

Alabama Public Service Commission

Rate Base and Test Period

Alabama statutes provide for use of a historical test year, adjusted for known-and-measurable changes, and for formulaic rate adjustment mechanisms. A cash return on construction work in progress (CWIP) has not been permitted in Alabama. Alabama Power utilizes a Certificated New Plant mechanism, under which rates are adjusted, subject to PSC review, shortly after new capacity comes on line (see the Adjustment Clauses section). (Section updated 6/24/10)

Arizona Corporation Commission

Rate Base and Test Period

The ACC utilizes an end-of-test-year fair-value rate base, which is generally determined by an equal weighting of net original cost and "reconstruction cost new." The authorized fair-value return is based upon the return required to recover the overall cost of capital as approved by the Commission. However, in rate cases, the utilities also provide an historical rate base and the traditionally calculated rate of return, the product of which is equal to the product of the fair-value rate base and the authorized fair-value return. The ACC has traditionally utilized historical test periods that are quite stale by the time of decision. However, certain "known and measurable" changes are considered. In UNS Gas' November 2007 rate decision, the ACC rejected the company's request to earn a cash return on construction work in progress (CWIP). (Section updated 11/23/07)

Arkansas Public Service Commission

Rate Base and Test Period

The PSC generally relies upon a year-end original cost rate base. Filings may be based upon a test period consisting of six months of actual and six months of projected data. The Commission is required to consider "known-and-measurable" changes to expense and rate base items occurring within 12 months following the end of the test period. The state's utilities are not prohibited from earning a cash return on construction work in progress (CWIP); however, the PSC has historically not allowed a return on CWIP for major facilities.

In 2009, the PSC Staff filed comments in a proceeding in which the Commission is considering potential "innovative approaches to utility regulation." The Staff indicated that including CWIP in rate base for major electric construction projects could address a major risk that the utilities face and that such treatment could be accomplished via an automatic rate recovery mechanism. The proceeding is pending. (Section updated 11/2/10)

California Public Utilities Commission

Rate Base and Test Period

In general rate cases, the PUC relies on a weighted-average original-cost rate base for a test period that is fully forecasted at the time of filing. A cash return on construction work in progress (CWIP) is not permitted. (Section updated 6/2/10)

Colorado Public Utilities Commission

Rate Base and Test Period

Historically, the PUC has relied upon year-end original-cost rate bases for energy utilities. However, recent energy cases have utilized average rate bases. The Commission has generally utilized historical test periods.

Historically, the PUC has allowed utilities to earn a cash return on construction work in progress (CWIP) on only a limited basis. Legislation enacted in 2007 permits the PUC to authorize a utility to earn a cash return on CWIP related to transmission facilities. (Section updated 6/14/10)

Connecticut Department of Public Utility**Rate Base and Test Period**

The DPUC has generally relied on a net original-cost year-end rate base for a historical test period, with adjustments to rate base, revenues, expenses, and capitalization to reflect conditions at the mid-point of the rate year. By law, the DPUC is prohibited from allowing a cash return on construction work in progress (CWIP). (Section updated 7/13/10)

Delaware Public Service Commission**Rate Base and Test Period**

The PSC generally relies on an average original-cost rate base for a test period that is partially forecast at the time of filing. Known-and-measurable adjustments to test period data are permitted. Historically, the PSC has considered rate base inclusion of construction work in progress (CWIP) on a case-by-case basis, and has permitted Delmarva Power & Light to include CWIP in rate base related to pollution control investment. (Section updated 11/29/10)

District of Columbia Public Se**Rate Base and Test Period**

The PSC generally relies on an average original-cost rate base, and has allowed filings to be submitted based upon partially-forecasted data. Historically, the PSC has permitted the inclusion of construction-work-in-progress (CWIP) in rate base only for pollution-control facilities. However, in a 2008 decision for Potomac Electric Power the PSC allowed inclusion in rate base of CWIP for projects that came on line during the course of the case, but outside the test year. (Section updated 9/9/10)

Florida Public Service Commission**Rate Base and Test Period**

The PSC generally relies on an average original-cost rate base. Court rulings prohibit the Commission from using a year-end rate base in a permanent case absent a showing of extraordinary growth; however, the PSC may do so in an interim proceeding. In permanent base rate case decisions, the PSC generally has utilized test periods that are fully or partially forecasted at the time the rate decisions are issued.

