

PROJECT STATUS AND COST  
MANAGEMENT REPORT

prepared by

THE NATIONAL REGULATORY RESEARCH INSTITUTE

2130 Neil Avenue  
Columbus, Ohio 43210

submitted to

The U.S. Department of Energy  
Economic Regulatory Administration  
Division of Utility Regulatory Assistance

in partial fulfillment of

Grant No. DE-FG01-80RG10268

This report was prepared by The National Regulatory Research Institute under a grant from the U.S. Department of Energy (DOE). The views and opinions of the authors do not necessarily state or reflect the views, opinions, or policies of DOE, the federal government or The National Regulatory Research Institute.

Reference to trade names or specific commercial products, commodities or services in this report does not represent or constitute an endorsement, recommendation, or favoring by DOE or The National Regulatory Research Institute of the specific commercial product, commodity or service.



## EXECUTIVE SUMMARY

Quarterly, a periodic report is required under the terms of Grant No. DE-FG01-80RG10268 indicating cost management activities as well as the status of specific projects. We have combined both the project status and cost management report into one integrated report.



Table of Contents

	<u>Page</u>
Executive Summary. . . . .	ii
Table of Contents. . . . .	iii
PROJECT STATUS . . . . .	1
<u>Organization and Format.</u> . . . . .	2
1. The Rate Design Program . . . . .	3
A. Rate Design Roundtable. . . . .	4
B. Gas Capacity Cost Study . . . . .	6
C. Electric Marginal Cost Applications . . . . .	8
D. Rate Design Technical Assistance. . . . .	10
E. Rate Design Workshops . . . . .	11
F. Rate Design Information . . . . .	12
2. The Cost Control Program. . . . .	13
A. Incentives for Utility Performance. . . . .	14
B. Management Audit Workshop . . . . .	16
C. Accounting for Unplanned Shutdowns. . . . .	18
3. The Computer Assisted Regulatory Analysis Program . . . . .	19
A. Regulatory Analysis Model Development . . . . .	20
B. Regulatory Analysis Model Modification. . . . .	21
C. Long-Term Technical Assistance. . . . .	22
D. Short-Term Technical Assistance . . . . .	23
E. Computer Utilization Workshop . . . . .	24
4. The Regional Regulatory Information Program . . . . .	25
A. Regional Regulation Assessment. . . . .	26
B. Regulatory Conference . . . . .	29
C. Regulatory Information Exchange . . . . .	31
5. Administration. . . . .	33
A. Grant Administration. . . . .	34
COST MANAGEMENT. . . . .	35
<u>Program Budgets.</u> . . . . .	36
<u>Program Expenditures as of January 31, 1980.</u> . . . . .	38
<u>Projected Program Expenditures</u> . . . . .	45
<u>Subcontracting Policies.</u> . . . . .	46



PROJECT STATUS





## Organization and Format

Project status information is presented in this section for each of the 18 projects described in our August 30, 1979, Technical and Cost Proposal. Information for each project is displayed in a standard format indicating program, project, project leader, project team members, project status, area of concern and DOE action requested.

Project status information corresponds to the activities contained in the Technical and Cost Proposal. For each activity planned, we have indicated our actual experience to date as well as some near-term expected activities.



## The Rate Design Program



PROGRAM: Rate Design Program

PROJECT: Rate Design Roundtable

PROJECT LEADER: Kevin Kelly

PROJECT TEAM MEMBERS: K. Kelly, A. Garant

PROJECT STATUS:

Grant Activities

1. To identify state regulatory agency personnel most likely to express a valid cross-section of rate design needs

Activities to Date

- In November 1979 we phoned all but two state commissions to invite staff people versed in electric rate design to our roundtable meeting. To most of the commissions we issued a direct invitation to the director of the rate design division. When unsure of the correct staff member, we asked the executive director or commission chairman to recommend an appropriate person. An invitation to him or her was then issued.
- We explained that the purpose of the meeting was to identify those rate design issues most troublesome to the commissions, to assist the Institute in developing its research agenda and workshop programs. We also wanted their opinion on the timeliness of our proposed rate design studies on backup service, interruptible service and cogeneration.
- 2. To obtain state regulatory agency staff participation in a roundtable meeting
  - We conducted our meeting on December 5, 1979, at the NARUC Annual Convention in Atlanta, Georgia. We felt that this event would draw many rate design staff people who would also be able to attend our roundtable meeting. With the concurrence of the NARUC General Counsel, we selected an afternoon free of convention business for our meeting.
  - Of those people we invited to participate, thirteen said they were planning to attend the NARUC convention and would participate in our meeting as well.



### Grant Activities

3. To hold roundtable meeting to identify priority rate design research and assistance needs

### Activities to Date

- We mailed letters of confirmation to these people which reiterated the time, location, and purpose of our meeting.
- The 2 1/2 hour meeting was chaired by Kevin Kelly, an associate director of NRRI. Also attending were nine commission representatives, two NRRI staff members, and the NRRI board chairman.
- Concerning the three rate design studies proposed by our DOE grant, all attendees agreed that these topics needed to be investigated, as they were currently confronted by difficulties in all three areas.
- Other topics suggested for investigation included the profits of the subsidiary suppliers of utilities, the inclusion of construction-work-in-progress costs in rates, and the relationship of cogenerating facilities to power pools.
- Suggested workshop topics included computer use and analysis, regional regulation, multi-state jurisdiction of utilities, cost-of-service studies, load research, usage sensitive telephone rates, and rate design in general.
- The meeting concluded with many participants commenting on the quality of research and assistance offered by the Institute.

