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Special Study

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MAJOR RATE CASE DECISIONS--JANUARY-SEPTEMBER 2008

For the first nine months of 2008, the average of electric equity return authorizations by state commissions was 10.51% (29 determinations) versus the 10.36% average for calendar-2007. The average gas equity return authorization for the first three quarters of 2008 was 10.39% (17 determinations), compared with the 10.24% average for calendar-2007. In addition, we note that on Sept. 17, 2008, the New York Public Service Commission adopted a settlement that incorporates a 9.3% equity return for Consolidated Edison of New York's steam operations (see FN 9/19/08 for additional information).

After reaching a low in the late-1990's and early-2000's, the number of rate case decisions for energy companies has generally increased over the last several years. In fact, the total number of electric and gas rate decisions in 2007 (94) was more than double the number in 2003 (42). Increased costs, including environmental compliance expenditures, and the need for generation and delivery infrastructure upgrades and expansion at many companies argue for a continuation of the increased level of rate case activity over the next several years. However, relatively low interest rates, cost efficiencies from technological advancements, the use of multi-year settlements that do not specify return parameters, and a reduced number of companies due to mergers, may prevent the number of rate cases and equity return determinations from significantly increasing further. We note that electric industry restructuring in many states led to the unbundling of rates, with some state commissions authorizing revenue requirement and return parameters for delivery operations only (which we footnote in our chronology), thus complicating historical data comparability. The tables included in this study are extensions of those contained in the January 8, 2008 Regulatory Study entitled *Major Rate Case Decisions--January 2006-December 2007--Supplemental Study*. Refer to that report for information concerning individual rate case decisions that were rendered in 2006 and 2007.

The table on page 2 shows annual average equity returns authorized since 1990, and by quarter since 2002, in major electric and gas rate decisions, followed by the number of determinations during each period. The tables on page 3 present the composite industry data for items in the chronology of this and earlier reports, summarized annually since 1995, and quarterly for the most recent seven quarters. The individual electric and gas cases decided in the first nine months of 2007 are listed on pages 4 through 6, with the decision date 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 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.

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Average Equity Returns Authorized January 1990 - September 2008

Year	Period	Electric Utilities		Gas Utilities	
		ROE %	(# Cases)	ROE %	(# Cases)
1990	Full Year	12.70	(44)	12.67	(31)
1991	Full Year	12.55	(45)	12.46	(35)
1992	Full Year	12.09	(48)	12.01	(29)
1993	Full Year	11.41	(32)	11.35	(45)
1994	Full Year	11.34	(31)	11.35	(28)
1995	Full Year	11.55	(33)	11.43	(16)
1996	Full Year	11.39	(22)	11.19	(20)
1997	Full Year	11.40	(11)	11.29	(13)
1998	Full Year	11.66	(10)	11.51	(10)
1999	Full Year	10.77	(20)	10.66	(9)
2000	Full Year	11.43	(12)	11.39	(12)
2001	Full Year	11.09	(18)	10.95	(7)
	1st Quarter	10.87	(5)	10.67	(3)
	2nd Quarter	11.41	(6)	11.64	(4)
	3rd Quarter	11.06	(4)	11.50	(3)
	4th Quarter	11.20	(7)	10.78	(11)
2002	Full Year	11.16	(22)	11.03	(21)
	1st Quarter	11.47	(7)	11.38	(5)
	2nd Quarter	11.16	(4)	11.36	(4)
	3rd Quarter	9.95	(5)	10.61	(5)
	4th Quarter	11.09	(6)	10.84	(11)
2003	Full Year	10.97	(22)	10.99	(25)
	1st Quarter	11.00	(3)	11.10	(4)
	2nd Quarter	10.54	(6)	10.25	(2)
	3rd Quarter	10.33	(2)	10.37	(8)
	4th Quarter	10.91	(8)	10.66	(6)
2004	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)
2005	Full Year	10.54	(29)	10.46	(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)
2006	Full Year	10.36	(26)	10.43	(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)
2007	Full Year	10.36	(39)	10.24	(37)
	1st Quarter	10.50	(10)	10.38	(7)
	2nd Quarter	10.57	(8)	10.17	(3)
	3rd Quarter	10.47	(11)	10.49	(7)
2008	Year-To-Date	10.51	(29)	10.39	(17)