State law authorizes deferred accounting for the preconstruction costs of nuclear and integrated gasification combined-cycle (IGCC) plants, with these costs to accrue a carrying charge equal to the percentage used to calculate the utility's

allowance for funds used during construction (AFUDC). All prudently incurred preconstruction costs are recoverable through the utility's capacity cost recovery clause. Also recoverable through the capacity cost recovery clause is a cash return on construction work in progress (CWIP). If a utility does not complete the construction of a nuclear or IGCC plant, it would be permitted to recover all prudent preconstruction and construction costs through its capacity cost recovery clause over a time frame equal to the period during which the costs were incurred or five years, whichever is greater.

The unrecovered balance during the recovery period would accrue interest at the utility's authorized midpoint cost of capital (based on the midpoint of the ROE range), or ROE approved for "other regulatory purposes" if the company is not authorized a specific ROE or ROE range for ratesetting purposes. Legislation enacted in 2008, provides for a current return on CWIP for any new, enlarged, or relocated electric transmission lines or facilities that are necessary to serve new nuclear power plants (FN 6/27/08). (Section updated 6/23/10)

Georgia Public Service Commission

Rate Base and Test Period

By statute, electric and natural gas companies file rate cases based on projected data, and the PSC relies on average rate bases. Electric and natural gas rate case test years must be partially forecasted at the time of decision.

Historically, a cash return on construction work in progress (CWIP) has not been permitted. However, in March 2009, the PSC approved Georgia Power's request to earn a cash return on CWIP for two proposed 1,102-MW nuclear units, Vogtle Units 3 and 4. In April 2009, Senate Bill 31, which authorizes Georgia utilities to earn a cash return on CWIP associated with planned nuclear plants that have been certified by the PSC, was enacted. (Section updated 9/24/10)

Hawaii Public Utilities Comm

Rate Base and Test Period

The PUC relies on an average original cost rate base valuation. Rate cases are filed based on forecasted test periods, but by the time interim decisions are rendered, the test periods are generally historical. PUC rules provide for rate requests that are filed between January and June to be based on a 12-month period ending June 30 of the following year, and applications filed between July and December to be based upon a test year ending December 31 of the following year. A cash return on construction work in progress (CWIP) has not been authorized by the PUC. (Section updated 1/27/11)

Idaho Public Utilities Commission

Rate Base and Test Period

The PUC has historically relied upon an average original-cost rate base for a historical test period (adjusted for known-and-measurable changes); however, major plant additions have been accorded year-end rate base treatment. More recently, the PUC has utilized partially forecasted test periods.

State law prohibits the PUC from allowing a cash return on construction-work-in-progress (CWIP), "except upon its explicit finding that the public interest will be served."

In a January 2009 rate decision for Idaho Power (IP), the PUC permitted rate recognition of \$6.8 million of 2009 financing costs associated with the retrofitting expenditures related to the relicensing of the Hells Canyon hydro-electric

facility. In so doing, the Commission stated that: "the Hells Canyon relicensing projects is unlike a typical construction project, and establishes circumstances that support a finding that including [these financing costs] in rates will serve the public interest." (Section updated 8/27/10)

Illinois Commerce Commission

Rate Base and Test Period

Rate filings may be based on historical or future test years. The ICC has generally utilized historical test years for the purposes of establishing electric delivery service tariffs. By law, the ICC, at its discretion, may include construction work in progress (CWIP) in rate base for projects that will be completed within 12 months of the end of the test year in a rate case, and for certain pollution-control facilities. (Section updated 6/11/10)

Indiana Utility Regulatory Commission

Rate Base and Test Period

Although Indiana is statutorily a "fair-value" rate base state, the URC has, in most instances, calculated its fair-value rate base and return findings after having determined a return on original-cost rate base. Rate cases have generally been decided on the basis of an historical test period and a test-year-end rate base, with adjustments for known-and-measurable changes expected to occur within one year after the end of the test period.