### PRODUCT:

A letter report containing a complete synopsis of the roundtable meeting has been completed.





PROGRAM: Rate Design

PROJECT: Gas Capacity Cost Study

PROJECT LEADER: Jean-Michel Guldmann

PROJECT TEAM MEMBERS: V. Khanna, J. Herten

PROJECT STATUS:

Grant Activities

1. To determine the roadblocks involved in calculating incremental capacity costs for gas distribution companies, including the issue of optimal system expansion and the problem of excess capacity in some or all of the distribution systems

2. To develop procedures for calculating incremental capacity costs, which may include use of NRRI's Regulatory Simulation Model

Activities to Date

- Extensive gathering and review of the literature related to gas systems planning have been performed. It is already clear that a complete and comprehensive model of network expansion would be very difficult to solve exactly, and therefore reasonable approximations and simplifications are necessary, and some of these have already been determined. Another potential roadblock is the gathering of appropriate cost and other data from the utilities. A list of these data has been prepared and already sent to the East Ohio Gas Company. The same data request will be sent to two other utilities yet to be selected. The problem may simply be the willingness of these utilities to provide these data.
- Two models will be developed to determine incremental (marginal) capacity costs: (1) an aggregate model building on previous work at NRRI, but incorporating as new features plant investment decisions; (2) a spatial model, which will trace the cost implications of localized load growth. The general structure of these models has been roughly determined.



3. To assess the usefulness of alternate calculating procedures for gas utility ratemaking
  - The models mentioned in (2) will be linked to demand models so that the impact of marginal cost based rates will be assessed in terms of: (a) energy conservation; (b) utility's revenue requirements and financial health; and, (c) necessary capital plant investment.
4. To obtain state regulatory agency staff review of the gas capacity cost study
  - Staff people at the Public Utilities Commission of Ohio and at the New York Public Service Commission have already been advised of the study, and are expected to provide advisory support. The California Commission is to be contacted very soon.
5. To write a final report on procedures and conclusions
  - Not yet begun

AREAS OF CONCERN:

The willingness of the selected utilities to provide the data necessary for the empirical applications of the models to be developed.

DOE ACTION REQUESTED:

At that stage, none. However, some action may be requested if data gathering problems occur.



PROGRAM: Rate Design

PROJECT: Electric Marginal Cost Applications

PROJECT LEADER: Kevin A. Kelly

PROJECT TEAM MEMBERS: Kevin Kelly, Amy Garant, Kay Pfister, Timothy Pryor

PROJECT STATUS:

Grant Activities

Activities to Date

1. To identify areas of application from the roundtable. At this time it is expected that interruptible rates, back-up rates and cogeneration rates will be areas of greatest need.
  2. To develop methods for calculating marginal costs for special tariffs and for converting these costs into rates.
- With the completion of the roundtable, public utility commissioners and staff members have indicated their interest in interruptible, back-up and cogeneration rates.
  - Project staff are continuing an ongoing survey of existing information on interruptible rates, cogeneration rates and back-up rates. The survey includes economic research applicable to these topics, relevant federal regulations or proposed federal regulation, and the current rate-making practices of public utility commissions.
  - One project team member has been assigned the task of becoming familiar with the Cicchetti program used by the Computer Assisted Analysis program in the computation of actual marginal cost, time-of-day rates.
  - Project team members exchange information and ideas with members of the Cost Control program at the weekly meeting of the Electric and Gas Division of the Institute.
  - Planned activities include a continuing effort by project members to examine and critique existing rate designs for cogeneration, back-up, and interruptible service. Whenever feasible team members will work to develop, analyze and refine promising innovations for these research areas.



3. To obtain input from state regulatory agency staff in the course of the study.
  - Project team members carefully review the publications of state regulatory agencies to keep abreast of developments in applied marginal cost ratemaking.
  - Where appropriate, project team members will contact by phone state regulatory agency staff.
4. To prepare report(s) detailing the methods for calculating special tariffs.
  - The report(s) are currently at an early stage of planning.
  - Useful results will be made available to public utility commissions through the Rate Design Workshops project and the Regulatory Information program.

AREAS OF CONCERN:

None

DOE ACTION REQUESTED:

If DOE has funded or is aware of studies in cogeneration rates, back-up service rates or interruptible rates, we would appreciate copies of the reports or information on where to obtain them.





