

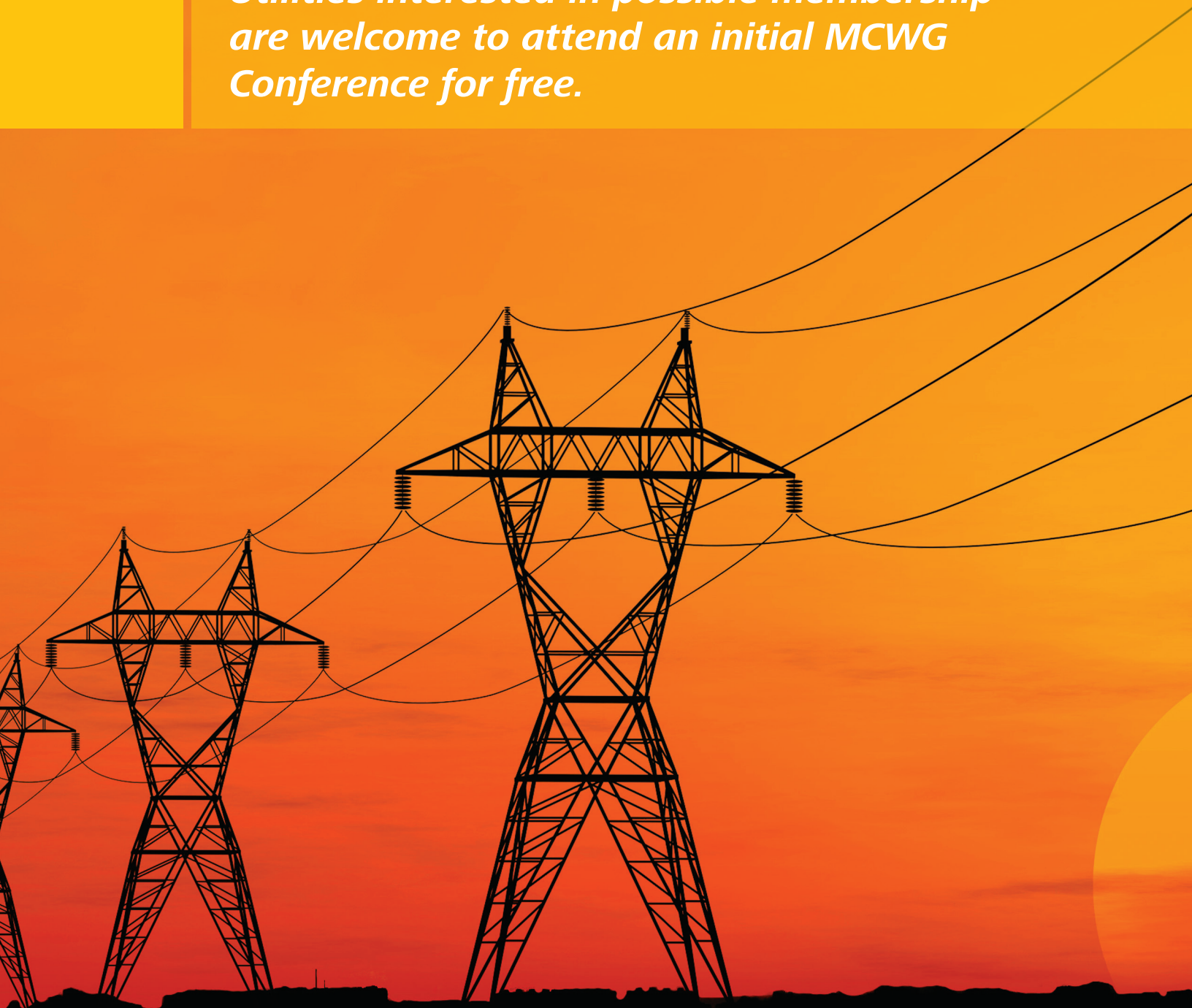
Services and Capabilities



## **Marginal Cost Working Group**

A valuable resource for utilities responding to calls for energy efficiency, greater use of renewable resources, and expansion of demand response efforts

*Utilities interested in possible membership  
are welcome to attend an initial MCWG  
Conference for free.*



## MCWG History

Founded in 1982, NERA identified a need in the utility industry for companies to meet in a productive forum and share their experiences about the issues confronting their sector. The Marginal Cost Working Group (MCWG) was created as a response to utility and agency staff's requests for an advanced discussion of the topics of marginal costing and rate design. The original goal of MCWG was to advance marginal cost estimation techniques and their pricing applications by utilities. Over the years, the focus of the meetings has expanded to include discussions on renewable resources planning, strategies for smart metering infrastructure, alternative regulatory methods for distribution, transmission cost allocation, and design of pilots for innovative rates such as critical peak pricing and peak time rebates. Membership in MCWG is especially useful as utility discussions of the latest innovative rate designs and implementations help members avoid reinventing the wheel. Candid discussions of regulatory successes and setbacks allow members to learn from each other's experience in the political arena. These gatherings create a forum for discussion, allowing members to exchange information and keep pace with industry developments from around the globe.