Construction work in progress (CWIP) has not generally been included in rate base, except for CWIP related to qualified pollution control equipment. URC rules require that a utility file for rate base inclusion of pollution control-related CWIP no earlier than six months after construction of the project has commenced. The company may then file as often as every six months for rate recognition of additional CWIP amounts. (Section updated 4/26/11)

Iowa Utilities Board

Rate Base and Test Period

Historically, the IUB has utilized a 13-month average original-cost rate base for a historical test period. By law, the IUB must consider known-and-measurable changes in costs and revenues that occur within nine months of the end of the test year in any rate proceeding, even if those changes are not verifiable at the time of filing. Under state law, the IUB is required to pre-approve ratemaking principles that will apply to new baseload facilities greater than 300 MW, combined-cycle plants, and alternative energy production facilities prior to construction of the facilities. The ratemaking principles apply once the plants are placed into service and remain in place for the useful life of the facility (see the Alternative Regulation section). (Section updated 4/14/10)

Kansas Corporation Commission

Rate Base and Test Period

The KCC has generally relied upon a year-end original-cost rate base for a historical test period, with certain changes to test-period data permitted. Historically, the KCC has permitted companies to include non-nuclear construction-work-in-progress (CWIP) in rate base. In 2008, legislation was enacted that provides for the electric utilities to earn a cash return on CWIP associated with a new nuclear plant (see the Integrated Resource Planning section). (Section updated 8/24/10)

Kentucky Public Service Commission

Rate Base and Test Period

The PSC generally utilizes a year-end rate base for a historical test period, adjusted for known-and-measurable changes. However, statutes permit the utilities to employ forecasted test periods. The electric utilities have historically been allowed to include virtually all construction work in progress in rate base for a cash return. (Section updated 12/9/10)

Louisiana Public Service Commission

Rate Base and Test Period

The PSC generally relies on an average net original-cost rate base for a historical test period. Construction work in progress (CWIP) is generally included in rate base with an allowance-for-funds-used-during-construction offset. In 2007, the PSC adopted rules for certification of proposed nuclear generation projects; the rules include provisions for such projects to be accorded a cash return on CWIP. (See the Integrated Resource Planning section.) (Section updated 9/30/10)

Maine Public Utilities Commission

Rate Base and Test Period

The PUC relies on an average original-cost rate base for an historical test period. The Commission accepts rate filings based upon partially estimated data, provided that actual data are available in sufficient time to be incorporated into the record. The PUC has, at times, utilized attrition adjustments designed to reflect circumstances anticipated in the first year of new rates. The PUC generally does not permit utilities to earn a cash return on construction work in progress. (Section updated 2/10/11)

Maryland Public Service Commission

Rate Base and Test Period

The PSC follows a historical test year approach that relies on 13-month average original-cost rate bases and test year expenses that are adjusted for known and measurable changes. The test periods must be fully historical at the time rate decisions are issued. Filings are usually based on partially-forecasted data, which are updated to reflect actual data during the course of the proceeding. Historically, the PSC has only permitted construction work in progress (CWIP) to be included in rate base for a cash return related to environmental projects. (Section updated 9/29/10)

Massachusetts Dept. of Public Utilities

Rate Base and Test Period

In traditional rate cases, a historical test year and a year-end original-cost rate base are utilized, with adjustments for "known-and-measurable" changes. Post test-year rate base additions have been permitted only for "significant" investment that has a "substantial" effect on rate base. Historically, a cash return on construction work in progress (CWIP) has not been allowed. (Section updated 4/13/11)

Michigan Public Service Commission

Rate Base and Test Period

The PSC has typically relied upon an average original-cost rate base for a test year that is partially forecast at the time a decision is rendered regarding permanent rates. However, as a result of the interim rate procedures that are in place, new rates typically are effective at or shortly after the beginning of the test year.

