



# REGULATORY FOCUS

April 5, 2011

## MAJOR RATE CASE DECISIONS--JANUARY-MARCH 2011

The average return on equity (ROE) authorized electric utilities in the first three months of 2011 was 10.35% (14 observations), about level with the 10.34% average in calendar-2010. The average ROE authorized gas utilities was 10.10% in the first quarter of 2011 (five observations), almost identical to the 10.08% average in calendar-2010. We note that this report utilizes the simple mean for the return averages.

After reaching a low in the early-2000's, the number of rate case decisions for energy companies has generally increased over the last several years. There were 126 electric and gas rate decisions in 2010, versus 95 in 2009, and only 32 back in 2001. Increased costs, including environmental compliance expenditures, the need for generation and delivery infrastructure upgrades and expansion, renewable generation mandates, and higher employee benefit costs argue for a continuation of the increased level of rate case activity over the next few years.

We note that electric industry restructuring in certain states has led to the unbundling of rates and retail competition for generation. Commissions in those states are now authorizing revenue requirement and return parameters for delivery operations only (which we footnote in our chronology beginning on page 4), thus complicating historical data comparability. We also note that while the heightened business risk associated with the sluggish economy may have increased corporate capital costs, higher average authorized ROEs did not materialize in 2009, 2010, or so far in 2011. In fact, average authorized ROEs have declined slightly over the last two years, and some state commissions have cited customer hardship as a significant factor influencing their equity return authorizations.

The table on page 2 shows the average ROE authorized in major electric and gas rate decisions annually since 1990 and by quarter since 2005, followed by the number of observations in each period. The tables on page 3 show the composite electric and gas industry data for all major cases summarized annually since 1998 and by quarter for the past nine quarters. The individual electric and gas cases decided in the first quarter of 2011 are listed on pages 4-5, with the decision date (generally the date on which the final order was issued) shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return (ROR), return on equity (ROE), and percentage of common equity in the adopted capital structure. Next we show the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. The dollar amounts represent the permanent rate change ordered at the time decisions were rendered. Fuel adjustment clause rate changes are not reflected in this study. We note that the cases and averages included in this study may be slightly different from those in our online rate case history database. Any differences are likely the result of this study's inclusion of ROE determinations that are rendered in cost-of-capital-only proceedings in California or that apply only to specific generation plants. Both of these types of determinations typically are not included in the database, which generally encompasses major base rate cases only.

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**Average Equity Returns Authorized January 1990 - March 2011**

Year	Period	Electric Utilities		Gas Utilities	
		ROE %	(# Cases)	ROE %	(# Cases)
<b>1990</b>	Full Year	12.70	(44)	12.67	(31)
<b>1991</b>	Full Year	12.55	(45)	12.46	(35)
<b>1992</b>	Full Year	12.09	(48)	12.01	(29)
<b>1993</b>	Full Year	11.41	(32)	11.35	(45)
<b>1994</b>	Full Year	11.34	(31)	11.35	(28)
<b>1995</b>	Full Year	11.55	(33)	11.43	(16)
<b>1996</b>	Full Year	11.39	(22)	11.19	(20)
<b>1997</b>	Full Year	11.40	(11)	11.29	(13)
<b>1998</b>	Full Year	11.66	(10)	11.51	(10)
<b>1999</b>	Full Year	10.77	(20)	10.66	(9)
<b>2000</b>	Full Year	11.43	(12)	11.39	(12)
<b>2001</b>	Full Year	11.09	(18)	10.95	(7)
<b>2002</b>	Full Year	11.16	(22)	11.03	(21)
<b>2003</b>	Full Year	10.97	(22)	10.99	(25)
<b>2004</b>	Full Year	10.75	(19)	10.59	(20)
	1st Quarter	10.51	(7)	10.65	(2)
	2nd Quarter	10.05	(7)	10.54	(5)
	3rd Quarter	10.84	(4)	10.47	(5)
	4th Quarter	10.75	(11)	10.40	(14)
<b>2005</b>	<b>Full Year</b>	<b>10.54</b>	(29)	<b>10.46</b>	(26)
	1st Quarter	10.38	(3)	10.63	(6)
	2nd Quarter	10.68	(6)	10.50	(2)
	3rd Quarter	10.06	(7)	10.45	(3)
	4th Quarter	10.39	(10)	10.14	(5)
<b>2006</b>	<b>Full Year</b>	<b>10.36</b>	(26)	<b>10.43</b>	(16)
	1st Quarter	10.27	(8)	10.44	(10)
	2nd Quarter	10.27	(11)	10.12	(4)
	3rd Quarter	10.02	(4)	10.03	(8)
	4th Quarter	10.56	(16)	10.27	(15)
<b>2007</b>	<b>Full Year</b>	<b>10.36</b>	(39)	<b>10.24</b>	(37)
	1st Quarter	10.45	(10)	10.38	(7)
	2nd Quarter	10.57	(8)	10.17	(3)
	3rd Quarter	10.47	(11)	10.49	(7)
	4th Quarter	10.33	(8)	10.34	(13)
<b>2008</b>	<b>Full Year</b>	<b>10.46</b>	(37)	<b>10.37</b>	(30)
	1st Quarter	10.29	(9)	10.24	(4)
	2nd Quarter	10.55	(10)	10.11	(8)
	3rd Quarter	10.46	(3)	9.88	(2)
	4th Quarter	10.54	(17)	10.27	(15)
<b>2009</b>	<b>Full Year</b>	<b>10.48</b>	(39)	<b>10.19</b>	(29)
	1st Quarter	10.66	(17)	10.24	(9)
	2nd Quarter	10.08	(14)	9.99	(11)
	3rd Quarter	10.26	(11)	9.93	(4)
	4th Quarter	10.30	(17)	10.09	(12)
<b>2010</b>	<b>Full Year</b>	<b>10.34</b>	(59)	<b>10.08</b>	(37)
<b>2011</b>	<b>1st Quarter</b>	<b>10.35</b>	(14)	<b>10.10</b>	(5)