PROGRAM: Rate Design

PROJECT: Rate Design Technical Assistance

PROJECT LEADER: Kevin Kelly

PROJECT TEAM MEMBERS: K. Kelly, R. Redmond, R. Burns

PROJECT STATUS:

Grant Activities

Activities to Date

- |  |   |
|--|---|
| 1. To select states and topics for technical assistance      | - The project staff have received requests for rate design assistance from West Virginia and Kansas. NRRI has proposed to these states a technical assistance effort in which the state contributes matching funds. State action on proposals is pending. |
| 2. To assemble a technical assistance team for each state    | - In progress. Teams consist of NRRI staff, OSU faculty and outside consultants   |
| 3. To provide direct assistance to state regulatory agencies | - Not yet begun   |

AREAS OF CONCERN:

None

DOE ACTION REQUESTED:

None



PROGRAM: Rate Design

PROJECT: Rate Design Workshops

PROJECT LEADER: Kevin Kelly

PROJECT TEAM MEMBERS: K. Kelly, M. Farokhpay

PROJECT STATUS:

Grant Activities

Activities to Date

1. To identify rate design workshop topics

- In the December 1979 rate design roundtable meeting in Atlanta, roughly half the NARUC attendees called for another round of workshops covering the fundamentals of cost of service, marginal cost pricing and time-of-use pricing. Also roughly half expressed interest in "advanced" cost-of-service topics; however, there was not good agreement on which of such topics are to be preferred. At this point we (tentatively) plan a set of workshops on the fundamentals.

- In addition, we have corresponded with the Alaska PSC and met with Commissioner Knowles of Alaska to discuss our conducting a rate design workshop for the staff in Alaska.

2. Advertize workshops

- Not yet begun

3. Conduct workshops

- Not yet begun

4. Evaluate workshops

- Not yet begun

AREAS OF CONCERN:

At the roundtable meeting, all parties called for full week-long workshops. This affects both the level of coverage of topics and the cost of the workshops.

DOE ACTION REQUESTED:

None



PROGRAM: Rate Design

PROJECT: Rate Design Information

PROJECT LEADER: Kevin Kelly

PROJECT TEAM MEMBERS: Electricity and Gas Division Staff

PROJECT STATUS:

Grant Activities

Activities to Date

- |  |  |
|--|--|
| 1. To exchange information with state regulatory agency staff members on current events related to rate design | - Answering many miscellaneous telephone inquiries from state agency staffs                          |
| 2. To attend NARUC meetings focusing on rate design issues   | - Participated in meeting for drafting NARUC Gas Rate Design Manual and drafted portions of the text |
| 3. To attend EPA and FERC meetings on rate design issues   | - No such attendance to date   |
| 4. To obtain state agency staff participation in rate design discussions                                       | - To date, only as described in item 1, above  |

AREAS OF CONCERN:

None

DOE ACTION REQUESTED:

None



## The Cost Control Program





PROGRAM: The Cost Control Program

PROJECT: Incentives for Utility Performance

PROJECT LEADER: Dr. Daniel Z. Czamanski

PROJECT TEAM MEMBERS: Dr. J. Stephen Henderson, Dr. J. Leverich,  
Ms. Vivian Witkind

PROJECT STATUS:

Grant Activities

1. To form a task force representing various academic, regulatory, and utility viewpoints
2. To determine a range of potential approaches
3. To develop as required the theory and method of application for the approaches selected

Activities to Date

- A small task force has been formed. Initial discussions with its members indicate a need for further expansion of the group. An effort has been made to include other individuals on the task force.
- Following an extensive review of literature and detailed discussions with some members of the task force, it was concluded that before the actual design of incentive mechanisms can begin there is a need for information not currently available. Potential means of obtaining such information were examined and a least costly approach was selected.
- After two months of effort the research team has identified the major research problems and has proposed methods of analysis. The objectives that were identified include examination of:
  - (1) The relative efficacy of information concerning utilities' behavior, of incentives, and of penalties as motivating mechanisms for desirable behavior by utilities.
  - (2) The forces that motivate the behavior of utilities' managements in general, and,
  - (3) The acceptability to regulatory commissions of various regulatory tools, such as incentives mechanisms.



Grant Activities

Activities to Date

- |   |   |
|---|---|
| 4. To state the results as concrete steps usable by state regulatory agencies | - The team is currently developing the required theory to complete this task. |
| 5. To obtain state regulatory agency staff participation in the study         | - Not yet begun   |
| 6. To prepare a final report  | - Not yet begun   |

AREAS OF CONCERN:

None

DOE ACTION REQUESTED:

None



PROGRAM: Cost Control

PROJECT: Management Audits Workshop

PROJECT LEADER: Raymond Lawton

PROJECT TEAM MEMBERS: Raymond Lawton, Myra Adelman, Mitra Farokhpay

PROJECT STATUS:

Grant Activities

1. To review and update the information obtained by the Institute concerning current state commission needs regarding the use of commission ordered Management Audits.
2. To design a workshop agenda and course content to meet the expressed needs of state commission staff in increasing the usefulness of commission-ordered management audits.
3. To publicize the workshop and obtain the participation of state commission staff.

Activities to Date

- The major effort here has involved the integrating and updating of the NRRI mgmt. audit report with a report produced by Price Waterhouse.
- Other activities here include a literature search update, and phone conversations with mgmt. audit experts.
- Project team members have and will continue to share information with the regulatory incentives project staff.
- Project staff met with representatives of several states and discussed their experience with and need for assistance in mgmt. audit implementation at the annual NARUC meeting in Atlanta.
- Additionally a meeting with those state commissions having full-time mgmt. audit staff members is scheduled for early March. The purpose of this meeting is to solicit comment regarding a proposed management audit workshop agenda. The intent here is to use their first-hand experience and to solicit their involvement in the workshops.
- We will attempt to have the state commission staff attending the meeting described above, act as faculty members or resource persons for the management audit workshop.
- The NARUC Bulletin as well as a mailed brochure will be the primary mechanisms used to publicize the workshop.



