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S&P Capital IQ, RRA Regulatory Focus, Water utility  
returns on equity lag energy utilities in 2024  
S&P Capital  
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## RRA REGULATORY FOCUS

### Water utility returns on equity lag energy utilities in 2024

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By Heike Doerr  
*Commodity Insights*

In 2024, 18 rate proceedings were completed across 12 states in the water utility sector, with approved returns on equity ranging from 9.01% to 9.84%.

## The Take

► The average return on equity (ROE) approved in 2024 declined to 9.52% from the 9.64% average for water utilities nationwide in 2023. The 2023 rate proceedings spanned nine states, with cost-of-capital parameters provided in seven proceedings. The 2023 authorized ROEs ranged from 8.70% to 9.80%. In 2022, 10 water utility rate cases were completed nationwide with an average ROE of 9.61%.

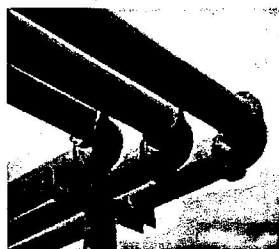
► While authorized ROEs for water utilities slightly declined in 2024, the averages for distribution-only electric and gas utilities have trended upward.

► For additional details regarding water utility rate cases from Jan. 1, 2010, through Dec. 30, 2024, refer to this [Excel companion](#).

Regulatory Research Associates evaluates water utility regulation in more than 20 state jurisdictions and monitors rate proceedings involving rate change requests of at least \$1.0 million for the 10 largest investor-owned and privately held water utilities.

S&P Global  
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Water  
Advisory



Water  
rate case  
database  
(Excel  
file)

### Q4 2024 rate case decisions

**California** — On Dec. 9, 2024, the [California Public Utilities Commission](#) issued a final order for [California-American Water Co. \(Cal-Am\)](#), in a rate case the company initiated in July 2022. The rate increase is retroactive to Jan. 1, 2024, and spans the period through Dec. 30, 2026. The company was authorized a rate increase of \$55.8 million in year one, with step rate increases of \$19.6 million in 2025 and \$19.9 million in 2026. ROE determinations for the state's energy and water utilities occur outside of general rate cases in cost-of-capital proceedings. Cal-Am's rate decision was based on the company's current cost-of-capital parameters, which included an authorized ROE of 10.2%, which took effect Jan. 1, 2024.

**Illinois** — [Illinois American Water Co. \(IAWC\)](#) and [Aqua Illinois Inc.](#) completed litigated proceedings before the [Illinois Commerce Commission](#) for their water and wastewater systems that span the state. IAWC's request for a two-step rate implementation was denied. In both proceedings, the attorney general expressed concerns at the level of post-acquisition investments the companies had made that were being spread across the companies' entire customer bases.

**New Jersey** — [Aqua New Jersey Inc.](#) was the last of the four large investor-owned water utilities to receive a rate increase via settlement from the [New Jersey Board of Public Utilities \(BPU\)](#). The company was authorized to increase base water rates by \$2.25 million. Additionally, the BPU authorized the extension of the company's surcharge mechanism, which could add an incremental \$2.47 million of revenue through qualified replacement infrastructure investments through 2027. The order specified a 9.60% ROE, consistent with the company's previous rate case and recent BPU authorizations across water, electric and gas utilities.

Aqua Illinois and Aqua New Jersey are subsidiaries of Essential Utilities Inc. Cal-Am and IAWC are subsidiaries of [American Water Works Co. Inc.](#)