Electric Utilities--Summary Table*

	Period	ROR % (# Cases)		ROE % (# Cases)		Eq. as % Cap. Struct. (# Cases)		Amt. \$ Mil. (# Cases)	
1995	Full Year	9.44	(30)	11.55	(33)	45.90	(30)	455.7	(43)
1996	Full Year	9.21	(20)	11.39	(22)	44.34	(20)	-5.6	(38)
1997	Full Year	9.16	(12)	11.40	(11)	48.79	(11)	-553.3	(33)
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)	-1683.8	(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)	1091.5	(30)
2005	Full Year	8.30	(26)	10.54	(29)	46.73	(27)	1373.7	(36)
2006	Full Year	8.24	(24)	10.36	(26)	48.67	(23)	1465.0	(42)
	1st Quarter	8.44	(8)	10.27	(8)	47.80	(8)	403.5	(9)
	2nd Quarter	7.94	(11)	10.27	(11)	46.02	(11)	718.6	(12)
	3rd Quarter	7.90	(4)	10.02	(4)	48.34	(4)	119.1	(6)
	4th Quarter	8.38	(15)	10.56	(16)	49.59	(14)	160.7	(19)
2007	Full Year	8.22	(38)	10.36	(39)	48.01	(37)	1401.9	(46)
	1st Quarter	8.36	(9)	10.50	(10)	49.25	(8)	803.0	(9)
	2nd Quarter	8.21	(7)	10.57	(8)	47.64	(7)	510.5	(8)
	3rd Quarter	8.32	(10)	10.47	(11)	48.96	(10)	734.3	(13)
2008	Year-To-Date	8.30	(26)	10.51	(29)	48.68	(25)	2047.8	(30)

Gas Utilities--Summary Table*

	Period	ROR % (# Cases)		ROE % (# Cases)		Eq. as % Cap. Struct. (# Cases)		Amt. \$ Mil. (# Cases)	
1995	Full Year	9.64	(16)	11.43	(16)	49.98	(15)	-61.5	(31)
1996	Full Year	9.25	(23)	11.19	(20)	47.69	(19)	193.4	(34)
1997	Full Year	9.13	(13)	11.29	(13)	47.78	(11)	-82.5	(21)
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)
	1st Quarter	8.40	(10)	10.44	(10)	48.33	(9)	158.4	(13)
	2nd Quarter	8.32	(3)	10.12	(4)	49.67	(4)	37.3	(5)
	3rd Quarter	7.88	(7)	10.03	(8)	48.70	(6)	402.0	(12)
	4th Quarter	7.97	(12)	10.27	(15)	47.74	(11)	215.7	(18)
2007	Full Year	8.12	(32)	10.24	(37)	48.37	(30)	813.4	(48)
	1st Quarter	8.78	(7)	10.38	(7)	52.07	(7)	129.6	(7)
	2nd Quarter	8.28	(3)	10.17	(3)	51.80	(3)	52.0	(4)
	3rd Quarter	8.33	(7)	10.49	(7)	50.58	(7)	312.8	(10)
2008	Year-To-Date	8.51	(17)	10.39	(17)	51.41	(17)	494.4	(21)

