

Cost of Service Options for Utilities



MCR provides options to address your company's cost of service needs. MCR's Microsoft Excel-based COST™ model was designed by professionals who have extensive experience working in utility rates and regulatory departments. The COST™ model has a unique structure that requires no coding and allows users to quickly change model logic and reports to address business changes. The COST™ model provides seamless integration with general ledger, budget tools, production cost models and any structured data sources. It includes an integrated Rate Design Module to move straight

from taking a revenue requirement developed in the COST™ model to designing rates for that revenue requirement.

The COST™ model has built-in validation and error checking, a data import tool to eliminate linked files to the model, and a scenario analyzer to quickly determine how various changes will affect the results of the model. In addition to addressing cost of service needs, the COST™ model can also be used to assist your organization designing new innovative rate structures, splitting apart existing rate schedules, or aligning rates for multiple jurisdictions.

MCR's approach to regulatory filings for cost of service



The COST™ model can be implemented in multiple ways to meet the requirements and budget of your organization. The first option is to license COST™ with implementation by MCR's experienced staff, which includes an unlimited, multi-user license for the COST™ model and its integrated Rate Design Module. Implementation fees are based on the estimated time to customize the COST™ model for your organization, which is typically between 8 to 12 weeks, inclusive of staff training.

For those utilities who license the COST™ model, MCR offers a two-year optional Service Agreement, consisting of pre-paid consulting hours at a significant discount to our standard rates, for any subsequent customization your organization might need. The three Service Agreement plans are:

- Silver – 40 hours of support
- Gold – 80 hours of support
- Platinum – 120 hours of support

MCR offers additional options for utilities that do not want to license COST™. In these options, MCR runs the COST™ model with your data, supplies the results, and supports the study for a witness in your organization. Alternatively, MCR can provide an expert witness to support the study. Other options can be customized for your organization's needs, if requested.

Why MCR?

MCR is a management consulting firm serving the utilities industry. We focus on just a few of the critical issues that electric, natural gas and water companies face. Today these issues surround the need to find new opportunities in changing markets, develop new sources of revenue, manage risk, control costs, and achieve fair treatment in the regulatory process.

For 20+ years we have delivered exceptional results for utilities. Our consulting experts possess deep industry knowledge and are dedicated to the relentless pursuit of creating value for our clients. We bring together teams of our experts to deliver client work and our founding partners actively support them in every project.

This is who we are and why we are successful.

MCR's Regulatory Services

MCR clients have a goal of optimizing the value of the current and future investments in their regulated businesses. We help them by developing regulatory strategies, designing advanced rates and cost recovery mechanisms and managing the regulatory process to realize the full revenue potential from their assets.

Through our consulting assignments, we have created millions of dollars in value for our

clients and broken new regulatory ground for our client base with landmark decisions in regulatory rulings.

Our areas of expertise include:

- Rate Case Support & Strategic Analysis
- Cost of Service
- Rate Design
- Expert Testimony
- Regulatory Support

Key Regulatory Staff

Cindy Menhorn is a Vice President of Regulatory Services at MCR. She has over 35 years of experience in rates, energy efficiency, load research, revenue forecasting, cost allocation and regulatory affairs, including work on over 100 regulatory proceedings before numerous state commissions. She has directed a multifunctional rate department, managing all aspects of rate case development, including revenue requirement development, cost of service studies, revenue allocation and rate design, rate case strategy, testimony development and interrogatory response development. Contact Cindy at (724) 244-5333 or cmenhorn@mcr-group.com.

Ian MacDougall is a Consultant at MCR. He has over 15 years of experience in rates and regulatory affairs, energy efficiency, and revenue decoupling. His MCR experience includes the development of cost of service, revenue allocation, lead/lag studies, rate design, gas and electric energy efficiency programs, and testimony development. He also has prior experience at multiple gas and electric utilities managing and implementing rate design pilot programs, cost recovery mechanisms, revenue decoupling and unbundling procedures, and interrogatory response development.

Learn more at <http://www.mcr-group.com/regulatory>

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