## Water utility rate case decisions (Jan. 1 – Dec. 30, 2024)

Order date	Effective date	Decision type	Company	State	Parent company ticker	ROR (%)	ROE (%)	Common equity as % of capital	Rate base (\$M)	Test year end
01/05/24	01/01/24	Settled	The Maine Water Co. (Biddeford & Saco)	Maine	SJW	NA	9.50	51.00	NA	12/31/22
	02/01/24					6.32		47.41	1,614	4/30/25
02/14/24	05/01/24	Litigated	Indiana American Water Co.	Indiana	AWK	6.30	9.65	47.30	1,679	4/30/24
	05/01/25					6.42		48.19	1,835	7/31/23
02/14/24	02/21/24	Settled	Middlesex Water Co.	New Jersey	MSEX	6.64	9.60	53.60	563	09/30/23
02/23/24	02/25/24	Litigated	West Virginia-American Water Co.	West Virginia	AWK	7.13	9.80	50.12	873 13	2/29/25
03/07/24	01/01/23	Litigated	California Water Co.	California	CWT	NA	NA	NA	NA	12/31/23
03/27/24	04/01/24	Settled	Veolia Water Delaware Inc.	Delaware	VEOEY	7.05	9.50	NA	NA	12/31/22
05/03/24	05/03/24	Litigated	Kentucky-American Water Co.	Kentucky	AWK	NA	9.01	52.45	489	01/31/25
05/16/24	05/16/24	Settled	Veolia Water New York Inc.	New York	VEOEY	6.55	9.10	48.00	990 (Yr1) 1,039 (Yr2) 1,097 (Yr3) 1,116 (Yr4)	01/31/25
05/22/24	08/08/24	Settled	Veolia Water New Jersey Inc.	New Jersey	VEOEY	7.11	9.60	54.00	1,586	09/30/24
06/12/24	06/12/24	Settled	Artesian Water Co.	Delaware	ARTNA	6.75	9.50	NA	NA	12/31/22
06/28/24	07/01/24	Litigated	Connecticut Water Co.	Connecticut	SJW	6.63	9.20	52.00	693	12/31/22
07/22/24	08/07/24	Litigated	Pennsylvania-American Water Co.	Pennsylvania	AWK	7.44	9.45	55.90	5,823	06/30/25
09/04/24	09/15/24	Settled	New Jersey American Water	New Jersey	AWK	7.15	9.60	54.00	5,051	06/30/24
09/12/24	02/05/24	Settled	Aqua Virginia, Inc.	Virginia	WTRG	7.09	9.70	52.13	NA	03/31/23
10/09/24	10/15/24	Settled	Aqua New Jersey Inc.	New Jersey	WTRG	7.09	9.60	53.00	265	04/30/24
11/21/24	01/02/25	Litigated	Aqua Illinois Inc.	Illinois	WTRG	6.91	9.60	51.00	550	12/31/25
12/05/24	02/08/25	Litigated	Illinois American Water Co.	Illinois	AWK	7.10	9.84	49.00	2,186	12/31/25
12/09/24	01/01/24	Litigated	California American Water Co.	California	AWK	NA	NA	NA	883	12/31/24
Average cost of capital parameters						6.93	9.52	51.69		

As of Feb. 11, 2025.

NA = not available; ROR = return on rate base; ROE = return on equity.

Average cost of capital parameters was calculated using data associated with Feb. 1, 2024, rate year to represent the Indiana decision.

Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.

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## ROE trends compared to electric and gas utilities

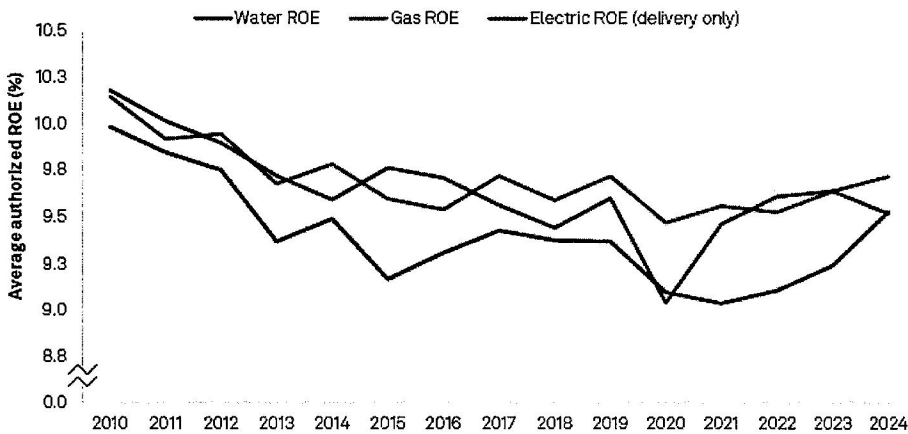
Rate case activity remained elevated in 2024, with nearly 155 decisions issued by state public utility commissions, including 99 electric and gas equity-return determinations. Amid the heightened rate case activity, the average electric and gas authorized ROEs rose in 2024.

For electric distribution-only cases, the industry average ROE was 9.53% in 2024, significantly above the 9.24% average in 2023. RRA's calculations relied on nine distribution-only electric rate case decisions that included an ROE determination during 2024, versus 12 in 2023.

The average ROE authorized for gas utilities in 2024 was 9.72%, above the 9.64% average observed in 2023. There were 44 gas ROE authorizations in 2024 versus 43 in 2023.

In 2024, authorized ROEs for water utilities trended down slightly and now align with distribution-only electric utilities. They previously aligned more closely with gas utility averages, which were somewhat higher than those for electric utilities.

Average electric, gas and water authorized ROEs



As of Feb. 11, 2025.  
Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.  
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