
IPUMSU

MICHIGAN STATE UNIVERSITY | INSTITUTE OF PUBLIC UTILITIES Regulatory Research and Education
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IPU Accounting and Ratemaking Course

September 9-11, 2025

A concise and comprehensive introduction to public utility accounting, financing, and pricing to ensure sustainability and protect ratepayers.

Program Agenda

Tuesday

10:00 -1:00 pm Foundations of Public Utility Regulation and Ratemaking

160 min.

Introduction to the course and objectives. Public utility monopolies and governance. Sustainable utilities and elements of capacity. Regulatory policy foundations. Jurisdiction for utility rates. Regulatory standards of review. Accounting basics and concepts. Accounting governance (FASB, GASB). Generally accepted principles and standards. Regulatory accounting vs. GAAP. Uniform system of accounts (USoA). Regulatory and rate-case auditing. Financial statements and reports. Regulatory enforcement. Ratemaking process and key steps. Cost-of-service ratemaking. Test year for revenues and rates. Revenue requirements and formulas. Case-study overview.

2:00-5:00 pm Balance Sheet, Capital Expenditures, and Rate Base (Capex)

160 min.

Balance sheet overview. Capital planning and asset management. Certificates of need and preapproval. Utility plant in service. Contributed capital (CIAC). Funds for construction (AFUDC, CWIP). Asset valuation methods. Acquisition adjustments. Plant service lives and depreciation. Accumulated depreciation. Deferred income taxes. Working capital. Operating reserve accounts. Regulatory assets and liabilities. Deriving the rate base. Ratemaking scenarios.

Wednesday

10:00 -1:00 pm Income Statement, Revenues, and Expenses (Opex)

160 min.

Income statement overview. Operating revenues. Revenues by customer class. Operating expenses. Personnel-related expenses. Expenses by function. Disallowed expenses. Depreciation expense. Income and other taxes. Cost-adjusted mechanisms (trackers). System improvement charges. Financial auditing for ratemaking. Management auditing. Rate-case adjustments. Ratemaking scenarios.

2:00-5:00 pm **Cash Flow, Debt and Equity Financing, and Revenue Requirements**
160 min. Cash-flow statement overview. Financial performance metrics. Utility ownership structures. Corporate governance and accountability. Financial regulation and reporting. Risk factors and disclosure. Capital structure (debt and equity). Debt financing and credit ratings. Equity financing and capital markets. Cost of equity methods. Return on equity calculation. Weighted cost of capital. Authorized rates of return. Risk, returns, and incentives. Regulatory lag and returns. Deriving revenue requirements. Revenue deficiency and conversion factors. Rate-case scenarios.

Thursday

10:00 -1:00 pm **Tariffs, Cost Allocation, Rate Design, and Consumer Policies**
160 min. Rate schedules (tariffs). Evaluation criteria in ratemaking. Price elasticity of demand. Dynamic role of price. Variations and trends in demand. Deliveries to the system. Non-revenue production. Price differentiation. Cost-of-service studies and methods. Functionalization and classification. Cost allocation by class. Metering and billing. Fixed and variable charges. Rate-design alternatives. Bill calculation and impact. Consumer rights and responsibilities. Affordability and assistance. Implementing rate changes. Settlement conditions. Ratemaking Scenarios.

1:00 pm **Program Adjourns**

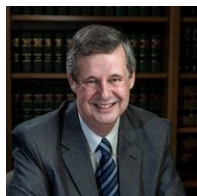


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Program Faculty



Mr. Danny Kermode (5553dkcpa@gmx.us) is retired as the Assistant Director for Water and Transportation at the Washington Utilities and Transportation Commission. Mr. Kermode has more than thirty years of accounting experience. Previously, as a Senior Energy Policy Advisor, he reviewed and analyzed technical information and regulatory policy issues while providing advice on current and emerging energy issues. He has been a program faculty member for the Institute of Public Utilities' Annual and Advanced Regulatory Studies Programs. He has worked on a number of international peer-to-peer projects for USAID. Mr. Kermode has appeared as an expert witness in numerous contested cases, presenting financial, income tax, and accounting issues. He has also published several research papers. Mr. Kermode holds a Bachelor of Science degree in Accounting from Arizona State University and is a Certified Public Accountant.



Dr. Janice Beecher (beecher@msu.edu), Professor Emeritus, MSU served as IPU Director from 2002-2023, bringing more than thirty years of applied research experience to the position. Her areas of interest include regulatory principles, institutions, governance, and pricing and she specializes in the water sector. She is a frequent author, lecturer, and participant in professional forums and Editor of the journal *Utilities Policy* (Elsevier). She co-authored the book *Risk Principles for Public Utility Regulators* (MSU Press). Dr. Beecher is presently serving on the U.S. EPA's Environmental Finance Advisory Board and has served as an appointed advisor to the State of Michigan on infrastructure and water policy. She previously held positions at The Ohio State and Indiana Universities and the Illinois Commerce Commission. She is a faculty member in MSU's Agriculture, Food and Natural Resource Economics Department, and holds a Ph.D. in Political Science from Northwestern University.

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Program Notes

Accessing program materials

Presentations and supplemental materials are available to all attendees. Please navigate to the attendee link on the program web page and enter the program password: _____.

Continuing education credits

If you would like IPU-MSU to certify your attendance for continuing education purposes, please complete the personal attendance form and turn it in at the conclusion of the program. IPU programs are NASBA-approved for Continuing Professional Education (CPE) credits in accounting. For Continuing Legal Education (CLE) credits and others, attendees must submit application materials to their certifying body.

IPU will provide a confirmation letter and certificate based on reported attendance and program hours. All attendees will earn credit toward IPU's Certificate of Continuing Regulatory Education. Please visit ipu.msu.edu/ccre for details.

Evaluation forms

IPU is committed to continuous improvement and your feedback is very important to us. Please complete the daily and overall evaluation forms, which can be accessed through the attendee link on the program web page.

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