Today MCWG has members from utility companies across North America. The Group meets twice each year in two-day sessions to discuss papers prepared by utility members and NERA energy experts, including Amparo Nieto, current MCWG Director, and Dr. Hethie Parmesano, co-founder of the group. Other NERA economists are often invited to participate in the meetings.

## MCWG Conferences



The Group meets twice each year in two-day sessions. These gatherings provide an opportunity to test out new ideas and keep up with what is going on in other areas of North America and around the globe. The conferences are held each Spring and Fall throughout North America in locations chosen by the members.

Copies of the papers presented and minutes of the discussions are provided to all members, including those who miss a meeting. However, nothing quite substitutes for the invaluable experience of sharing information and insights gained by regular attendance and networking among peers in the industry.

*Throughout the past 30 years, hundreds of utility staff members from dozens of companies have participated in the MCWG.*



## Members Comment

"Since becoming a member of MCWG I have expanded my network with other utilities that are involved with similar issues. It has been a great learning experience since the focus of our semi-annual meetings are the things that are going on at each company. In the short time I have been a member my company has addressed no less than six issues that were discussed at one of our conference meetings. The Group has overcome the barrier of sharing with other utilities by focusing on processes and not on the specific details. The learnings are from both those that regulated and those that have open access. I highly recommend MCWG as conferences you will want to attend."

**Jon Kubler**, *Georgia Power*

"The Marginal Cost Working Group has been an invaluable asset to my work at Salt River Project. Being able to network with folks that are facing, at times similar and at times different, issues broadens the knowledge and idea base that we can use for pricing and cost analysis. It also allows me to see methods and solutions that perhaps I would not have thought of on my own. The papers and issues are interesting and informative. The people who attend are open, smart, and working on many problems we all are facing. Overall, it has been a fabulous experience."

**Ronn Rodgers**, *Salt River Project*

"Over the many years of our involvement with the Marginal Cost Working Group, we have found the group to be invaluable as a forum for receiving knowledgeable feedback during the review and development of our cost of service methodologies and in design of our rate structures. It has helped us stay current with the dynamic changes that have been happening in the electric industry and to appropriately reflect these changes in our regulatory applications. The informal nature of the group is ideal for facilitating the free and timely flow of ideas and methods used to address issues of common interest among its members."

**Leland Jernberg**, *Aquila Networks Canada*





## Members Comment

“PGE has been a member of the Marginal Cost Working Group since the early 1990s. We’ve always found the meetings informative and educational. Even when we haven’t been able to attend the meetings, we still get a copy of the notebook which contains all the papers presented at the meetings so we can review them. From time to time, we have referred back to old papers to help us in developing tariffs or some aspect of marginal costs. For example, recently we referred back to some of the papers that had been written on standby/partial requirements service and developed revised tariffs.

“In 1997, there was a generic marginal cost proceeding in Oregon. We had recently developed the Facilities Charge/Typical Feeder approach to distribution marginal cost determination. Because of our well developed approach that could not have occurred without the help of the Marginal Cost Working Group, we were able to get the Commission to issue an order approving our methodology over those presented by intervenors in the case.

“Additionally, the contacts that we’ve made at the meetings are very beneficial. It is always helpful to have a contact at a utility that you can call because you’ve just heard about a filing that the utility made and you want further information or you want to verify some of the information from a paper they presented. Lately, some in the group have even taken to emailing others about something that they’re doing in their state and asking others if they’ve had similar experiences. It is always easier following someone else’s tracks rather than having to reinvent things.

“The meetings are always in interesting places and provide the opportunity to discuss issues over a good dinner with great people and see some new sites. In summary, the group is great value for the money. I’ve been to lots of conferences and find the Marginal Cost Working Group provides consistent high-level discussions, great company, and great contacts.”

**Sarah Cardwell**, *Portland General Electric*

## Membership

MCWG membership is open to US and international gas and electric utilities. Regulatory agencies are not invited to join in order to encourage more candid discussion of regulatory issues among the participants. Annual dues are currently \$5,000 per company.