* 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>&</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
1/8/08	Northern States Power-Wisconsin (WI)	9.67	10.75	52.51	12/08-A	39.4
1/17/08	Wisconsin Electric Power (WI)	9.26	10.75	54.36	12/08-A/P	148.4 (Z)
1/28/08	Connecticut Light & Power (CT)	7.72	9.40	48.99	12/06-YE	98.0 (D,Z)
1/30/08	Potomac Electric Power (DC)	7.96	10.00	46.55	2/07-A	28.3 (D,1)
1/31/08	Central Vermont Public Service (VT)	8.50	10.71	50.02	12/06-A	6.4 (B)
2/6/08	Interstate Power & Light (IA)	---	11.70 (2)	---	---	---
2/28/08	Idaho Power (ID)	8.10	---	---	---	32.1 (B)
2/29/08	Fitchburg Gas & Electric (MA)	8.38	10.25	42.80	12/06-YE	2.1 (D)
3/12/08	PacifiCorp (WY)	8.29	10.25	50.80	8/08	23.0 (B,3)
3/25/08	Consolidated Edison of New York (NY)	7.34	9.10	47.98	3/09-A	425.3 (D)
3/31/08	Virginia Electric Power (VA)	---	12.12 (4)	---	---	---
2008	1ST QUARTER: AVERAGES/TOTAL	8.36	10.50	49.25		803.0
	MEDIAN	8.29	10.48	49.51		---
	OBSERVATIONS	9	10	8		9
4/22/08	MDU Resources (MT)	8.58	10.25	50.67	12/06-A	4.1 (B,Z)
4/24/08	Public Service Company of New Mexico (NM)	8.24	10.10	51.37	9/06-YE	34.4
5/1/08	Hawaiian Electric Company (HI)	8.66	10.70	55.79	12/05-A	44.9 (Bp,1)
5/27/08	UNS Electric (AZ)	9.02	10.00	48.85	6/06-YE	4.0
5/30/08	Idaho Power (ID)	--- (5)	---	---	---	8.9
6/10/08	Consumers Energy (MI)	6.93	10.70	41.75 *	12/08-A	221.0 (I)
6/16/08	MidAmerican Energy (IA)	---	11.70 (B,6)	---	---	---
6/27/08	Appalachian Power (WV)	7.65	10.50	41.54	12/07-YE	106.1 (B)
6/27/08	Sierra Pacific Power (NV)	8.41	10.60 (7)	43.49	6/07-YE	87.1
2008	2ND QUARTER: AVERAGES/TOTAL	8.21	10.57	47.64		510.5
	MEDIAN	8.41	10.55	48.85		---
	OBSERVATIONS	7	8	7		8
7/1/08	Central Maine Power (ME)	---	---	---	---	-20.3 (B,D,8)
7/1/08	NorthWestern Corporation (MT)	--- (9)	---	---	---	10.0 (B,1)
7/10/08	Otter Tail Corporation (MN)	8.33	10.43	50.00	12/06-A	3.8 (I)
7/16/08	Orange and Rockland Utilities (NY)	7.69	9.40	48.00	6/09-A	15.6 (B,D)
7/30/08	Empire District Electric (MO)	8.92	10.80	50.78	6/07-YE	22.0
7/31/08	San Diego Gas & Electric (CA)	--- (10)	--- (10)	--- (10)	12/08-A	234.0 (B,Z)
8/11/08	PacifiCorp (UT)	8.29	10.25	50.40	12/08-A	36.2 (R)
8/26/08	Southwestern Public Service (NM)	8.27	10.18	51.23	12/06-YE	13.1
8/27/08	MidAmerican Energy (IA)	---	11.70 (B,11)	---	---	---
9/10/08	Commonwealth Edison (IL)	8.36	10.30	45.04	12/06-YE	273.6 (D)
9/24/08	Central Illinois Light (IL)	8.01	10.65	46.50	12/06-YE	-2.8
9/24/08	Central Illinois Public Service (IL)	8.20	10.65	47.91	12/06-YE	22.0
9/24/08	Illinois Power (IL)	8.68	10.65	51.76	12/06-YE	103.9
9/30/08	Avista Corp. (ID)	8.45	10.20	47.94	12/06-A	23.2 (B)
2008	3RD QUARTER: AVERAGES/TOTAL	8.32	10.47	48.96		734.3
	MEDIAN	8.31	10.43	49.00		---
	OBSERVATIONS	10	11	10		13

ELECTRIC UTILITY DECISIONS (continued)