Legislation enacted in 2008 established a certificate of necessity (CON) process for significant capital projects, including new and expanded generation facilities that cost more than \$500 million. Prior to the initiation of construction, a utility may file an application requesting that the PSC review proposed investments in new generation, acquisition of existing power plants, major upgrades of power plants, and long-term power purchase agreements. Once the PSC issues a CON, the utility would be permitted to earn a cash return on construction work in progress (CWIP) for the related facilities, and once declared used and useful, earn a return of and on the project costs up to those approved by the Commission. If actual costs exceed the approved costs, the utility would be permitted to recover the excess only if the PSC finds it to be reasonable and prudent. Prior to the enactment of the legislation, a cash return on CWIP generally was not permitted, except for pollution-control investment. (Section updated 2/23/11)

Minnesota Public Utilities Commission

Rate Base and Test Period

The PUC generally relies upon an average original-cost rate base for a test year that is partly forecasted at the time a decision is issued. This use of a partially forecasted test year, in combination with the Commission's interim rate policy (see the Rate Case Timing/Interim Procedures section), generally permits a significant part of a requested increase to be in place for the entire 12 month test period. A cash return on construction work in progress (CWIP) is permitted for mercury emissions reduction projects (see the Emissions section), certain other emissions reduction projects (see the Alternative Regulation section), certain renewable energy projects, and certain transmission projects. (Section updated 4/13/11)

Mississippi Public Service Commission

Rate Base and Test Period

By law, a utility may propose a rate change using a projected test period beginning with the proposed effective date of the new rates. In the only two major base rate cases decided in the last several years, in 2001 and 2002, the PSC adopted fully-forecasted test years and average rate bases for Mississippi Power (MP) and Entergy Mississippi (EM), respectively. Alternative rate plans (ARPs) now in effect for MP and EM provide for annual rate reviews. MP's ARP utilizes a forward-looking test year and an average rate base in each review, while EM's ARP utilizes a historic test year and a year-end rate base.

Historically, a cash return on construction work in progress (CWIP) was not permitted in Mississippi. However, legislation enacted in 2008 authorizes the PSC to conduct prudence reviews, and issue a prudence determination as frequently as quarterly, regarding the construction costs of a new generating facility. Any prudence determination would be binding in all future regulatory proceedings involving the utility, unless the generating facility is imprudently abandoned or cancelled. The legislation also authorizes the PSC to permit rate recovery of all prudently incurred preconstruction, construction, and operating costs of new base-load coal-fired generation facilities of at least 300 MW and nuclear facilities of at least 800 MW, including a current cash return on CWIP. Recovery of relevant expenses can be permitted, whether or not the facility's construction is commenced or completed. Under the 2008 legislation, Mississippi Power (MP) received approval from the PSC in May 2010 to construct a 582-MW integrated coal gasification combined-cycle plant in Kemper County, MS (total estimated cost \$2.4 billion). MP is to be permitted to earn a cash return on CWIP related to the Kemper plant beginning in 2012. (Section updated 2/7/11)

Missouri Public Service Commission

Rate Base and Test Period

The PSC generally relies on a year-end original-cost rate base, but, by law, must consider fair value. Rate requests are typically filed based on historical or partly forecasted test period data, which are updated during the course of the proceeding to reflect actual results. The adopted test periods are historical at the time of PSC decisions; however, limited "known-and-measurable" changes may be recognized. By law, the PSC is prohibited from including electric construction-work-in-progress in rate base. (Section updated 9/15/10)

Montana Public Service Commission**Rate Base and Test Period**

The PSC generally relies on an average original-cost rate base for a historical test period, adjusted for known-and-measurable changes within 12 months beyond the end of the test period. The PSC generally does not permit construction work in progress to be included in rate base. (Section updated 11/5/09)

