

REGULATORY FOCUS

Regulatory Study
July 6, 2006

MAJOR RATE CASE DECISIONS--JANUARY-JUNE 2006

For the first six months of 2006, the average electric equity return authorization by state commissions was 10.57% (eight determinations), which is in line with the 10.54% average for calendar-2005. The average gas equity return authorization for the first two quarters of 2006 was 10.60% (eight determinations), slightly above the 10.46% average for calendar-2005. During the first six months of 2006, there were no telecommunications equity return authorizations.

After reaching a low in the late-1990's and early-2000's, the number of equity return determinations for energy companies increased somewhat and stabilized beginning in 2002, and reached a ten-year high in 2005. Relatively low inflation and interest rates, competitive pressures, technological improvements, the use of settlements that do not specify return parameters, and a reduced number of companies due to mergers, may continue to prevent the number of determinations from increasing substantially. However, increased costs and the need for generation and delivery system infrastructure upgrades and expansion at many companies argue for at least a modest increase in the number of cases to be filed and decided over the next several years. We also note that electric industry restructuring in many states has led to the unbundling of rates, with state commissions authorizing revenue requirement and return parameters for transmission and/or distribution operations only (which we footnote in our chronology table), complicating data comparability. The tables included in this study are extensions of those contained in the January 12, 2006 Regulatory Study entitled *Major Rate Case Decisions--January 2004-December 2005--Supplemental Study*. Refer to that report for information concerning individual rate case decisions that were rendered in 2004 and 2005.

The table on page 2 shows annual average equity returns authorized since 1996, and by quarter since 2000, in major electric, gas, and telecommunications 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 1996, and quarterly for the most recent six quarters. The individual electric and gas cases decided in the first six months of 2006 are listed on pages 4 and 5, 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 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. A case is generally considered "major" if the rate change initially requested was \$5 million or greater, or the authorized rate change was at least \$3 million. Gas rate requests that are considered in conjunction with major electric requests are recorded and reported as individual cases, regardless of size. Fuel adjustment clause rate changes are not reflected in this study.

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SEP 29 2006

Empire
Exhibit No. 98
Case No(s) ER-2006-0315
Date 9-06-06 Rptr PF

Missouri Public
Service Commission

Average Equity Returns Authorized January 1996 - June 2006

(Return Percent - No. of Observations)

Period		Electric Utilities	Gas Utilities	Telephone Utilities
1996	Full Year	11.39 (22)	11.19 (20)	11.74 (4)
1997	Full Year	11.40 (11)	11.29 (13)	11.56 (5)
1998	Full Year	11.66 (10)	11.51 (10)	11.30 (1)
1999	Full Year	10.77 (20)	10.66 (9)	13.00 (1)
2000	1st Quarter	11.06 (5)	10.71 (1)	11.50 (1)
	2nd Quarter	11.11 (2)	11.08 (4)	--- (0)
	3rd Quarter	11.68 (2)	11.33 (5)	11.25 (1)
	4th Quarter	12.08 (3)	12.50 (2)	--- (0)
2000	Full Year	11.43 (12)	11.39 (12)	11.38 (2)
2001	1st Quarter	11.38 (2)	11.16 (4)	--- (0)
	2nd Quarter	10.88 (2)	10.75 (1)	--- (0)
	3rd Quarter	10.78 (8)	--- (0)	--- (0)
	4th Quarter	11.50 (6)	10.65 (2)	--- (0)
2001	Full Year	11.09 (18)	10.95 (7)	--- (0)
2002	1st Quarter	10.87 (5)	10.67 (3)	--- (0)
	2nd Quarter	11.41 (6)	11.64 (4)	--- (0)
	3rd Quarter	11.06 (4)	11.50 (3)	--- (0)
	4th Quarter	11.20 (7)	10.78 (11)	--- (0)
2002	Full Year	11.16 (22)	11.03 (21)	--- (0)
2003	1st Quarter	11.47 (7)	11.38 (5)	--- (0)
	2nd Quarter	11.16 (4)	11.36 (4)	--- (0)
	3rd Quarter	9.95 (5)	10.61 (5)	--- (0)
	4th Quarter	11.09 (6)	10.84 (11)	--- (0)
2003	Full Year	10.97 (22)	10.99 (25)	--- (0)
2004	1st Quarter	11.00 (3)	11.10 (4)	10.00 (1)
	2nd Quarter	10.54 (6)	10.25 (2)	--- (0)
	3rd Quarter	10.33 (2)	10.37 (8)	--- (0)
	4th Quarter	10.91 (8)	10.66 (6)	--- (0)
2004	Full Year	10.75 (19)	10.59 (20)	10.00 (1)
2005	1st Quarter	10.51 (7)	10.65 (2)	--- (0)
	2nd Quarter	10.05 (7)	10.54 (5)	--- (0)
	3rd Quarter	10.84 (4)	10.47 (5)	10.50 (1)
	4th Quarter	10.75 (11)	10.40 (14)	--- (0)
2005	Full Year	10.54 (29)	10.46 (26)	10.50 (1)
2006	1st Quarter	10.38 (3)	10.63 (6)	--- (0)
	2nd Quarter	10.69 (5)	10.50 (2)	--- (0)
2006	Year-To-Date	10.57 (8)	10.60 (8)	--- (0)

