



## **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**

Second Partnership Activity – FINAL AGENDA: Dec. 9, 2008

Sponsored by the

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

December 15 – 18, 2008  
Montpelier, Vermont



**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*  
George Iosebashvili, *Head of Tariff Setting  
Department*  
Gocha Shonia, *Head of Methodology Division*  
Gulnara Bedoshvili, *Head of Gas Price Division*  
Giorgi Chakhnashvili, *Executive Director*

### United States

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

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

Honorable James Volz, *Chairman*  
Honorable David Coen, *Commissioner*  
Honorable John Burke, *Commissioner*  
Kurt Janson, *General Counsel*  
Riley Allen, *Utilities Analyst*  
George Young, *Policy Director*  
June Tierney, *Staff Attorney*  
Ann Bishop, *Chief Economist*  
Ron Behrns, *Utility Finance & Economics  
Director, Department of Public Service*  
Eric Blatt, *Section Chief, Engineering &  
Financial Services, Vermont Agency of  
Natural Resources*  
Marc Teixeira, *Vice President of  
Operations, Vermont Gas Company*

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

<http://www.naruc.org>

Chris Mahon, *Program Officer*

#### **Interpreters**

Ia Meurmishvili  
Marina Samkharadze

## **Objective**

This is the second exchange in a series of partnership activities designed as a vehicle for the exchange of experience and information between the Georgian National Energy and Water 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 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 partnership activity will address specific topics identified at the end of the first partnership activity. The partners will discuss a rate case, loss prevention in the natural gas sector, rate design, improving efficiency and demand response, alternative rate setting methodologies, and asset depreciation. Additionally, the GNERC staff will conduct a day of site visits to view various aspects of utility regulation first-hand.

## ***Program Agenda***

### **Saturday, December 13**

GNERC representatives depart Tbilisi, arrive Burlington.  
Chris Mahon (NARUC) departs Washington D.C., arrives Burlington.  
GNERC/NARUC travelers transport to Montpelier, check in to Capitol Plaza Hotel.

### **Sunday, December 14 – Acclimation Day**

Acclimation day (Tour of Stowe)  
Welcome lunch  
Georgian interpreters arrive, set up interpretation equipment at PSB offices, next door to Capitol Plaza Hotel.

### **Monday, December 15 – Day 1**

Breakfast at Hotel

#### **Day's topics: Updates from regulatory bodies; rate setting; demand response**

- 09:00        **Welcome Remarks**  
*Commissioner David Coen, Vermont PSB, and NARUC First Vice President  
Chairman Guram Chalagashvili, GNERC  
Mr. Chris Mahon, NARUC*
- 09:15        **Introduction of Vermont/Georgian participants**
- 09:30        **Update on GNERC and Recent Developments Georgia's Energy Sector**  
*Chairman Guram Chalagashvili, GNERC*

- 10:00      **Update on the VtPSB and Recent Developments in the Vermont Energy Sector**  
*Commissioner David Coen, Vermont PSB*
- 10:30      Coffee Break
- 10:45      **Process of Tariff Unbundling and Incentive Regulation**  
*GNERC*
- Structure and purpose of feed-in tariffs and their relation to other tariffs
  - Incentive regulation issues
- 11:45      **Roundtable discussion on morning's topics**
- 12:30      **Lunch**
- 14:00      **Process of Tariff Unbundling and Incentive Regulation**  
*George Young, PSB*
- Functional and accounting separation in unbundling
  - Issues in Incentive Regulation: Feed-in tariffs
  - Incentive regulation issues: economic investment, energy efficiency, demand side management
  - Structure and purpose of feed-in tariffs and their relation to other tariffs
  - Benefits of a feed-in tariff structure in promoting investment
- 15:00      **Coffee Break**
- 15:15      **Regulation and Asset Depreciation**  
*Ron Behrns, Vermont Department of Public Service*  
*June Tierney and Ann Bishop, Vermont PSB*  
Principles, Concepts, and Components
- Establishing Utility Asset Data Base
  - Elements of a Depreciation Rate
  - Determining Service Lives
  - Formulas and Calculations
- 16:30      **Roundtable discussion on day's topics**
- 17:00      **Meetings conclude for the day**
- 18:30      **Group dinner, location TBA**