Nebraska Public Service Commission**Rate Base and Test Period**

The gas utilities have generally relied upon year-end original cost rate bases for historical test periods; however, use of a forecasted test year is permitted. In recently decided rate cases, the PSC has permitted construction work in progress to be included in rate base. (Section updated 2/17/11)

New Hampshire Public Utilities Commission**Rate Base and Test Period**

In a base rate case, the PUC typically utilizes a 13-month average or a five-quarter average rate base. The Commission uses a historical test year, adjusted for known-and-measurable changes. State statutes prohibit the inclusion of construction work in progress (CWIP) in rate base. (Section updated 5/3/10)

New Jersey Board of Public Utilities**Rate Base and Test Period**

The BPU relies upon a year-end original cost rate base for a test period that is fully historical by the time a rate decision is issued. Most cases are filed utilizing partly projected data, with known-and-measurable changes permitted. The BPU has considered the inclusion of construction work in process in rate base on a case-by-case basis, and has approved such treatment only in cases of financial distress. (Section updated 2/9/11)

New Mexico Public Regulation Commission

Rate Base and Test Period

The PRC relies upon a year-end original-cost rate base for a historical test period, adjusted for known-and-measurable changes. However, Senate Bill 477, which allows the PRC to use forecasted test periods, was enacted in 2009. A pending rate case for Public Service New Mexico is based upon a forecasted test year.

On October 5, 2006, the PRC approved an agreement concerning the future rate treatment of Public Service Company of New Mexico's (PSNM's) Afton plant. The Afton unit was initially a 141-MW merchant combustion turbine peaking facility, and the company has converted the facility to a 235-MW regulated combined-cycle peaking/intermediate plant. The parties agreed that the Afton plant should be included in rate base in the company's next general rate case reflecting the lower of total actual cost, or \$187.6 million, if the project were completed by December 31, 2007. The parties agreed that rates would reflect the actual cost if this deadline for completion was not met. The plant was completed in October 2007 at a cost in excess of \$187.6 million, and as a result, the additional costs were written off by PSNM. The stipulation indicated that 50% of the plant is to be allocated to PSNM, with the remainder allocated to affiliate Texas-New Mexico Power (TNMP), which is now operating under a long-term rate freeze.

In a June 2007 gas rate decision for PSNM, the PRC permitted the company to earn a cash return on \$10.7 million of construction-work-in-progress (CWIP) in rate base. SB 477 provides that "upon a request to include construction work in

progress in the rate base, the commission shall grant the request only upon a finding that a project's costs are reasonable. (Section updated 7/28/10)

New York Public Service Commission

Rate Base and Test Period

In a traditional rate case, the PSC relies on an average original-cost rate base for a fully forecasted test period. Filings must include operating results for a historical 12-month period ending not more than 150 days prior to the filing date. The company must provide forecasted results for the first 12-month period that the rates will be in effect, plus an appropriate "verifiable link" between the two periods. In the context of adopting multi-year rate plans, the PSC has allowed rate base to be updated each year. With regard to construction-work-in-progress (CWIP), the PSC has generally permitted companies to include CWIP in rate base when cash flow issues arise. (Section updated 10/1/08)

North Carolina Utilities Commission

Rate Base and Test Period

State law requires the NCUC to utilize a year-end original-cost rate base for an historic test period, and to consider changes that are known and quantifiable prior to the close of hearings. Legislation enacted in 2007 appears to facilitate the NCUC's ability to allow a current cash return on construction work in progress (CWIP) by removing statutory language that had permitted utilities to earn a current cash return on CWIP only "to the extent...such inclusion is in the public interest and necessary to the financial stability of the utility in question." The NCUC pre-determines the prudence of a utility's decision to build a baseload generating facility and the plant's projected costs. The utility may request, or the NCUC may require, an ongoing review of the plant's construction costs. The utility is required to file annual progress reports on actual construction costs and any changes to the plant's cost estimates. In the context of a general rate case, the utility would be permitted to recover previously approved costs in rates following completion of the plant. If plant construction is not completed because of an unavoidable or unforeseen change in circumstances, the utility would be permitted to recover prudently incurred costs. (Section updated 12/8/10)