Electric Utilities--Summary Table*

	Period	ROR %	ROE %	Eq. as % Cap. Struc.	Amt. \$ Mil.
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)	-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 (22)
2004	Full Year	8.44 (18)	10.75 (19)	46.84 (17)	1,092.6 (30)
2005	1st Quarter	8.57 (6)	10.51 (7)	44.55 (7)	482.1 (8)
	2nd Quarter	8.27 (5)	10.05 (7)	48.30 (5)	180.2 (9)
	3rd Quarter	7.78 (4)	10.84 (4)	43.58 (4)	40.2 (5)
	4th Quarter	8.37 (11)	10.75 (11)	48.55 (11)	671.2 (14)
2005	Full Year	8.31 (26)	10.54 (29)	46.73 (27)	1,373.7 (36)
2006	1st Quarter	8.13 (3)	10.38 (3)	50.25 (3)	439.0 (9)
	2nd Quarter	8.02 (5)	10.69 (5)	45.40 (4)	130.7 (6)
2006	Year-To-Date	8.06 (8)	10.57 (8)	47.48 (7)	569.7 (15)

Gas Utilities--Summary Table*

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	1st Quarter	8.19 (3)	10.65 (2)	43.00 (1)	50.8 (4)
	2nd Quarter	8.17 (5)	10.54 (5)	47.69 (4)	99.5 (6)
	3rd Quarter	8.15 (6)	10.47 (5)	49.54 (5)	75.3 (7)
	4th Quarter	8.33 (15)	10.40 (14)	49.03 (14)	232.8 (17)
2005	Full Year	8.25 (29)	10.46 (26)	48.66 (24)	458.4 (34)
2006	1st Quarter	8.62 (6)	10.63 (6)	51.18 (6)	138.7 (6)
	2nd Quarter	7.98 (1)	10.50 (2)	44.38 (2)	-4.8 (2)
2006	Year-To-Date	8.53 (7)	10.60 (8)	49.48 (8)	133.9 (8)

Telephone Utilities--Summary Table*

1996	Full Year	9.65 (2)	11.74 (4)	56.00 (2)	-348.2 (11)
1997	Full Year	9.57 (5)	11.56 (5)	55.84 (5)	-154.4 (7)
1998	Full Year	9.37 (1)	11.30 (1)	52.00 (1)	-323.3 (13)
1999	Full Year	11.34 (1)	13.00 (1)	66.90 (1)	-570.1 (19)
2000	Full Year	9.52 (2)	11.38 (2)	56.59 (2)	-390.4 (14)
2001	Full Year	9.61 (1)	— (0)	— (0)	-130.0 (8)
2002	Full Year	— (0)	— (0)	— (0)	7.7 (4)
2003	Full Year	— (0)	— (0)	— (0)	-62.6 (2)
2004	Full Year	8.02 (1)	10.00 (1)	44.18 (1)	3.1 (1)
2005	1st Quarter	— (0)	— (0)	— (0)	— (0)
	2nd Quarter	— (0)	— (0)	— (0)	71.9 (2)
	3rd Quarter	8.72 (1)	10.50 (1)	54.00 (1)	-8.2 (1)
	4th Quarter	— (0)	— (0)	— (0)	— (0)
2005	Full Year	8.72 (1)	10.50 (1)	54.00 (1)	63.7 (3)
2006	1st Quarter	— (0)	— (0)	— (0)	— (0)
	2nd Quarter	— (0)	— (0)	— (0)	— (0)
2006	Year-To-Date	— (0)	— (0)	— (0)	— (0)

* Number of observations in each period indicated in parentheses.

