

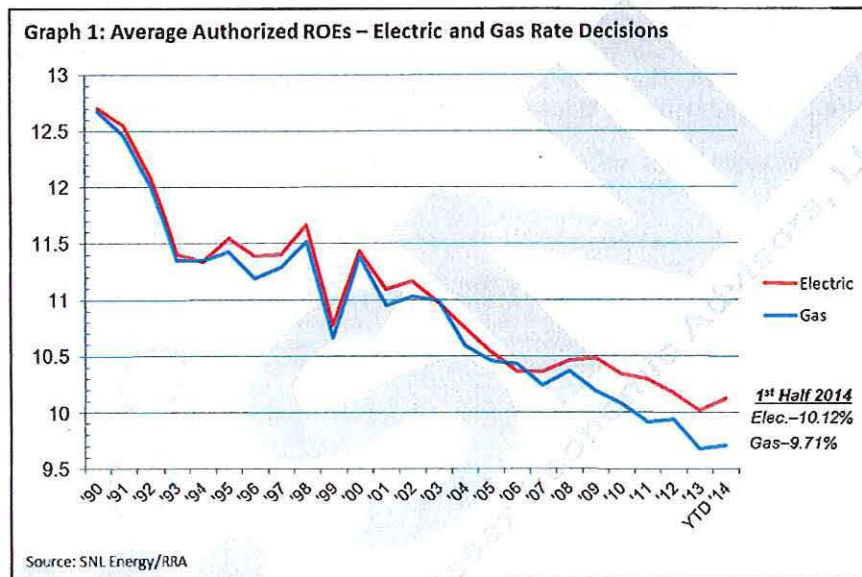


REGULATORY FOCUS

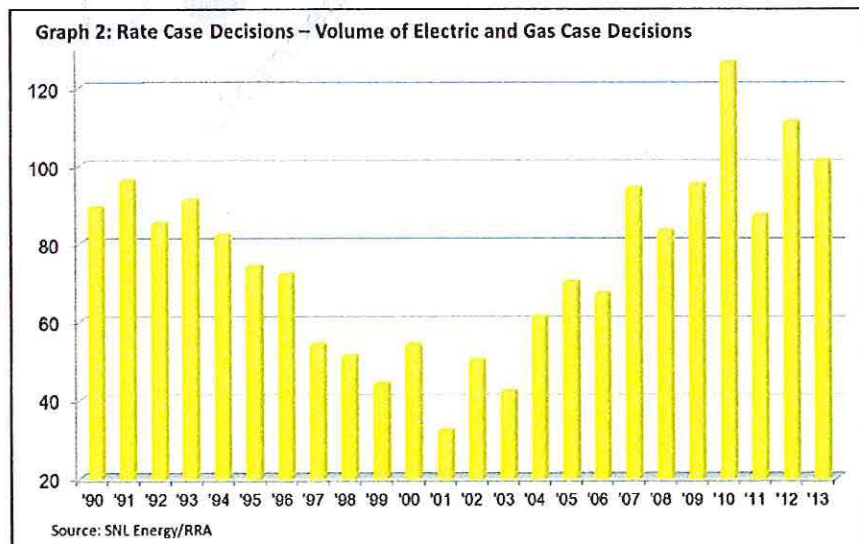
July 10, 2014

MAJOR RATE CASE DECISIONS--January-June 2014

The average return on equity (ROE) authorized electric utilities in the first two quarters of 2014 was 10.12% (12 observations), compared to the 10.02% authorized in calendar-2013. We note that the 2014 data includes three surcharge/rider generation cases in Virginia that incorporate plant-specific ROE premiums. Virginia statutes authorize the State Corporation Commission to approve ROE premiums of up to 200 basis points for certain generation projects (see the [Virginia Commission Profile](#)). Excluding the Virginia surcharge/rider generation cases from the data, the average authorized electric ROE was 9.72% for the first six months of 2014 versus 9.8% in calendar-2013. The average ROE authorized gas utilities for the first two quarters of 2014 was 9.71% (14 observations), compared to 9.68% in calendar-2013. The 2014 averages do not include a Feb. 20, 2014 New York Public Service Commission steam rate decision for Consolidated Edison Co. of New York that adopted a 9.3% ROE. (We note that this report utilizes the simple mean for the return averages.)



After reaching a low in the early-2000s, the number of rate case decisions for energy companies has been at an elevated level over the last several years, as shown in Graph 2 below. There were 101 electric and



VE Exhibit No. 28
Date 7-29-14 Reporter XF
File No. EC-2014-0223

gas rate cases resolved in 2013 versus 111 in 2012, 87 in 2011, and only 32 back in 2001. Increased costs for environmental compliance, generation and delivery infrastructure upgrades and expansion, renewable generation mandates, and higher employee benefits, argue for the continuation of an active rate case agenda over the next few years.