**Electric Utilities--Summary Table\***

	Period	ROR % (# Cases)		ROE % (# Cases)		Eq. as % Cap. Struc. (# Cases)		Amt. \$ Mil. (# Cases)	
1998	Full Year	9.44	(9)	11.66	(10)	46.14	(8)	-429.3	(31)
1999	Full Year	8.81	(18)	10.77	(20)	45.08	(17)	-1,683.8	(30)
2000	Full Year	9.20	(12)	11.43	(12)	48.85	(12)	-291.4	(34)
2001	Full Year	8.93	(15)	11.09	(18)	47.20	(13)	14.2	(21)
2002	Full Year	8.72	(20)	11.16	(22)	46.27	(19)	-475.4	(24)
2003	Full Year	8.86	(20)	10.97	(22)	49.41	(19)	313.8	(12)
2004	Full Year	8.44	(18)	10.75	(19)	46.84	(17)	1,091.5	(30)
2005	Full Year	8.30	(26)	10.54	(29)	46.73	(27)	1,373.7	(36)
2006	Full Year	8.24	(24)	10.36	(26)	48.67	(23)	1,465.0	(42)
2007	Full Year	8.22	(38)	10.36	(39)	48.01	(37)	1,401.9	(46)
2008	Full Year	8.25	(35)	10.46	(37)	48.41	(33)	2,899.4	(42)
	1st Quarter	8.19	(8)	10.29	(9)	48.52	(8)	857.0	(14)
	2nd Quarter	8.05	(9)	10.55	(10)	47.66	(9)	1,425.0	(17)
	3rd Quarter	8.48	(3)	10.46	(3)	47.20	(3)	317.1	(7)
	4th Quarter	8.30	(18)	10.54	(17)	49.41	(17)	1,593.2	(20)
<b>2009</b>	<b>Full Year</b>	<b>8.23</b>	<b>(38)</b>	<b>10.48</b>	<b>(39)</b>	<b>48.61</b>	<b>(37)</b>	<b>4,192.3</b>	<b>(58)</b>
	1st Quarter	7.95	(17)	10.66	(17)	48.36	(16)	2,010.0	(19)
	2nd Quarter	7.95	(15)	10.08	(14)	47.07	(13)	937.5	(19)
	3rd Quarter	8.16	(12)	10.26	(11)	49.52	(11)	730.6	(18)
	4th Quarter	7.95	(15)	10.30	(17)	49.00	(14)	1,889.6	(21)
<b>2010</b>	<b>Full Year</b>	<b>7.99</b>	<b>(59)</b>	<b>10.34</b>	<b>(59)</b>	<b>48.45</b>	<b>(54)</b>	<b>5,567.7</b>	<b>(77)</b>
<b>2011</b>	<b>1st Quarter</b>	<b>8.15</b>	<b>(14)</b>	<b>10.35</b>	<b>(14)</b>	<b>49.37</b>	<b>(13)</b>	<b>563.8</b>	<b>(15)</b>