**Tuesday, December 16 – Day 2**

Breakfast at Hotel

**Day's topics: Natural gas and energy efficiency**

- 09:00      **Role of the Regulator in Encouraging Investment in the Natural Gas Sector**  
*Commissioner John Burke, Vermont PSB*
- Value of an Independent and Impartial Regulator
  - Conflicting Regulatory Signals and Investors Expectations
  - Transparency in Market Assessment and Investment Opportunities
- 09:30      **Barriers to Investment in New Infrastructure: Perspectives from Georgia**  
*Gocha Shonia, GNERC*
- Applicability of Current Policies and Regulations
  - Lack of Available Capital (Creditworthiness, Financing Terms, Low Pricing, Rates of Return Deficits, etc.)
  - Inadequacy and Improvement of Current Delivery System
  - Incentive Structures (Long Term Contracts vis-à-vis Consumer Economic Risk)
- 10:30      **Coffee break**
- 10:45      **Roundtable discussion on morning's topics**
- 11:45      **Lunch**
- 13:00      **Monitoring in the natural gas sector**  
*Gulnara Bedoshvili, GNERC*
- Development of Safety Rules and Regulations for Transport and Distribution
  - Establishing Performance Benchmarks for Efficient and Effective Monitoring of Quality of Service Delivery
  - Measuring and Analyzing Technical and Operational Efficiency and Reliability of Facilities and Installations
  - Tracking Consumer Data for Monitoring Quality of Service
  - Quality of Service Indicators
  - Tools for Ensuring Compliance and Enforcement
- 14:00      **Coffee break**
- 14:15      **Loss prevention in the natural gas sector**  
*Marc Teixeira, Vermont Gas*
- Service Standards for Investor-Owned Companies
  - Functions of the Service Monitoring and Enforcement Department
  - Pipeline Integrity Management
  - Issues in Distribution Pipeline Safety, Security and Surveillance
  - Valves and Regulating Devices
  - Damage Prevention
  - Leak Management, Investigations and Data Reporting
  - Tapping and Stopping
  - Purging

- Smart Piggings
- Public Awareness

- 15:45      **Funding Energy Efficiency in Regulated & Restructured Markets**  
*Chairman James Volz, PSB*
- Rate designs and energy efficiency
  - Energy efficiency resource standards
  - System benefits funds, capacity credits and other funding mechanisms
- 16:30      **Roundtable discussion on afternoon’s topics**
- 16:45      **Meetings conclude for the day**
- 17:00      **Reception at Cedar Creek Room, Statehouse, Montpelier**
- 19:00      **Reception ends; on own for dinner**

**Wednesday, December 17 – Day 3**

Breakfast at Hotel

**Day’s topics: Tariff unbundling, asset depreciation, utility accounting**

- 09:00      **Rate Regulation in Georgia**  
*George Iosebashvili, GNERC*
- Conducting a Price/Rate Review
  - Regulatory Instruments and Tools
  - Rate Case Information Procedures & Management
- 09:30      **Rate Regulation in Vermont, Introduction and Vermont Rate Case Workshop, Part 1: Developing the Revenue Requirements**  
*Kurt Janson, Vermont PSB*
- 10:30      Coffee break
- 10:45      **Vermont Rate Case Workshop, Part 2: Allocating Costs and Designing Rates**  
*Riley Allen, Vermont PSB*
- Functionalization, Classification, Allocation
  - Pricing: Taxes and Subsidies
  - Marginal, Opportunity, and Market Cost Pricing
  - Examples of Allocation Factors
  - Principles for Developing Countries
- 11:45      **Roundtable discussion on rate regulation and rate case workshop**
- 12:30      **Lunch**

- 13:30      **Water Consumption Regulation: Perspectives from Georgia**  
*Giorgi Chakhnashvili, GNERC*
- Overview of GNERC's activity in water regulation
  - Regulatory requirements (testing, source protection, permits)
  - Economic issues in water regulation
- 14:30      **Water Quality Regulation in Vermont**  
*Eric Blatt, Section Chief, Engineering & Financial Services, Vermont Agency of Natural Resources*
- 15:30      **Coffee break**
- 15:45      **Energy Markets and Demand Response**  
*Riley Allen, Vermont PSB*
- 16:45      **Roundtable discussion on afternoon presentation**
- 17:00      **Meetings conclude for the day**
- 17:30      **Farewell Dinner at Sarducci's**

**Thursday, December 18 – Day 4**

**Day's topics: Site Visits, Water Quality Regulation**

- 8:30      **Depart hotel for Champlain Water District**
- 9:30      **Site Visit at Champlain Water District**
- 11:30      **Site Visit at Efficiency Vermont and Lunch**
- 14:30      **Site Visit at McNeil**
- 15:30      **Site Visit at Green Mountain Power Corporation**
- 17:30      **Reception at Firehouse Gallery in Burlington**
- 19:00      **Reception ends; free time/on own for dinner in Burlington; interpreters depart**

**Friday, December 19 – Day 5**

GNERC staff, NARUC staff depart Vermont