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. \$ Mil.
ELECTRIC UTILITY DECISIONS						
1/5/06	Northern States Power (WI)	8.94 (G)	11.00	53.66	12/06-A	43.4
1/25/06	Wisconsin Electric Power (WI)	---	---	---	---	229.7 (1)
1/27/06	United Illuminating (CT)	6.88 (2)	9.75	48.00	12/04-A	35.6 (Di,Z,2)
2/22/06	PacifiCorp (WY)	---	---	---	---	25.0 (B,Z)
2/23/06	Aquila Networks-MPS (MO)	---	---	---	---	22.4 (B)
2/23/06	Aquila Networks-L&P (MO)	---	---	---	---	3.9 (B)
3/3/06	Interstate Power and Light (MN)	8.58	10.39	49.10	12/04-A	1.2 (I,B)
3/14/06	Kentucky Power (KY)	---	---	---	---	41.0 (B)
3/29/06	Entergy Gulf States (LA)	---	---	---	---	36.8 (I,B)
2006	1ST QUARTER: AVERAGES/TOTAL	8.13	10.38	50.25		439.0
	MEDIAN	8.58	10.39	49.10		
	OBSERVATIONS	3	3	3		9
4/17/06	PacifiCorp (WA)	8.10	10.20	46.00	9/04-A	0.0
4/18/06	MidAmerican Energy (IA)	---	11.90 (3)	---	---	---
4/25/06	Delmarva Power & Light (DE)	7.17	10.00	47.72	3/05-A	-11.1 (Di)
4/26/06	Sierra Pacific Power (NV)	8.96	10.60	40.76	5/05-YE	-14.0
5/12/06	Idaho Power (ID)	8.10	---	---	12/05	18.1 (B)
5/17/06	Southern California Edison (CA)	---	---	---	12/06-A	133.9 (4)
6/27/06	Upper Peninsula Power (MI)	7.75	10.75	47.12	12/06	3.8 (B)
2006	2ND QUARTER: AVERAGES/TOTAL	8.02	10.69	45.40		130.7
	MEDIAN	8.10	10.60	46.56		
	OBSERVATIONS	5	5	4		6
2006	YEAR-TO-DATE: AVERAGES/TOTAL	8.06	10.57	47.48		569.7
	MEDIAN	8.10	10.50	47.72		
	OBSERVATIONS	8	8	7		15

GAS UTILITY DECISIONS

1/5/06	Northern States Power (WI)	8.94 (G)	11.00	53.66	12/06-A	3.9
1/25/06	Wisconsin Electric Power (WI)	8.52 (G)	11.20	56.34	12/06-A	21.4
1/25/06	Wisconsin Gas (WI)	8.29 (G)	11.20	50.20	12/06-A	38.7
2/3/06	Public Service of Colorado (CO)	8.70	10.50	55.49	12/04-A	22.5 (B)
2/23/06	Southwest Gas (AZ)	8.40	9.50	40.00 (Hy)	8/04-YE	49.3
3/1/06	Aquila (IA)	8.88	10.40 (E)	51.39	12/04-A	2.9 (I,B)
2006	1ST QUARTER: AVERAGES/TOTAL	8.62	10.63	51.18		138.7
	MEDIAN	8.61	10.75	52.53		
	OBSERVATIONS	6	6	6		6
4/26/06	Sierra Pacific Power (NV)	7.98	10.60	40.76	5/05-YE	4.9
5/25/06	LA Gas Service/Trans LA Gas (LA)	---	10.40	48.00 (Hy)	---	--- (B)
5/26/06	Qwestar Gas (UT)	---	---	---	---	-9.7 (B)
2006	2ND QUARTER: AVERAGES/TOTAL	7.98	10.50	44.38		-4.8
	MEDIAN	7.98	10.50	44.38		
	OBSERVATIONS	1	2	2		2
2006	YEAR-TO-DATE: AVERAGES/TOTAL	8.53	10.60	49.48		133.9
	MEDIAN	8.52	10.55	50.80		
	OBSERVATIONS	7	8	8		8

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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.
- Di- Rate change applicable to electric distribution rates only.
- E- Estimated
- G- Return on capital
- Hy- Hypothetical capital structure utilized
- 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 electric rate increase was not supported by a traditional cost-of-service analysis, but reflected recovery of certain specific costs.
- (2) Indicated rate increase to be phased-in over four years, with a 6.88% ROR authorized for 2006, 6.89% for 2007, 7.09% for 2008, and 7.48% for 2009.
- (3) ROE applies only to a proposed 545-mW wind generation project.
- (4) Increase is net of a \$139.6 million one-time reduction resulting from a post-retirement-benefits-other-than-pensions overcollection. Additional increases of \$73.5 million and \$104.1 million authorized for 2007 and 2008, respectively.

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