North Dakota Public Service Commission

Rate Base and Test Period

Historically, the PSC has adopted test periods that were partially- or fully-forecasted at the date of decision. Statutes permit a utility filing a rate case to utilize a historical, current, or future test period. When selecting either a current or future test year, the utility must present the following: (1) a comparison with a historical period; (2) a statement providing for the reasonableness and reliability of the underlying forecast; and, (3) a statement that the accounting methodologies utilized in the forecast are consistent with those that will actually apply. The PSC has generally utilized average "prudent investment" rate base valuations, which, in practice, have been identical to "original-cost."

State law permits the electric utilities, through separate rate adjustment mechanisms, to earn a cash return, equal to the rate of return authorized in the company's last base rate proceeding, on construction work in progress (CWIP) for investments in transmission infrastructure and for federally mandated environmental compliance projects (see the Adjustment Clauses section). (Section updated 11/2/10)

Oklahoma Corporation Commission

Rate Base and Test Period

The OCC has generally relied on year-end rate bases for historical test periods, adjusted for certain known-and-measurable changes occurring within six months of the end of the test year. Energy companies have been allowed to earn a cash return on non-revenue-producing construction work in progress (CWIP) to be placed in service within one year of the end of the test period and on CWIP associated with the replacement of, or improvements to, existing plant. In addition, state statutes permit the OCC to pre-approve new construction projects, and allow CWIP treatment for environmental and transmission projects (see the Integrated Resource Planning section). (Section updated 9/27/10)

Oregon Public Utility Commission

Rate Base and Test Period

The PUC has generally utilized partially or fully forecasted test periods. Inclusion of construction work in progress in rate base is prohibited by law. (Section updated 6/16/10)

Pennsylvania Public Utility Commission

Rate Base and Test Period

In accordance with state statutes, the PUC has generally relied on a depreciated original-cost year end rate base for a forecasted test year that is historical by the time a case is decided. Inclusion of construction-work-in-progress (CWIP) in rate base for a cash return is prohibited by law except for environmental-compliance-related investments and PUC-ordered plant upgrades. (Section updated 7/19/10)

Public Service Commission West Virginia

Rate Base and Test Period

The PSC has traditionally relied upon an average original-cost rate base for a historical test period, but permits "known and measurable" adjustments. Inclusion in rate base of construction work in progress (CWIP) is permitted. (Section updated 7/26/10)

Public Service Commission of Wisconsin

Rate Base and Test Period

The PSC generally relies on an average original-cost rate base and a test period that is fully or close to fully-forecasted when the new rates become effective. Working capital is not included in rate base, but the PSC allows for a return on working capital through an adder to the return on rate base. Also through a return adder, the PSC generally allows a current, cash return on 50% of a utility's electric and gas construction work in progress.

State law permits a utility that is proposing to purchase or construct an electric generating facility to apply to the PSC for an order specifying, in advance, the rate treatment, including a cost cap estimate and the equity return, that will apply to the plant over its economic life (see the Integrated Resource Planning section). (Section updated 4/27/11)

Public Service Commission of Utah

Rate Base and Test Period

The PSC is permitted to establish rates based upon forecasted test periods that include projected data up to 20 months from the date a rate case is filed with the Commission. In recent years, the PSC has typically relied upon an average original-cost rate base for a test period that contains 12 months of projected data. It has not been a general PSC practice to allow a cash return on construction work in progress (CWIP). (Section updated 10/20/10)