**Gas Utilities--Summary Table\***

	Period	ROR % (# Cases)		ROE % (# Cases)		Eq. as % Cap. Struc. (# Cases)		Amt. \$ Mil. (# Cases)	
1998	Full Year	9.46	(10)	11.51	(10)	49.50	(10)	93.9	(20)
1999	Full Year	8.86	(9)	10.66	(9)	49.06	(9)	51.0	(14)
2000	Full Year	9.33	(13)	11.39	(12)	48.59	(12)	135.9	(20)
2001	Full Year	8.51	(6)	10.95	(7)	43.96	(5)	114.0	(11)
2002	Full Year	8.80	(20)	11.03	(21)	48.29	(18)	303.6	(26)
2003	Full Year	8.75	(22)	10.99	(25)	49.93	(22)	260.1	(30)
2004	Full Year	8.34	(21)	10.59	(20)	45.90	(20)	303.5	(31)
2005	Full Year	8.25	(29)	10.46	(26)	48.66	(24)	458.4	(34)
2006	Full Year	8.51	(16)	10.43	(16)	47.43	(16)	444.0	(25)
2007	Full Year	8.12	(32)	10.24	(37)	48.37	(30)	813.4	(48)
2008	Full Year	8.48	(30)	10.37	(30)	50.47	(30)	884.8	(41)
	1st Quarter	8.11	(5)	10.24	(4)	44.97	(4)	167.6	(7)
	2nd Quarter	8.05	(7)	10.11	(8)	48.84	(7)	92.5	(8)
	3rd Quarter	8.30	(2)	9.88	(2)	51.00	(2)	19.2	(4)
	4th Quarter	8.19	(14)	10.27	(15)	49.35	(15)	195.7	(18)
<b>2009</b>	<b>Full Year</b>	<b>8.15</b>	<b>(28)</b>	<b>10.19</b>	<b>(29)</b>	<b>48.72</b>	<b>(28)</b>	<b>475.0</b>	<b>(37)</b>
	1st Quarter	8.20	(10)	10.24	(9)	50.27	(9)	177.3	(11)
	2nd Quarter	7.80	(11)	9.99	(11)	46.31	(11)	230.2	(12)
	3rd Quarter	8.13	(4)	9.93	(4)	49.00	(4)	290.5	(10)
	4th Quarter	7.84	(13)	10.09	(13)	49.11	(14)	118.7	(16)
<b>2010</b>	<b>Full Year</b>	<b>7.95</b>	<b>(38)</b>	<b>10.08</b>	<b>(37)</b>	<b>48.56</b>	<b>(38)</b>	<b>816.7</b>	<b>(49)</b>
<b>2011</b>	<b>1st Quarter</b>	<b>8.07</b>	<b>(6)</b>	<b>10.10</b>	<b>(5)</b>	<b>52.47</b>	<b>(4)</b>	<b>48.3</b>	<b>(9)</b>

\* Number of observations in each period indicated in parentheses.

## ELECTRIC UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&amp;</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
<b>2010</b>	<b>FULL-YEAR: AVERAGES/TOTAL</b>	<b>7.99</b>	<b>10.34</b>	<b>48.45</b>		<b>5,567.7</b>
	<b>MEDIAN</b>	<b>8.06</b>	<b>10.25</b>	<b>49.36</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>59</b>	<b>59</b>	<b>54</b>		<b>77</b>
1/5/11	Public Service Co. of Oklahoma (OK)	8.17	10.15	45.84	2/10-YE	30.3 (B)
1/12/11	Madison Gas and Electric (WI)	8.77	10.30	58.06	12/11-A	8.0
1/13/11	Wisconsin Public Service (WI)	7.86	10.30	51.65	12/11-A	21.0
1/18/11	Delmarva Power & Light (DE)	7.61	10.00	---	3/09-A	16.7 (I,D)
1/20/11	Niagara Mohawk Power (NY)	6.51	9.30	48.00	12/11-A	119.3 (D)
1/20/11	Texas-New Mexico Power (TX)	9.90	10.13	45.00	3/10-YE	8.3 (D,B,1)
1/31/11	Western Massachusetts Electric (MA)	7.63	9.60	50.70	12/09-YE	16.8 (D)
2/3/11	CenterPoint Energy Houston Elec. (TX)	8.21	10.00	45.00	12/09-YE	14.7 (D,2)
2/24/11	Duquesne Light (PA)	---	---	---	3/11	45.7 (D,B)
2/25/11	Hawaiian Electric (HI)	8.16	10.00	55.81	12/09-A	66.4 (I,B)
3/22/11	Virginia Electric and Power (VA)	8.76	12.30	49.37	---	44.7 (I,3)
3/22/11	Virginia Electric and Power (VA)	8.76	12.30	49.37	---	13.8 (I,4)
3/25/11	Otter Tail Power (MN)	8.61	10.74	51.70	12/09	5.5 (E,I)
3/25/11	PacifiCorp (WA)	7.81	9.80	49.10	12/09-A	33.5
3/30/11	Appalachian Pwr./Wheeling Pwr. (WV)	7.36	10.00	42.20	12/09	119.1 (B)
<b>2011</b>	<b>1ST QUARTER: AVERAGES/TOTAL</b>	<b>8.15</b>	<b>10.35</b>	<b>49.37</b>		<b>563.8</b>
	<b>MEDIAN</b>	<b>8.17</b>	<b>10.07</b>	<b>49.37</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>14</b>	<b>14</b>	<b>13</b>		<b>15</b>

