



## IMPROVE THE RATE CASE PROCESS AND OPTIMIZE FINANCIAL DECISION MAKING

## Introduction

Utilities today face numerous challenges that affect their ability to cover costs and earn an adequate return for investors. With increased investment in infrastructure, decreased energy demand and changing regulations, utilities are filing more rate cases in order to rate sets at a level that meets the demands of the business and the expectations of investors.

But the rate case process is complex and time-consuming. It puts significant stress on a utility's day-to-day operations as departments across the organization scramble to gather the necessary information. This environment also makes it difficult for executives to effectively analyze the data and run scenarios that allow them to present the best possible case and make the best strategic decisions for the company.

PowerPlan's Rate Case and Roe Management delivers a better way to manage the unique requirements of regulated companies, both in preparing for the rate case and in optimizing overall financial performance.

## Address the Gaps in the Regulatory Process

PowerPlan's Rate Case and Roe Management was designed to address a core problem facing utilities of all sizes – financial systems that don't support regulatory processes. While ERP and EAM systems manage the financial and physical information about an asset, they don't store detailed regulatory data. Regulatory teams must request data from across the organization (accounting, tax, operations, etc) and then create a standalone regulatory ledger that's outside the core financial systems. PowerPlan Rate Case suite leverages existing systems to provide the functionality utilities need most: data gathering, analysis and ongoing monitoring.

## Decrease Regulatory Lag with Better Data Gathering

Because ERPs don't store regulatory data, it has to be managed by individual departments using spreadsheets and other ad hoc reports. This is not only time consuming, but it increases the chance of input errors, compromising data integrity and eroding trust with the regulator. As Jeff Chronister of Tampa Electric said, "When it comes to rate cases, credibility is my only currency with the regulators."

PowerPlan helps you improve the quality of your regulatory data while also allowing you to move through the rate case more quickly. It automates manual tasks with pre-defined templates for a variety of use cases and delivers a rules-based system that maps ERP accounts to regulatory account codes. As asset information changes, the regulatory ledger reconciles with the financial books and general ledger, ensuring everyone has access to the most current information along with the ability to drill down into the supporting detail. Now, if a regulator questions how a number was derived, it's easy to access data that explains the calculation.



## Improve Rate Case Outcomes with Better Analysis and Decision Making

Regulators consider multiple factors when awarding a rate case decision, and many of them – such as the current market interest rates – are outside of your control, so you have to use available data to present the best possible case. This means running complex scenarios using multiple inputs and analyzing different options.

PowerPlan gives you the tools you need to better predict future performance, rather than relying solely on historical data. Using budget and forecast information, you can build scenarios and translate that information to a regulatory viewpoint. You can plug in different assumptions and isolate variables to see how the ROE changes and make adjustments as necessary. Because PowerPlan maintains detail that supports requirements for individual jurisdictions, you can configure allocations based on dynamic and static factors and store these for future use.

## Faster Analysis. Better Results.

Energy Transfer Equity, a Fortune 500 company based in Dallas Texas, specializes in the storage and transportation of natural gas. The company was operating with five rate zones but wanted to see if they could improve performance by going to just four. The CFO asked the regulatory team conduct a strategic analysis to evaluate what this might look like.

Using the company's existing manual processes, this analysis would have taken months of around the clock work. But with PowerPlan, they were able to make a few configurations and had a scenario that included the necessary revenue requirement in just a few hours.

Analysis showed going to four zones would increase revenues by several million dollars. ETE was also able to evaluate performance on a monthly basis to see how projected costs were tracking against actuals. With the insight gained from real-time access to critical regulatory data and data analysis, ETE was able to optimize strategic decision making and improve its financial position.

## Optimize Financial Performance with Better Monitoring

If you're not monitoring regulatory performance on an ongoing basis, you're missing an opportunity to align with a utility's overall financial and strategic objectives. By continuously monitoring all of the factors that influence revenue, you can see where costs are rising more than expected and how alternative rate mechanisms like riders and trackers are performing. Having this information immediately available also helps you predict with more confidence the best time to go in for a rate case.

PowerPlan delivers dashboards, reports and alerts that allow you to project revenue requirements of ROE across multiple years. You can define capital structures based on regulatory scenarios and conduct variance reporting of actuals vs. budgets and forecasts, both on an ongoing and a rolling basis. The drill-back capability also provides more insight into underlying causes of variances, helping you better alternative recovery mechanisms and use the drill-back capability to better understand the underlying causes of variances.



## Assessing Your Organization

How would you assess your utility's regulatory performance? The following questions can help you better understand gaps in your approach.

### Data

- How long does it take you to get through an average rate case?
- How many resources are involved in the rate case process? What percentage is allocated to high-value activities (analysis) vs. lower-value activities (data gathering)?
- How confident are you in the integrity of the data?

### Analysis

- How do you manage multijurisdictional requirements?
- Can you effectively isolate and analyze variables that need question?

### Monitoring

- Do you know the best time to go in for a rate case? Do you have a method by which to evaluate this?
- Can you predict what projected ROE will be before you go in for a rate case?
- How do you determine when to pursue alternative regulatory mechanisms and how do you measure their performance?



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