Public Utilities Commission of Ohio

Rate Base and Test Period

Ohio law requires utilization of an original cost rate base valued as of a date certain, which can be no later than the date the rate case is filed. Statutes require that the test year conclude within nine months after the filing of a rate increase application. The PUC generally denies recognition of adjustments that do not become known within the test period. State law provides for allowance of construction work in progress (CWIP) in rate base at the PUC's discretion if a project is 75% complete. However, the proportion of non-pollution-control CWIP that the PUC may include in rate base is limited to 10% of rate base excluding CWIP. Pollution control projects may be included to bring the total percentage of CWIP to a maximum of 20% of rate base. (Section updated 7/15/09)

Public Utilities Commission of Nevada

Rate Base and Test Period

The PUC relies upon year-end rate base valuations for test periods that generally conclude less than one year prior to the date of decision. State statutes permit electric and gas utilities to utilize a "hybrid" test year methodology consisting of historical test years with updates for known-and-measurable adjustments up to 210 days beyond the filing date.

The state's resource planning regulations allow electric utilities to seek to include construction work in progress (CWIP) in rate base for facilities deemed to be "critical." In 2007 and 2009 rate decisions for Nevada Power Company (NPC), the PUC allowed the company to include CWIP in rate base related to the Harry Allen-to-Mead transmission line. In NPC's rate case decided in June 2009, the PUC approved CWIP as of November 2008 for the 484-MW Harry Allen generation facility. The anticipated in-service date for the plant is June 1, 2011. (Section updated 4/25/11)

Public Utility Commission of Texas

Rate Base and Test Period

The PUC has historically relied on a year-end original-cost rate base for a historical test period, with adjustments permitted for post-test-year plant additions and retirements, under certain circumstances. The PUC generally has not permitted the utilities to include construction work in progress (CWIP) in rate base for a cash return, and has only allowed it following a finding that such treatment was necessary to maintain the utility's financial integrity. The PUC may also approve CWIP treatment for certain environmental expenditures. However, the company's are permitted to adjust rates through surcharge mechanisms to reflect certain types of new investment between rate cases, thus reducing the regulatory lag associated with exclusion of CWIP from rate base (see the Adjustment Clauses section). (Section updated 1/20/11)

Railroad Commission of Texas

Rate Base and Test Period

In fully-litigated base rate cases that have come before the RRC in recent years, the Commission has relied on a year-end original cost rate base for a historical test period, with adjustments permitted for certain "known and measurable" changes. The RRC has generally not permitted a cash return on construction work in progress. (Section updated 1/20/11)

Rhode Island Public Utilities Commission

Rate Base and Test Period

The PUC has traditionally relied upon an average original-cost rate base for a historical test period adjusted for "known and measurable" changes based upon a forward-looking "rate year," i.e. the first year the new rates would be in effect. For electric utilities, the PUC does not permit construction work in progress to be included in rate base. (Section updated 10/25/10)

Public Service Comm. of South Carolina

Rate Base and Test Period

The PSC generally relies upon a year-end original cost rate base for a historical test period, with adjustments. The PSC has, in certain instances, authorized a cash return on construction work in progress (CWIP) related to a new generating facility.

The Base Load Review Act (Act 16), enacted in 2007, authorizes the PSC to issue a project development order (PDO) affirming the prudence of a utility's decision to incur pre-construction costs for a nuclear plant. When issuing a PDO, the PSC would not rule on the prudence or recoverability of specific cost items, but instead would rule on the prudence of the decision to incur pre construction costs for the project. Unless an intervenor demonstrates, in a subsequent proceeding, that individual cost items were imprudent, all pre-construction costs incurred for the potential nuclear plant would be fully recoverable in future proceedings.