2008	YEAR-TO-DATE: AVERAGES/TOTAL	8.30	10.51	48.68	2047.8
	MEDIAN	8.31	10.50	48.99	---
	OBSERVATIONS	26	29	25	30

GAS UTILITY DECISIONS

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. \$ Mil.
1/8/08	Northern States Power-Wisconsin (WI)	9.67	10.75	52.51	12/08-A	5.3
1/17/08	Wisconsin Electric Power (WI)	9.15	10.75	54.36	12/08-A/P	4.0
1/17/08	Wisconsin Gas (WI)	10.91	10.75	46.64	12/08-A/P	20.1
2/5/08	North Shore Gas (IL)	7.96	9.99	56.00	9/06-YE	-0.2
2/5/08	Peoples Gas Light & Coke (IL)	7.76	10.19	56.00	9/06-YE	71.2
2/13/08	Indiana Gas (IN)	7.80	10.20	48.99 *	12/06-YE	26.9 (B)
3/31/08	Avista Corp. (OR)	8.21	10.00	50.00	12/06-A	2.3 (Z,B)
2008	1ST QUARTER: AVERAGES/TOTAL	8.78	10.38	52.07		129.6
	MEDIAN	8.21	10.20	52.51		---
	OBSERVATIONS	7	7	7		7
4/23/08	Atmos Energy (KS)	---	---	---	---	2.1 (B)
5/28/08	Duke Energy (OH)	8.45	10.50	55.76	12/07	18.2 (B)
6/24/08	Atmos Energy (TX)	7.98	10.00	48.27	6/07-YE	19.7
6/27/08	Questar Gas (UT)	8.41	10.00	51.38	12/08-A	12.0
2008	2ND QUARTER: AVERAGES/TOTAL	8.28	10.17	51.80		52.0
	MEDIAN	8.41	10.00	51.38		---
	OBSERVATIONS	3	3	3		4
7/1/08	NorthWestern Corporation (MT)	--- (12)	---	---	---	5.0 (B,I)
7/31/08	San Diego Gas & Electric (CA)	--- (10)	--- (10)	--- (10)	12/08-A	33.0 (B,Z)
7/31/08	Southern California Gas (CA)	--- (13)	--- (13)	--- (13)	12/08-A	214.0 (B,Z)
8/27/08	SourceGas Distribution (CO)	8.26	10.25	53.13	8/07-A	14.9 (B)
9/2/08	Chesapeake Utilities (DE)	8.91	10.25	61.81	3/07	0.3 (I,B)
9/17/08	Atmos Energy (GA)	7.75	10.70	45.00	3/09-A	3.4
9/24/08	Central Illinois Light (IL)	8.03	10.68	46.50	12/06-YE	-9.2
9/24/08	Central Illinois Public Service (IL)	8.22	10.68	47.91	12/06-YE	7.7
9/24/08	Illinois Power (IL)	8.70	10.68	51.76	12/06-YE	39.8
9/30/08	Avista Corp. (ID)	8.45	10.20	47.94	12/06-A	3.9 (B)
2008	3RD QUARTER: AVERAGES/TOTAL	8.33	10.49	50.58		312.8
	MEDIAN	8.26	10.68	47.94		---
	OBSERVATIONS	7	7	7		10
2008	YEAR-TO-DATE: AVERAGES/TOTAL	8.51	10.39	51.41		494.4
	MEDIAN	8.26	10.25	51.38		---
	OBSERVATIONS	17	17	17		21

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.
- Bp- Order followed partial 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
- P- Partial inclusion of CWIP in rate base without AFUDC offset to income
- 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) Rate increase effective 2/20/08.
- (2) ROE applies only to a proposed 200-MW wind generation facility, and is applicable over the 25-year depreciable life of the project.
- (3) Rate increase effective 5/1/08.
- (4) ROE applies only to a proposed 585-MW coal generation facility, is applicable for AFUDC and CWIP purposes and over the first 12 years of the plant's commercial operation, and includes a 100-basis-point incentive premium.
- (5) The 8.1% ROR utilized in the company's case decided on 2/28/08, was incorporated into this proceeding.
- (6) ROE applies only to a proposed 108-MW wind generation facility, and is applicable over the 20-year depreciable life of the project.
- (7) Commission also authorized a 150-basis-point ROE premium for the new, 514-MW, combined-cycle Tracy generating plant, and a 500-basis-point premium for demand-side management investments.
- (8) Rate reduction ordered in conjunction with the authorization of a new five-year alternative regulation plan.
- (9) Order noted that an ROR of 7.04% is implied in the approved settlement.
- (10) Rate of return was not an issue in this proceeding. The authorized rate change incorporated the 10.7% return on equity (49% of capital) and the 8.23% return on rate base previously authorized the company for 2007.
- (11) ROE applies only to a proposed 52.5-MW wind generation facility, and is applicable over the 20-year depreciable life of the project.
- (12) Order noted that an ROR of 7.59% is implied in the approved settlement.
- (13) Rate of return was not an issue in this proceeding. The rate change incorporated the 10.82% return on equity (48% of capital) and 8.68% return on rate base authorized the company in its automatic cost of capital adjustment mechanism.

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