As a result of electric industry restructuring, certain states unbundled electric rates and implemented retail competition for generation. Commissions in those states now have jurisdiction only over the revenue requirement and return parameters for delivery operations (delivery only cases are footnoted in our chronology beginning on page 5), thus complicating historical data comparability. We also note that despite the heightened business risk associated with the sluggish economy, average authorized ROEs have declined moderately since 2008. In fact, some state commissions have cited the lethargic economy and customer hardship as factors influencing their equity return authorizations.

The table on page 3 shows the average ROE authorized in major electric and gas rate case decisions annually since 1990, and by quarter since 2009, followed by the number of observations in each period. The tables on page 4 show the composite electric and gas industry data for all major cases summarized annually since 2000 and by quarter for the past six quarters. The individual electric and gas cases decided in the first two quarters of 2014 are listed on pages 5-7, 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), 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.

Please note: Historical data provided in this report may not match data provided on RRA's website due to certain differences in presentation.

Dennis Sperduto

©2014, Regulatory Research Associates, Inc. All Rights Reserved. Confidential Subject Matter. WARNING! This report contains copyrighted subject matter and confidential information owned solely by Regulatory Research Associates, Inc. ("RRA"). Reproduction, distribution or use of this report in violation of this license constitutes copyright infringement in violation of federal and state law. RRA hereby provides consent to use the "email this story" feature to redistribute articles within the subscriber's company. Although the information in this report has been obtained from sources that RRA believes to be reliable, RRA does not guarantee its accuracy.

Average Equity Returns Authorized January 1990 - June 2014

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)
2002	Full Year	11.16	(22)	11.03	(21)
2003	Full Year	10.97	(22)	10.99	(25)
2004	Full Year	10.75	(19)	10.59	(20)
2005	Full Year	10.54	(29)	10.46	(26)
2006	Full Year	10.36	(26)	10.43	(16)
2007	Full Year	10.36	(39)	10.24	(37)
2008	Full Year	10.46	(37)	10.37	(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)
2009	Full Year	10.48	(39)	10.19	(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)
2010	Full Year	10.34	(59)	10.08	(37)
	1st Quarter	10.32	(13)	10.10	(5)
	2nd Quarter	10.12	(10)	9.88	(5)
	3rd Quarter	10.36	(8)	9.65	(2)
	4th Quarter	10.34	(11)	9.88	(4)
2011	Full Year	10.29	(42)	9.92	(16)
	1st Quarter	10.84	(12)	9.63	(5)
	2nd Quarter	9.92	(13)	9.83	(8)
	3rd Quarter	9.78	(8)	9.75	(1)
	4th Quarter	10.10	(25)	10.07	(21)
2012	Full Year	10.17	(58)	9.94	(35)
	1st Quarter	10.24	(15)	9.57	(3)
	2nd Quarter	9.84	(7)	9.47	(6)
	3rd Quarter	10.06	(7)	9.60	(1)
	4th Quarter	9.90	(21)	9.83	(11)
2013	Full Year	10.02	(50)	9.68	(21)
	1st Quarter	10.23	(8)	9.54	(6)
	2nd Quarter	9.90	(4)	9.84	(8)
2014	Year-To-Date	10.12	(12)	9.71	(14)

Electric Utilities--Summary Table

	Period	ROR % (# Cases)		ROE % (# Cases)		Eq. as % Cap. Struc. (# Cases)		Amt. \$ Mil. (# Cases)	
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)
2009	Full Year	8.23	(38)	10.48	(39)	48.61	(37)	4,192.3	(58)
2010	Full Year	7.99	(59)	10.34	(59)	48.45	(54)	5,567.7	(77)
2011	Full Year	8.00	(43)	10.29	(42)	48.26	(42)	2,853.5	(56)
2012	Full Year	7.95	(51)	10.17	(58)	50.55	(52)	3,131.5	(70)
	1st Quarter	7.81	(13)	10.24	(15)	49.02	(13)	765.9	(17)
	2nd Quarter	7.64	(7)	9.84	(7)	50.56	(6)	653.6	(10)
	3rd Quarter	7.86	(8)	10.06	(7)	50.77	(8)	734.4	(11)
	4th Quarter	7.46	(17)	9.90	(21)	48.20	(16)	1,310.7	(26)
2013	Full Year	7.66	(45)	10.02	(50)	49.25	(43)	3,464.6	(64)
	1st Quarter	7.71	(6)	10.23	(8)	51.08	(8)	251.4	(9)
	2nd Quarter	7.81	(3)	9.90	(4)	49.15	(3)	87.2	(5)
2014	Year-To-Date	7.75	(9)	10.12	(12)	50.55	(11)	338.6	(14)