4. To conduct a management audit workshop on practical aids required to improve the effectiveness of management audits as a regulatory tool.
  - A three-day mgmt. audit is tentatively scheuled for the first week in May. We will not be able to set the definite date until we have completed our early March meeting with state commission staff.
  - Reservations have been made for 30 persons at OSU for May 5, 6 and 7 in order to guarantee a site.

AREAS OF CONCERN:

The availability and scheduling of experienced state commission staff as faculty or resource persons for the management audit workshop may be a problem. As the date of the workshop has not been publicized yet, we still have some flexibility regarding its actual date.

DOE ACTION REQUESTED:

1. If DOE has funded or otherwise been involved in commission-ordered management audits, we would appreciate receiving copies of any relevant reports.
2. If any DOE/ERA employees desire to sign up for the workshop, we should be informed as early as possible.





PROGRAM: Cost Control

PROJECT: Accounting For Unplanned Shutdowns

PROJECT LEADER: Douglas N. Jones

PROJECT TEAM MEMBERS: Douglas N. Jones, (Alvin Kaufman, Russell Profozich, Robert Poling, Susan Bodilly)

PROJECT STATUS:

Grant Activities

1. To conduct a study examining alternate lines of reasoning and alternate bases for the bearing of unplanned shutdown costs in the light both of traditional regulatory theory and possible innovative approaches.
2. To examine the effect on the various parties of the alternate methods presented through the use of an illustrative example.
3. To obtain state regulatory staff participation in the study.
4. To prepare a final report

Activities to Date

- Preparation of and agreement on a work plan after a meeting with team members January 31, 1980 in Washington, D.C. Also on the actual outline of the study.
- The four cases mentioned in the outline will be treated (New Mexico, New York, Virginia, Pennsylvania). In addition, the Jersey Central Power and Light Company with its current financial difficulties stemming from the TMI accident and as presented to the New Jersey Board of Public Utilities will be considered as a case in point. Two members of the study team visited the N.J. Board in December to gather data.
- A proposal was made to the New Jersey Board of Public Utilities for matching funds from that Board to sequentially link up the NRRI study with a parallel study of interest to New Jersey.
- Not yet begun

AREAS OF CONCERN:

The limited experience and literature on cost allocation for unplanned shutdowns makes it necessary to develop a theory and rationale without benefit of an extensive body of either legal or economic literature. The study is therefore sailing into uncharted and probably stormy waters.

DOE ACTION REQUESTED:

None



The Computer Assisted Regulatory Analysis Program



PROGRAM: Computer Assisted Regulatory Analysis

PROJECT: Regulatory Analysis Model Development

PROJECT LEADER: Sho Nakamura

PROJECT TEAM MEMBERS: S. Nakamura, S. Tzemos, Another to be named on April 1, 1980

PROJECT STATUS:

Grant Activities

1. To analyze states' needs for a computer model and to select a modeling area for research and development

2. To develop the model

3. To test the model

5. To make the model available to state regulatory agencies

Activities to Date

- In discussions with many state regulatory agencies and in reading a variety of state RFP's, we determined that state agencies have a need to perform computerized checks on the electric capacity expansion plans of the regulated utilities.

- NRRI has begun development of an electric system capacity expansion planning model. The model will be a state-of-the-art model with reduced running time, and will be capable of being run by state agency staff with little formal training in model usage. A literature survey of pertinent materials is in progress.

- Not yet begun

- Not yet begun

AREAS OF CONCERN:

As this is a significant research and development effort, the ability to finish within the projected time frame will depend upon absence of unanticipated difficulties in the research effort.

DOE ACTION REQUESTED:

None



PROGRAM: Computer Assisted Regulatory Analysis

PROJECT: Regulatory Analysis Model Modification

PROJECT LEADER: J.M. Guldmann

PROJECT TEAM MEMBERS: J.M. Guldmann, V. Khanna, J. Herten

PROJECT STATUS:

Grant Activities

Activities to Date

- |   |   |
|---|---|
| 1. To identify computer programs for transferral to state regulatory agencies | - Programs identified to date for transfer to state agencies are the electric MARGINAL COST program, developed by Cicchetti, and the gas RSM model developed at NRRI.   |
| 2. To evaluate the usefulness of the documentation of these models            | - In progress   |
| 3. To modify models to run on state computer systems                          | - May be undertaken soon (pending completion of a cooperative agreement) to use the MARGINAL COST program in West Virginia  |
| 4. To develop additional documentation as required.                           | - Not yet begun   |
| 5. To make the model available to all state regulatory agencies, as requested | - NRRI has reached an agreement with the OSU Polymetrics Laboratory. The lab maintains and updates computer models and will reproduce models and mail them as requested by NRRI. The lab also will be available for limited assistance to states in discussing compatibility of models with state computer systems. |

AREAS OF CONCERN:

None

DOE ACTION REQUESTED:

None





PROGRAM: Computer Assisted Regulatory Analysis

PROJECT: Long-term Technical Assistance

PROJECT LEADER: Kevin Kelly

PROJECT TEAM MEMBERS: K. Kelly, J. Herten, K. Pfister, R. Redmond,  
R. McElroy

PROJECT STATUS:

Grant Activities

Activities to Date

- |  |  |
|--|--|
| 1. To choose two states for computer technical assistance, based on needs assessment, importance of application, and transferability of results. | - Pending the outcome of discussions of uses of models available from NRRI, at present New Hampshire and West Virginia are candidates. The New Hampshire study, if selected, would involve a computerized analysis of the costs of converting electric generation from oil to coal. The West Virginia effort, if undertaken, would involve regulatory staff training in marginal cost analysis using a computer model. |
| 2. To train state staffs in the use of a model or models   | - Not yet begun  |
| 3. To prepare technical assistance reports   | - Not yet begun  |

AREAS OF CONCERN:

None

DOE ACTION REQUESTED:

None



PROGRAM: Computer Assisted Regulatory Analysis

PROJECT: Short-term Technical Assistance

PROJECT LEADER: Kevin Kelly

PROJECT TEAM MEMBERS: K. Kelly, J. Herten, S. Rischard

PROJECT STATUS:

Grant Activities

Activities to Date

- |   |  |
|---|--|
| 1. To provide technical assistance in response to specific requests                       | - Requests for computer assistance from Kansas, Maryland, Pennsylvania, and Arkansas have been filled.<br><br>- In addition, persons in California, and Florida have requested programs in order to perform services for P.S.C.'s in California and Florida; this assistance is in progress. |
| 2. To provide direct on-site short-term technical assistance to state regulatory agencies | - NARUC Staff Subcommittee on Computers is asking NRRI to compile and publish its "Catalog of Computer Programs and Data Bases." NRRI has expressed willingness to assist in this and will discuss a cooperative effort at the upcoming subcommittee meeting                                 |
| 3. To prepare a letter report   | - A log of all assistance efforts will serve as the basis for the letter report  |

AREAS OF CONCERN:

Senior staff in the area of computer assistance have left the Institute; recruiting of modelers and programmers as replacement is in progress, and no long-term negative effect is expected.

DOE ACTION REQUESTED:

None



PROGRAM: Computer Assisted Regulatory Analysis

PROJECT: Computer Utilization Workshops

PROJECT LEADER: Kevin Kelly

PROJECT TEAM MEMBERS: K. Kelly, S. Nakamura, J. Herten, R. McElroy,  
S. Tzemos

PROJECT STATUS:

Grant Activities

Activities to Date

- |   |  |
|---|--|
| 1. To select a workshop topic           | - At the Rate Design Roundtable meeting in Atlanta, a consensus view was that NRRI should conduct a workshop directed toward those some 50% of all state agencies that have little or no computer capability. Topics should include: Are computers necessary?; choice of hardware; an analysis of options; applications of computers and available software; personnel requirements; how to get started in computers; the order in which to attempt various activities of data collection, storage and retrieval; data analysis; model acquisition, usage, and documentation; model development. |
| 2. To prepare appropriate study modules | - Not yet begun  |
| 3. Conduct workshops                    | - Not yet begun  |
| 4. Prepare letter report                | - Not yet begun  |

AREAS OF CONCERN:

The turnover of staff in the former computer division has temporarily halted preparation of specific workshop materials. Planning is expected to resume soon but use of outside consultants will probably be required beyond the level originally planned.

DOE ACTION REQUESTED:

None



The Regional Regulatory Information Program





PROGRAM: Regulatory Information Program

PROJECT: Regional Regulation Assessment

PROJECT LEADER: Ray Lawton

PROJECT TEAM MEMBERS: Ray Lawton, Nat Simons, William Bound

PROJECT STATUS:

Grant Activities

1. To conduct a literature survey and partial state agency inventory to determine which issue area would be the highest priority interest for participation in regional regulation efforts.
  
2. To conduct research, including on-site analysis and the use of a small task force, to determine the opportunities and problems facing the regional exchange of information for a group of adjacent states for a specific issue area.

Activities to Date

- The current literature search includes reviews of documents identifying utility companies that serve more than one state, the nature of and the conditions (e.g., economic, geographic, governmental and institutional) leading to establishment of interstate compacts. Also, telephone discussions have been conducted with a few persons who have recently been involved in multi-state cooperative regulatory efforts. These discussions indicate that the attempts for regional regulation have been informal. Thus, the literature consists mainly of memoranda or informal staff reports within regulatory agencies. Few, if any, formal studies or published documents have been found to date.
  
- The formation of a task force, or conducting on-site analysis, to determine the practical opportunities and problems in a specific region will be initiated in the latter stages of this project. It will permit the determination of the most practical subject area and issue to be selected prior to selection of the participating states in a region.