For coal and nuclear plants, Act 16 also authorizes the PSC to issue a base load review (BLR) order. A BLR order constitutes an upfront determination that a plant is "used and useful," and that associated proposed capital expenditures are prudent and ultimately should be reflected in rates as long as the plant is constructed within the estimated construction schedule and capital budget, including contingencies. After issuance of a BLR order, the utility is required to file quarterly reports with the Office of Regulatory Staff detailing the construction progress and costs of the plant until it begins commercial operation. For nuclear plants only, if requested by a utility, the BLR order is to specify initial revised rates reflecting the utility's pre-construction and development costs. At least one year after its filing of an application for a BLR order, and no more frequently than annually thereafter, the utility is permitted to file for PSC approval of revised rates reflecting a cash return on a nuclear plant's CWIP. (Section updated 7/27/10)

South Dakota Public Utilities Commission

Rate Base and Test Period

The PUC relies upon an average original cost rate base for a historical test period, but has permitted certain known-and-measurable post-test-year adjustments. The PUC has not permitted a utility to earn a cash return on construction work in progress (CWIP), although the Commission is permitted to do so by state law in rate cases and through separate adjustment mechanisms for environmental compliance projects and transmission projects. (Section updated 3/25/11)

Tennessee Regulatory Authority

Rate Base and Test Period

The TRA generally utilizes average rate base valuations and establishes rates based upon forecasted test periods. The TRA permits construction work in progress (CWIP) to be included in rate base. (Section updated 3/11/11)

Vermont Public Service Board

Rate Base and Test Period

The PSB has generally relied upon a historical test period and an average rate base. However, year-end rate base valuations have occasionally been adopted. While the PSB has adopted test periods that are generally about one year old at the date of decision, rates may reflect certain known and measurable post-test-year adjustments.

A cash return may be permitted on construction work in progress (CWIP) if the uncompleted generation projects: are located in Vermont; rely on a renewable resource; or, have received, or are likely to receive, necessary Board approvals. The facilities must also have a near-term (within 12 months) scheduled completion date. (Section updated 11/23/10)

Virginia State Corporation Commission

Rate Base and Test Period

The SCC has generally relied upon a year-end original cost rate base for a historical test period, with materials and supplies valued on a 13-month average basis. The Commission has also allowed adjustments to rate base and cost of service components to reflect "known-and-measurable" pro forma changes and annualized adjustments for future costs as the Commission finds reasonably can be predicted to occur during the rate year.

Historically, the SCC has permitted inclusion in rate base of construction work in progress (CWIP) related to facilities that were to be commercially operable within one year beyond the end of the test year in the related rate case. Legislation enacted in 2007 permits the SCC allow a cash return on CWIP for reliability-related generation projects, new generation facilities that will utilize Virginia coal, nuclear facilities, renewable resource projects, and certain other investments (see the Alternative Regulation section).

Legislation enacted in 2008 authorizes a natural gas utility that places a "strategic" natural gas facility into service on or after July 1, 2008, to recover the prudently incurred costs of the facility from the time the asset is placed into service until the SCC establishes new rates. Recovery is subject to an SCC determination that the costs were prudently incurred.

Legislation enacted in 2010, known as Steps to Advance Virginia's Energy Plan (SAVE Act), authorizes a natural gas utility that invests in natural gas facility replacement projects to recover, in the form of a SAVE rider, a return on investment, a revenue conversion factor, depreciation, property taxes and carrying costs on over/under recovery of these costs (see the Adjustment Clauses section). (Section updated 3/30/11)

Washington Utilities and Transport Comm

Rate Base and Test Period

The WUTC generally relies upon average original-cost rate base valuations for historical test years that are adjusted for known-and-measurable changes not offset by other factors. The WUTC has, at times, adopted attrition adjustments. State statutes specify that the WUTC may include construction work in progress (CWIP) in rate base to the extent that the Commission finds that inclusion of such costs would be in the public interest. (Section updated 1/20/11)

Wyoming Public Service Commission

Rate Base and Test Period

The Commission generally relies upon a year-end original-cost rate base for a historical test period, updated to reflect known-and-measurable changes. Historically, the Commission has not permitted utilities to earn a cash return on construction work in progress (CWIP) unless the related projects are placed into service prior to the start of the hearing process in a general rate case. (Section updated 4/29/11)