### **Benefits include:**

- Two conferences per year for two participants (*more if space permits*)
- Copies of conference papers
- Detailed minutes of conference presentations and discussions
- Up-to-date index of all past conference presentations
- Network of counterparts at other companies
- Information on current regulatory topics across North America and around the world
- Sounding board for new approaches being considered

### **Past MCWG Topics Include:**

- Integration of wind power in the network
- Pricing energy storage
- Critical peak pricing, real-time pricing, and other innovative rates
- Smart grid pilot update
- Electric vehicle economics
- Critique of "feebate" rate structure
- Performance-based Regulation on electricity distribution
- Results of summer peak TOU rate pilot
- Feed-in tariffs and net metering
- Demand side management and energy efficiency programs
- Strategies for TOU rates and smart metering infrastructure
- Market-based estimates of marginal generation costs
- Rates for service to distributed generation customers
- Natural gas marginal costing, pricing, and unbundling
- Line extension policies and connection charges
- The marginal cost of transmission and ancillary services in an RTO
- Bidding programs for default service
- The intricacies of economic carrying charges
- Rate design for delivery service
- Selection of pricing periods for time-of-use rates
- New forms of regulation, including decoupling
- Economic development rates and special contracts
- Implementation of retail competition
- Calculation of marginal A&G and general plant costs
- Interruptible rates and other demand-side management programs
- The value of reliability to consumers
- Reconciliation of marginal cost revenues to the total revenue requirement
- Marginal losses
- Innovative metering, including pre-pay meters
- Marginal cost of street lighting
- Green power options and other premium services
- Methods for estimating marginal distribution costs that are consistent with distribution planning
- Costing/pricing new services
- Reactive power pricing
- Rate unbundling



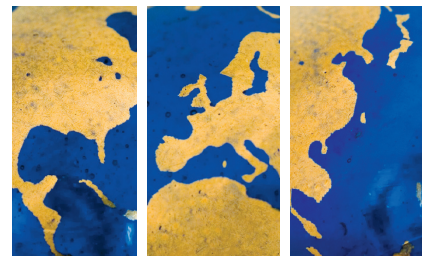
## Utilities Participating in MCWG Over the Years

|                                         |                                       |
|-----------------------------------------|---------------------------------------|
| Ameren CILCO                            | Nevada Power Co.                      |
| Baltimore Gas & Electric Co.            | NYSEG                                 |
| BC Hydro                                | NIPSCO                                |
| Black Hills Energy                      | NV Energy                             |
| Bonneville Power Administration         | Oklahoma Gas & Electric Co.           |
| Carolina Power & Light Co.              | Ontario Hydro                         |
| Central Maine Power Co.                 | Orange & Rockland Utilities, Inc.     |
| Central Vermont Public Service Corp.    | Otter Tail Power Co.                  |
| Dayton Power & Light Co.                | Pacific Gas and Electric Co.          |
| Delmarva Power                          | PacifiCorp                            |
| El Paso Electric Co.                    | Pepco Holdings Inc.                   |
| Entergy Services, Inc.                  | Portland General Electric Co.         |
| Exelon Corp.                            | Public Service Co. of New Mexico      |
| FortisAlberta                           | Public Service Enterprise Group       |
| Georgia Power Co.                       | Rochester Gas & Electric Corp.        |
| Green Mountain Power                    | Sacramento Municipal Utility District |
| Idaho Power Co.                         | Salt River Project                    |
| Illinois Power Co.                      | San Diego Gas & Electric              |
| Indianapolis Power & Light Co.          | Seattle City Light                    |
| Interstate Power and Light Co.          | Southern California Edison Co.        |
| Kansas City Power & Light Co.           | Southern Company                      |
| Los Angeles Department of Water & Power | TransAlta Corp.                       |
| Lower Colorado River Authority          | TXU Energy                            |
| Mississippi Power Co.                   | Wisconsin Electric Power Co.          |
| Missouri Public Service Co.             |                                       |

## Leadership



**Amparo Nieto**, a Senior Consultant in NERA's Los Angeles office, directs the MCWG. Ms. Nieto focuses on regulatory pricing, marginal cost analysis and energy and capacity markets in the electricity industry. She has been heavily involved in utility industry restructuring, tariff reforms and competitive energy auctions around the world.



## About NERA

NERA Economic Consulting ([www.nera.com](http://www.nera.com)) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA's economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world's leading law firms and corporations. With its main office in New York City, NERA serves clients from more than 20 offices across North America, Europe, and Asia Pacific.

## Contact

For more information about MCWG and to request an invitation to the next meeting, please contact:

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