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**GAS UTILITY DECISIONS**


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<b>Date</b>	<b>Company (State)</b>	<b>ROR %</b>	<b>ROE %</b>	<b>Common Eq. as % Cap. Str.</b>	<b>Test Year &amp; Rate Base</b>	<b>Amt. \$ Mil.</b>
<b>2010</b>	<b>FULL-YEAR: AVERAGES/TOTAL</b>	<b>7.95</b>	<b>10.08</b>	<b>48.56</b>		<b>816.7</b>
	<b>MEDIAN</b>	<b>7.99</b>	<b>10.10</b>	<b>48.34</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>38</b>	<b>37</b>	<b>38</b>		<b>49</b>
1/6/11	SEMCO Energy Gas (MI)	7.19	10.35	---	---	8.1 (I,B)
1/12/11	Madison Gas and Electric (WI)	8.80	10.30	58.06	12/11-A	1.9
1/13/11	Wisconsin Public Service (WI)	7.72	10.30	51.65	12/11-A	-8.3
1/19/11	Ameren Missouri (MO)	---	---	---	12/09-YE	9.0 (B)
2/10/11	Black Hills/Iowa Gas Utility (IA)	---	---	---	---	3.7 (B)
3/10/11	EnergyNorth Natural Gas (NH)	8.33	--- (5)	---	6/09	6.8 (I,B)
3/10/11	Avista Corp. (OR)	8.00	10.10	50.00	12/11-A	3.0 (B,Z)
3/15/11	Puget Sound Energy (WA)	---	---	---	---	19.0 (B)
3/31/11	New England Gas (MA)	8.39	9.45	50.17	12/09-YE	5.1
<b>2011</b>	<b>1ST QUARTER: AVERAGES/TOTAL</b>	<b>8.07</b>	<b>10.10</b>	<b>52.47</b>		<b>48.3</b>
	<b>MEDIAN</b>	<b>8.17</b>	<b>10.30</b>	<b>51.65</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>6</b>	<b>5</b>	<b>4</b>		<b>9</b>

**FOOTNOTES**

A- Average

B- Order followed stipulation or settlement by the parties. Decision particulars not necessarily precedent-setting or specifically adopted by the regulatory body.

D- Applies to electric delivery only

E- Estimated

I- Interim rates implemented prior to the issuance of final order, normally under bond and subject to refund.

YE- Year-end

Z- Rate change implemented in multiple steps.

\* Capital structure includes cost-free items or tax credit balances at the overall rate of return.

- (1) The approved stipulation also calls for a \$2 million transmission rate increase based on the same return parameters as the \$8.3 million distribution increase. Consequently, the aggregate increase is \$10.3 million.
- (2) Commission decision also required a \$12.2 million transmission rate decrease. Thus, in aggregate, rates were increased by \$2.5 million.
- (3) Proceeding is annual update to Rider S, through which the company is permitted to recognize incremental investment in Virginia City Hybrid Energy Center. The requested ROE is equal to the 11.3% base ROE adopted by the Commission in the company's most recent base rate case, plus a 100-basis-point adder as approved by the Commission, when it granted the company a certificate of convenience and necessity for the plant. The ROE premium is to remain effective through the first 10 years of the plant's useful life. Rate increase is to be implemented on an interim basis, subject to adjustment following a Commission decision in the company's 2011 biennial review proceeding.
- (4) Proceeding is annual update to Rider R, through which the company is permitted to recognize incremental investment in Bear Garden generation facility. The requested ROE is equal to the 11.3% base ROE adopted by the Commission in the company's most recent base rate case, plus a 100-basis-point adder as approved by the Commission, when it granted the company a certificate of convenience and necessity for the plant. The ROE premium is to remain effective through the first 10 years of the plant's useful life. Rate increase is to be implemented on an interim basis, subject to adjustment following a Commission decision in the company's 2011 biennial review proceeding.
- (5) Commission order notes an imputed ROE of 9.67%.