3. To obtain the participation of state agency staff in identifying the regional issues for study, the research, and the final assessment report. - See above
4. To prepare a final report. A report will be prepared outlining the opportunity and problems directly connected with the regularized exchange of information on a specific issue for state regulatory agencies in a region. - A preliminary outline for the final report has been developed. It is included in this submission for comment and approval:

Regional Regulation  
(Preliminary Outline)

I. The Growth of Regionalism  
In The United States

- a) Historical background
- b) Legal and institutional characteristics
- c) Examples of "successful" regionalism
- d) Region compacts and their implications

II. Regionalism and Public  
Utility Regulation

- a) State and Federal relationships affecting regional regulation
- b) Attempts toward regional regulation
- c) Major factors inherent in public regulation that might be included in regional arrangements

III. An Application of Regionalism  
To Public Utility Regulation

- a) Criteria for selection of an issue and region
- b) Selection of a region, the participating states and the issue.
- c) Identifying the regional problem to resolve the issue.
- d) Designing the implementation plan for regional resolution of the issue.

IV. Summary, Conclusions and  
Recommendations



AREAS OF CONCERN:

The study product (see Technical Proposal p. 44 for details) is to report the nature of problems directly associated with the exchange of information among state regulatory agencies within a region. In addition, the report is intended to outline the opportunities to overcome those problems. In the initial phase of the work program it was found important to clarify the term "exchange of information" to encompass all purposeful efforts between states to share information in a manner that assists in the resolution of similar regulatory problems in each state.

The broadened definition of information exchange in this project reduced the potential conflict with another project in this program, Regulatory Information Exchange. The transfer of documents, related materials and abstracting information among regulatory agencies is the subject of that project. It will not be duplicated in the Regional Regulation Assessment project.

DOE ACTION REQUESTED:

1. Approval of proposed report outline.
2. If any DOE reports or materials are available please forward copies to NRRRI for review and inclusion in the study.



PROGRAM: Regulatory Information

PROJECT: Regulatory Conference

PROJECT LEADER: Ray Lawton

PROJECT TEAM MEMBERS: Ray Lawton, Nat Simons, various members of NARUC  
Staff Subcommittees

PROJECT STATUS:

Grant Activities

1. To assess priority topics or issue areas where the exchange of information between state regulatory agencies would help to improve the effectiveness of state utility regulation.
2. To obtain state commission participation in selecting regulatory research papers, in presenting the papers and in participating at a conference.
3. To solicit, review, and select in specific topic or issue areas high quality regulatory research papers for use in a conference.

Activities to Date

- Priority topics and issue areas have been identified as those most likely to assist public agencies involved in utility regulation; develop tools for operational effectiveness. A conference format has been decided upon as the means to present the topics.
- The program committee has been organized and has identified the general subject areas. The committee members are from state commissions. The conference title is The Second NARUC Biennial Regulatory Information Conference. It will be held Sept. 3-5, 1980 in Columbus, Ohio. It's expressed purpose is to promote the sharing of knowledge and experience among NARUC member agencies; to introduce new concepts and techniques of regulatory analysis; and to demonstrate the role of computer technology in regulatory analysis.
- Progress of Conference -
  1. Site, dates, and physical arrangements have been made.
  2. Conference organization and program personnel have been assigned, and major speakers are being sought.
  3. Announcements, call for papers and general informational material have been designed and will be appropriately distributed.





4. Budget will be finalized by March 1, 1980. Primary conference funding will be from registration fees and voluntary time input by program persons and participants, both of whom are mainly state commission personnel.

4. To conduct a conference.

- See above.  
Subsequent to the conference a Proceedings will be published, incorporating all papers presented at the conference.

AREAS OF CONCERN:

None.

DOE ACTION REQUESTED:

Should any DOE staff wish to participate in the project or present a paper, they should contact NRRI.



PROGRAM: Regulatory Information Program

PROJECT: Regulatory Information Exchange

PROJECT LEADER: Myra Adelman

PROJECT TEAM MEMBERS: Myra Adelman, Chris Strommen

PROJECT STATUS:

Grant Activities

1. To evaluate and expand the pilot information exchange on PURPA Title I cases conducted during September, 1979.
2. To assess the most appropriate organizational setting for the operation of the regulatory information exchange.
3. To obtain state regulatory staff participation in the project.
4. To acquire, store and retrieve regulatory information requested by state regulatory commissions.

Activities to Date

- Pilot System data base is presently being expanded by the addition of approximately 300 new documents including many from new contributors. A total of 34 states have now contributed.
- An updated awareness bulletin is being readied to go to press.
- Inquires from commissions averaging 3 a week are being received and satisfied.
- New information categories suggested by inquiry calls are being evaluated.
- Comment from commission staff will be solicited by inclusion of a postpaid evaluation card in the awareness bulletin.
- An attempt will be made to identify the salient organizational features of successful information systems.
- This participation has already been achieved with appointed contact persons from 34 commissions who have forwarded documents. Periodic contact is maintained by telephone.
- The acquisition and systematization of more than 300 relevant documents has been completed. Information regarding these documents has been disseminated to the commissions via the awareness bulletin and response to telephone inquiries.



AREAS OF CONCERN:

The relatively slow pace of document processing and document retrieval are of growing concern.