Gas Utilities--Summary Table

	Period	ROR % (# Cases)		ROE % (# Cases)		Eq. as % Cap. Struc. (# Cases)		Amt. \$ Mil. (# Cases)	
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)
2009	Full Year	8.15	(28)	10.19	(29)	48.72	(28)	475.0	(37)
2010	Full Year	7.95	(38)	10.08	(37)	48.56	(38)	816.7	(49)
2011	Full Year	8.09	(18)	9.92	(16)	52.49	(14)	436.3	(31)
2012	Full Year	7.98	(30)	9.94	(35)	51.13	(32)	263.9	(41)
	1st Quarter	7.31	(3)	9.57	(3)	48.80	(3)	39.0	(6)
	2nd Quarter	7.21	(5)	9.47	(6)	51.21	(5)	259.1	(12)
	3rd Quarter	7.53	(1)	9.60	(1)	53.84	(1)	6.1	(3)
	4th Quarter	7.47	(11)	9.83	(11)	50.52	(11)	189.5	(16)
2013	Full Year	7.39	(20)	9.68	(21)	50.60	(20)	493.7	(37)
	1st Quarter	7.67	(6)	9.54	(6)	51.14	(6)	23.5	(9)
	2nd Quarter	7.76	(8)	9.84	(8)	52.12	(8)	62.2	(12)
2014	Year-To-Date	7.72	(14)	9.71	(14)	51.70	(14)	85.7	(21)

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>
2/20/14	Consolidated Edison of New York (NY)	7.05	9.20	48.00	12/14-A	-76.2 (D,B,1)
2/26/14	Northern States Power-Minnesota (ND)	7.45	9.75	52.56	--	9.0 (I,B,2)
2/28/14	MidAmerican Energy (IA)	--	--	--	12/12	263.6 (I,B,Z)
2/28/14	Virginia Electric and Power (VA)	7.95	11.00	50.00	3/15	14.8 (3)
3/14/14	Virginia Electric and Power (VA)	--	12.00	50.00	3/15	3.3 (4)
3/14/14	Virginia Electric and Power (VA)	--	11.00	50.00	3/15	-9.0 (5)
3/17/14	Liberty Utilities (NH)	7.92	9.55	55.00	12/12-YE	9.8 (D,B,I,6)
3/26/14	Potomac Electric Power (DC)	7.65	9.40	49.19	12/12-A	23.4 (D)
3/26/14	Southwestern Public Service (NM)	8.26	9.96	53.89	12/14-A	12.7
2014	1ST QUARTER: AVERAGES/TOTAL OBSERVATIONS	7.71 6	10.23 8	51.08 8		251.4 9
4/2/14	Delmarva Power & Light (DE)	7.26	9.70	49.22	12/12-A	15.1 (I)
4/23/14	Duquesne Light (PA)	--	--	--	4/15	48.0 (D,B)
5/16/14	Entergy Texas (TX)	--	9.80	--	3/13	18.5 (I,B,7)
5/30/14	Fitchburg Gas & Electric Light (MA)	8.28	9.70	47.78	12/12-YE	5.6 (D)
6/6/14	Wisconsin Power and Light (WI)	7.90 (8)	10.40	50.46	12/15-A	0.0 (8)
2014	2ND QUARTER: AVERAGES/TOTAL OBSERVATIONS	7.81 3	9.90 4	49.15 3		87.2 5
2014	YEAR-TO-DATE: AVERAGES/TOTAL OBSERVATIONS	7.75 9	10.12 12	50.55 11		338.6 14

