



NEPPA has partnered with the American Public Power Association to bring a high caliber cost of service workshop: Implementation and Application training. Participants will participate in a two-day training program.

## Who Should Attend

These courses are designed for:

- General managers
- Commissioners
- Finance and accounting personnel
- Rate analysts
- Financial planners
- Policymakers

## Course Overview (8:30 am – 4:00 pm, November 8-9, 2022)

Explore the ins and outs of cost of service—from key concepts to the nuts and bolts of working through a cost of service model. Get hands-on experience working with an actual Excel model to apply cost of service and rate design principles and processes to electric, water, sewer, gas, and other municipal services. Complete the step-by-step process of putting a cost of service study together and review how to develop a fully functional and unbundled cost of service study. As you explore what it takes to do a thorough cost analysis, gain lessons learned from real-world examples.

*This course does not have prerequisites, nor does it require advance preparation.*

## Course Topics

- Basic cost of service and pricing concepts, terminology, and processes
- Collecting and using cost of service data and organizing costs
- Allocating municipal facilities and expenses
- Classifying generation, transmission, and distribution expenses
- Categorizing generation types and primary cost components
- Collecting and applying load research data
- Developing and applying cost allocation factors
- Gauging customer voltage levels
- Apply cost allocation factors in a cost of service model
- Determining monthly customer facilities and billing costs
- Identifying bundled and unbundled primary cost components
- Applying cost of service components to rate designs
- Understanding the limitations of a traditional cost-of-service model



## Learning Outcomes

Upon completion of this course, participants will be able to successfully:

- Explain the role of rates and cost of service studies, define common terminology
- Understand how to identify, collect, and organize costs
- Explain how to functionalize utility assets and expenses
- Outline how utility assets and expenses are classified
- Develop and apply cost allocation factors, and define how customer allocation factors are determined
- Identify methods used to collect load research data, and how to utilize utility load data to properly assign customer costs
- Outline how to determine monthly customer facilities and billing costs, and explain cost components of your utility
- Describe bundled and unbundled primary cost components, and specify cost components related to monthly customer charge
- Understand how to implement rate adjustments based on cost of service study results
- Utilize a functional cost of service model, and summarize study results for end user, Board, Commission or Council
- Understand the limitations of a traditional cost-of-service model

## INSTRUCTORS

**Phil Euler** is an independent consultant specializing in financial planning, cost-of-service studies and rate design for publicly owned utilities. Phil's industry experience includes 13 years as the manager of engineering services for NMPP Energy in Lincoln Nebraska and 30 years with the Lincoln Electric System, where he specialized in financial planning, pricing, rate design, load research, forecasting and cost-of-service studies.



**Dan Kasbohm** is a rates manager for Utility Financial Solutions and has completed over 50 financial modeling and electric cost of service studies. Dan has over 12 years of experience in developing time of use rates, advanced electric rate design models, analyzing load research data, developing line extension policies and power cost adjustments.





## **DRAFT AGENDA**

### **Tuesday, November 8, 2022**

- 8:30 a.m.**      **Course, Instructor, and Attendee Introductions**
- Review agenda/learning outcomes
- 8:45 a.m.**      **Role of Rates and Cost of Service Studies**
- Basic COS concepts and the importance of a rate study
  - Class exercise: concepts of rate design
- 10 a.m.**        **Break**
- 10:15 a.m.**    **Cost of Service Process and Approach**
- Noon**          **Lunch**
- 12:30 p.m.**    **Step 1: Study Preparation**
- COS model introduction
  - Exercises 1 & 2
- 2 p.m.**         **Break**
- 2:15 p.m.**      **Step 2: Revenue Requirements**
- Exercise 3
- 3:15 p.m.**      **Step 3: Functionalization of Expenses and Rate Base**
- 4 p.m.**         **Step 4: Classification of Expenses and Rate Base**
- 4:30 p.m.**      **Adjourn for the Day**



**Wednesday, November 9, 2022**

- 8:30 a.m. Recap from Day 1**
- Agenda items and expectations for Day 2
- 8:45 a.m. Step 4: Classification of Expenses and Rate Base (continued)**
- Exercise 4
- 9:15 a.m. Step 5: Calculate Allocation Factors**
- 10 a.m. Break**
- 10:15 a.m. Step 5: Calculate Allocation Factors (continued)**
- Load factor and COS model
  - Exercise 5
- Noon Lunch**
- 12:30 p.m. Step 6: Allocate Expenses & Rate Base**
- Allocation Techniques
  - COS Model Set-up Allocators
  - Exercise 6
- 2 p.m. Break**
- 2:15 p.m. Step 7: Summarizing Results**
- COS Model Summaries
- 3:15 p.m. Step 8: Rate Design**
- Rate design quiz review
- 4 p.m. Recap, Q&A, Course Evaluation**
- 4:30 p.m. Course Adjourns**