DOE ACTION REQUESTED:

None



Administration





PROGRAM: Administration

PROJECT: Grant Administration

PROJECT LEADER: Raymond Lawton

PROJECT TEAM MEMBERS: Mary Murphy, Jim Detwiler, Judy Bielanski,  
Nancy Van Der Puy, William Castle, Barbara Mills,  
and Mary Anne Decker

PROJECT STATUS:

Grant Activities

Activities to Date

- |   |  |
|---|--|
| 1. Financial reporting                      | - Established system of accounts with OSU Research Foundation  |
|   | - Refined program budgets  |
|   | - Prepared 1st Quarterly Cost Management Report  |
| 2. Personnel actions                        | - Placed adds in <u>NARUC Bulletin</u>   |
|   | - Established five positions at OSU  |
|   | - Interviewed several applicants   |
|   | - Hired three employees with job offers pending to three individuals   |
| 3. Program and final reports                | - Preparation of 1st Quarterly Project Status and Cost Report  |
| 4. Evaluation of work                       | - Director and Associate Directors have met on a regular basis with each project leader to ensure conformance to NRRI's Technical and Cost Proposal. |
| 5. Response to information needs of sponsor | - Responded to request for information concerning New Mexico   |
|   | - Prepared list of reports distributed   |
| 6. Program Management                       | - Reconcile OSU Research Foundation expenditure reports  |
|   | - Provided support for administrative linkages to OSU and the OSU Research Foundation  |

AREAS OF CONCERN:

None

DOE ACTION REQUESTED:

None



## COST MANAGEMENT



### Program Budgets

Detailed budgetary information for each program has been prepared to supplement that provided in the Technical and Cost Proposal. Some variation does exist between the original figures and those found in the Technical and Cost Proposal. These differences do not change the total federal cost. The program management dollars budgeted for each project have been combined and reallocated to the program 5, Administration.

Program budgets are presented in Table 1. The match plan figures in Table 1 represent our best estimate of the most probably areas of state commission participation.



Table 1: Program Budgets

BUDGET CATEGORIES

PROGRAM	Salaries	Retirement & Insurance	Consultants	Materials & Supplies	Travel	Indirect Cost	Total
<u>Rate Design</u>							
DOE	\$ 92,217	\$15,102	\$ 52,869	\$16,210	\$10,221	\$ 78,381	\$265,000
Match Plan	29,650	4,832	15,492	5,189	3,270	26,567	85,000
Total	121,867	19,934	68,361	21,399	13,491	104,948	350,000
<u>Cost Control</u>							
DOE	68,494	7,720	54,808	10,357	12,846	64,775	219,000
Match Plan	10,633	1,198	8,508	1,610	1,994	10,057	34,000
Total	79,127	8,918	63,316	11,967	14,840	74,832	253,000
<u>Computer Assisted Regulatory Analysis</u>							
DOE	75,333	7,474	44,145	19,476	9,911	65,661	222,000
Match Plan	45,788	4,542	26,831	11,885	6,024	39,930	135,000
Total	121,121	12,016	70,976	31,361	15,935	105,591	357,000
<u>Regulatory Information</u>							
DOE	47,779	5,176	500	3,904	2,500	25,141	85,000
Match Plan	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total	47,779	5,176	500	3,904	2,500	25,141	85,000
<u>Administration</u>							
DOE	101,915	14,268	-0-	20,000	11,000	61,817	209,000
Match Plan	23,923	3,414	-0-	5,107	2,631	14,925	50,000
Total	125,838	17,682	-0-	25,107	13,631	76,742	259,000
<u>Total</u>							
DOE	385,738	49,740	152,322	69,947	46,478	295,775	1,000,000
Match Plan	109,994	13,986	50,831	23,791	13,919	91,479	304,000
Grand Total	495,732	63,726	203,153	93,738	60,397	387,254	1,304,000





Program Expenditures as of January 31, 1980

Six tables are presented in this section and provide specific budgetary and expenditure data for each of the five program areas as well as for the entire grant. The information presented covers the period from October 15, 1979 through January 31, 1980.



Table 2: Total Grant Expenditures by Category

Sponsor Support Categories	Budget	Expenditures this Month	Expenditures to Date	Commitments	Unencumbered Balance
Personnel Services on Campus	\$ 385,738	\$34,222.62	\$ 84,166.21	-0-	\$301,571.79
Retirement, Major Medical and Blue Cross	49,740	4,072.90	9,932.66	-0-	39,807.34
Fees-Visiting Consultants	152,322	1,067.00	1,867.00	-0-	150,455.00
Total Personal Services	587,800	39,362.52	95,965.87	-0-	491,834.13
Materials and Services	69,947	2,031.37	5,234.89	\$6,054.08	58,658.03
Travel	46,478	1,498.43	1,734.80	296.00	44,447.20
Total Direct Costs	704,225	42,892.32	102,935.56	6,350.08	594,939.36
Indirect Costs	295,775	18,014.77	43,232.93	2,667.03	249,875.04
Total Sponsor Support	1,000,000	60,907.09	146,168.49	9,017.11	844,814.40