GAS 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>
1/21/14	Avista Corp. (OR)	7.47	9.65	48.00	--	5.6 (B,Z)
1/22/14	Connecticut Natural Gas (CT)	7.88	9.18	52.52	12/12-A	7.3 (R)
1/28/14	Atmos Energy (KS)	--	--	--	9/13-YE	1.2 (9)
1/29/14	Baltimore Gas and Electric (MD)	--	--	--	12/18-A	34.1 (Z,10)
1/31/14	Columbia Gas of Maryland (MD)	--	--	--	--	-- (11)
2/20/14	Consolidated Edison of New York (NY)	7.10	9.30	48.00	12/14-A	-54.6 (B,12)
2/21/14	Questar Gas (UT)	7.64	9.85	52.07	12/14-A	7.6 (B)
2/28/14	Bay State Gas (MA)	7.83	9.55	53.68	12/12-YE	19.3
3/16/14	Atmos Energy (CO)	8.07	9.72	52.57	12/12-A	1.3 (I,B)
3/19/14	Missouri Gas Energy (MO)	--	--	--	9/13-YE	1.7 (13)
2014	1ST QUARTER: AVERAGES/TOTAL	7.67	9.54	51.14		23.5
	OBSERVATIONS	6	6	6		9
4/2/14	Laclede Gas (MO)	--	--	--	12/13-YE	7.0 (13)
4/21/14	Northern Utilities (NH)	8.28	9.50	51.76	12/12-YE	4.6 (I,B,14)
4/22/14	Atmos Energy (KY)	7.71	9.80	49.16	11/14-A	8.6 (I)
4/23/14	Missouri Gas Energy (MO)	--	--	--	4/13	7.8 (B)
5/8/14	CenterPoint Energy Resources (MN)	7.42	9.59	52.60	9/14-A	32.9 (I)
5/8/14	National Fuel Gas Distribution (NY)	7.56	9.10	48.00	9/14-A	-3.6 (B,15)
5/15/14	Delta Natural Gas (KY)	--	--	--	12/13-YE	1.1 (16)
6/4/14	Washington Gas Light (MD)	--	--	--	9/14-A	1.7 (10)
6/6/14	Wisconsin Power and Light (WI)	7.90 (17)	10.40	50.46	12/15-A	-5.0 (17)
6/12/14	Southwest Gas (So. California) (CA)	6.83	10.10	55.00	12/14-A	1.9
6/12/14	Southwest Gas (No. California) (CA)	8.18	10.10	55.00	12/14-A	2.5
6/12/14	Southwest Gas (So. Lake Tahoe) (CA)	8.18	10.10	55.00	12/14-A	2.7
2014	2ND QUARTER: AVERAGES/TOTAL	7.76	9.84	52.12		62.2
	OBSERVATIONS	8	8	8		12
2014	YEAR-TO-DATE: AVERAGES/TOTAL	7.72	9.71	51.70		85.7
	OBSERVATIONS	14	14	14		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.

COC- Case involved only the determination of cost-of-capital parameters.

CWIP- Construction work in progress

D- Applies to electric delivery only

Dct Date certain rate base valuation

E- Estimated

Hy- Hypothetical capital structure utilized

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

M- "Make-whole" rate change based on return on equity or overall return authorized in previous case.

R- Revised

Te- Temporary rates implemented prior to the issuance of final order.

U- Double leverage capital structure utilized.

W- Case withdrawn

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) Approved joint proposal (stipulation) includes two-year rate plan that specifies a second-year \$124 million revenue requirement increase.
- (2) Approved settlement includes a four-year electric rate plan. In addition to the \$9 million first-year rate increase, an incremental \$9.3 million second-step increase based on a 10% ROE is to be implemented in 2014, and an incremental \$10.1 million third-step increase based on a 10% ROE is to be implemented in 2015. Rates are to remain unchanged in 2016 based on a 10.25% ROE.
- (3) Increase authorized through a surcharge, Rider W, which reflects in rates the investment in the Warren County Power Station and associated transmission facilities.
- (4) This proceeding determines the revenue requirement for Rider B, which is the mechanism through which the company recovers costs associated with its plan to convert the Altavista, Hopewell, and Southampton Power Stations to burn biomass fuels.
- (5) This proceeding determines the revenue requirement for Rider S for the year ending 3/31/2015. Rider S recognizes the company's investment in the Virginia City Hybrid Energy Center.
- (6) An additional step increase of about \$1.1 million was authorized to be effective 4/1/14.
- (7) The rate increase is effective retroactive to 3/31/14.
- (8) Return on capital. The Commission approved the company's proposal to freeze electric base rates in 2015 and 2016.
- (9) Case represents the company's gas system reliability surcharge rider.
- (10) Case involves the strategic infrastructure replacement (STRIDE) rider, a surcharge associated with the company's infrastructure replacement program.
- (11) Company's proposed strategic infrastructure replacement (STRIDE) program and an associated rider were rejected by the Commission.
- (12) Approved joint proposal (stipulation) includes a three-year rate plan that specifies second-year \$38.6 million and third-year \$56.8 million revenue requirement increases.
- (13) Case involves the company's infrastructure system replacement surcharge rider.
- (14) Additional "step increases" of about \$1.4 million to be effective on 5/1/14 and 5/1/15.
- (15) Two-year rate plan adopted. A \$6.1 million revenue requirement increase is to be effective on 10/1/14.
- (16) Case involves the company's pipe replacement program (PRP) rider.
- (17) Return on capital. The Commission approved the company's proposal to reduce gas base rates by \$5 million in 2015 and then freeze base rates in 2016.

Dennis Sperduto