**  
*June Tierney, VT PSB*

- State of VT
  - Intrastate regulation only
  - State statutory requirements
  - Board administrative rules
- Regional
  - Limited Vermont/federal interstate interface
  - International interface with Canada
    - Heavy reliance on contract law
    - Role of industry trade groups in developing model contract

10:15 Coffee break

10:30 **Natural Gas Sector: Perspectives from Georgia**  
*Dimitri Namgaladze, GNERC*

- Natural gas sector in Georgia,
- The legal framework
- The licensees of activity
- The Licensees procedures
- The application of Licensee
- Monitoring process

11:10      **Losses in gas system**  
*Dimitri Namgaladze, GNERC*

- Technical Losses
- Commercial Losses

11:30      **GNERC - Natural Gas sector Tariff Setting process**  
*Gulnara Bedoshvil, GNERCi*

- Activities subject to price regulation by GNERC
- Current status of price control, tariff development and rates approval
- Tariff methodologies

12:15      Group lunch

13:45      **Tools for Regulating Gas Utilities in Vermont**  
*June Tierney, VT PSB*

- Statutes and Rules for Certificate of Public Good Applications
  - Application Procedures and Requirements
  - No Fee Structure
  - Evaluation and Decision on Applications
    - Use of Board precedent to review CPG Applications
    - Use of Conditions to Modify Application
  - Enforcement Procedures and Mechanisms to Ensure Compliance with CPG Conditions
- Issues in Regulating Gas Local Distribution Companies
  - Promoting Fairness, Transparency, and Non-discriminatory Conduct
  - Development of Rules and Procedures for Conducting a Tender/Award
  - Procedures for Public Notification of Requests for a Bid
  - Procedures for Submitting a Bid
  - Qualifications and Disqualifications from Participation
- Fiscal Incentives for Attracting LDCs
- Dispute Resolution

14:45      **Gas Utility Rate Design and Tariff Review**  
*June Tierney, VT PSB*

- Statutes and Regulations for Tariff and Rate Design Applications
- Specific rate design issues for Vermont Gas, Inc.

15:45      Coffee Break

16:00        **Natural Gas Pricing**  
*June Tierney, VT PSB*

- Development of Rate Setting
- Gas Cost Recovery (GCR) – Expected Gas Cost (EGC), Actual Adjustments, Balance Adjustment, and Refund and Reconciliation Adjustments
- Cost Allocation
  - Monitoring and Auditing GCR
  - Price Behavior and Volatility
  - Market Manipulation
  - Hedging – Forwards, Futures, Options, and Swap Contracts
  - Options for Coping with High Prices
- Efficiency Targets/Benchmarking

17:00        **Roundtable Discussion on the Partnership week’s program and future of the Partnership Discussion on Partnership Work Plan**

17:30        **Meetings conclude for the day**

19:00        Final Group Dinner (Venue – TBD)

**Day 6 - Departure**

Vermont delegation and NARUC staff depart.