Table 3: The Rate Design Program Expenditures

Sponsor Support Categories	Budget	Expenditures this Month	Expenditures to Date	Commitments	Unencumbered Balance
Personnel Services on Campus	\$ 92,217	\$ 9,068.99	\$22,303.99	-0-	\$ 69,913.01
Retirement, Major Medical and Blue Cross	15,102	1,079.32	2,632.16	-0-	12,469.84
Fees-Visiting Consultants	52,869	282.76	494.76	-0-	52,374.24
Total Personal Services	160,188	10,431.07	25,430.91	-0-	134,757.09
Materials and Services	16,210	538.31	1,387.25	\$1,604.33	13,218.42
Travel	10,221	396.97	459.72	79.96	9,681.32
Total Direct Costs	186,619	11,366.35	27,277.88	1,684.29	157,656.83
Indirect Costs	78,381	4,773.87	11,456.71	707.39	66,216.90
Total Sponsor Support	265,000	16,140.22	38,734.59	2,391.68	223,873.73



Table 4: The Cost Control Program Expenditures

Sponsor Support Categories	Budget	Expenditures this Month	Expenditures to Date	Commitments	Unencumbered Balance
Personnel Services on Campus	\$ 68,494	\$ 7,494.75	\$18,432.40	-0-	\$ 50,061.60
Retirement, Major Medical and Blue Cross	7,720	891.97	2,175.25	-0-	5,544.75
Fees-Visiting Consultants	54,808	233.67	408.87	-0-	54,399.13
Total Personal Services	131,022	8,620.39	21,016.52	-0-	110,005.48
Materials and Services	10,357	444.87	1,146.44	\$1,325.84	7,884.72
Travel	12,846	328.16	379.92	64.82	12,401.26
Total Direct Costs	154,225	9,393.42	22,542.88	1,390.66	130,291.46
Indirect Costs	64,775	3,945.23	9,468.01	584.08	54,722.91
Total Sponsor Support	219,000	13,338.65	32,010.89	1,974.74	185,014.37





Table 5: The Computer Assisted Regulatory Analysis Program Expenditures

Sponsor Support Categories	Budget	Expenditures this Month	Expenditures to Date	Commitments	Unencumbered Balance
Personnel Services on Campus	\$ 75,333	\$ 7,597.42	\$18,684.90	-0-	\$ 56,648.10
Retirement, Major Medical and Blue Cross	7,474	904.18	2,205.05	-0-	5,268.95
Fees-Visiting Consultants	44,145	459.87	804.67	-0-	43,340.33
Total Personal Services	126,952	8,961.47	21,694.62	-0-	105,257.38
Materials and Services	19,476	450.96	1,162.15	\$1,344.00	16,969.85
Travel	9,911	332.65	385.13	65.12	9,460.75
Total Direct Costs	156,339	9,745.08	23,241.90	1,409.12	131,687.98
Indirect Costs	65,661	4,092.93	9,761.59	591.83	55,307.58
Total Sponsor Support	222,000	13,838.01	33,003.49	2,000.95	186,995.56



Table 6: The Regulatory Information Program Expenditures

Sponsor Support Categories	Budget	Expenditures this Month	Expenditures to Date	Commitments	Unencumbered Balance
Personnel Services on Campus	\$47,779	\$2,908.92	\$ 7,154.13	-0-	\$40,624.87
Retirement, Major Medical and Blue Cross	5,176	346.20	844.28	-0-	4,331.72
Fees-Visiting Consultants	500	90.70	158.70	-0-	341.30
Total Personal Services	53,455	3,345.82	8,157.11	-0-	45,297.89
Materials and Services	3,904	172.67	444.97	\$514.60	2,944.43
Travel	2,500	127.37	147.46	25.16	2,327.38
Total Direct Costs	59,859	3,645.86	8,749.54	539.76	50,569.70
Indirect Costs	25,141	1,531.26	3,674.80	226.70	21,239.50
Total Sponsor Support	85,000	5,177.12	12,424.34	766.46	71,809.20



Table 7: Administration Expenditures

Sponsor Support Categories	Budget	Expenditures this Month	Expenditures to Date	Commitments	Unencumbered Balance
Personnel Services on Campus	\$101,915	\$ 7,152.54	\$17,590.79	-0-	\$ 84,324.21
Retirement, Major Medical and Blue Cross	14,268	851.23	2,075.92	-0-	12,192.08
Fees-Visiting Consultants	-0-	-0-	-0-	-0-	-0-
Total Personal Services	116,183	8,003.77	19,666.71	-0-	96,516.29
Materials and Services	20,000	424.56	1,094.08	\$1,265.31	17,640.61
Travel	11,000	313.28	362.57	60.94	10,576.49
Total Direct Costs	147,183	8,741.61	21,123.36	1,326.25	124,733.39
Indirect Costs	61,817	3,671.48	8,871.82	557.03	52,388.15
Total Sponsor Support	209,000	9,413.09	29,995.18	1,883.28	177,121.54



### Projected Program Expenditures

Due to the loss of our computer staff as described previously, expenditures for the first quarter are at a slightly lower rate than anticipated. We expect the end of grant expenditure rate to conform to the Technical and Cost Proposal.





### Subcontracting Policy

It is the policy of the National Regulatory Research Institute to, in all cases, obtain the lowest rate charged by a potential sub-contractor to his most favored customer. Our purchase order used to acquire consulting services requires the contractor to state that they are charging the NRRI the lowest rate charged their most favored customers.

