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Issues:	*Regulatory Lag, Surveillance Reports, Construction Accounting, Transition Costs*
Witness:	*Keith Majors*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Rebuttal Testimony*
Case No.:	*GR-2017-0215*
	GR-2017-0216
Date Testimony Prepared:	*October 17, 2017*

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

KEITH MAJORS

Staff Exhibit No. 220
Date 12-13-17 Reporter AF
File No. GR-2017-0215
GR-2017-0216

SPIRE MISSOURI, INC., d/b/a SPIRE

LACLEDE GAS COMPANY and MISSOURI GAS ENERGY
GENERAL RATE CASE

CASE NOS. GR-2017-0215 AND GR-2017-0216

Jefferson City, Missouri
October 2017

** Denotes Confidential Information **

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OF

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LACLEDE GAS COMPANY AND MISSOURI GAS ENERGY
GENERAL RATE CASE

CASE NO. GR-2017-0215 AND 0216

Q. Please state your name and business address.

A. Keith Majors, Fletcher Daniels Office Building, 615 East 13th Street, Room 201, Kansas City, Missouri, 64106.

Q. By whom are you employed and in what capacity?

A. I am a Utility Regulatory Auditor employed by the Staff ("Staff") of the Missouri Public Service Commission ("Commission").

Q. Are you the same Keith Majors who previously provided testimony in this case?

A. Yes. I provided testimony in Staff's Revenue Requirement Cost of Service Report ("COS Report"), filed September 8, 2017, in these cases concerning corporate allocations, merger transition costs, and rate case expense.

EXECUTIVE SUMMARY

Q. Please summarize your rebuttal testimony.

A. I will respond to LAC and MGE witness C. Eric Lobser's direct testimony concerning regulatory lag and its impacts, both positive and negative. My testimony will address the negative, unbalanced view of regulatory lag that LAC and MGE present in their

direct testimony and discuss how regulatory lag is an important mechanism in ensuring efficiency and fair rates. I discuss LAC's and MGE's surveillance reports as they relate to my discussion of regulatory lag.

I will respond to LAC's request for deferral of depreciation, taxes, and carrying costs on investments, commonly referred to as "construction accounting".

I will respond to LAC and MGE witness Lewis E. Keathley's direct testimony concerning the inclusion of the unamortized balance of acquisition transition costs in rate base as part of the cost of service. Staff does not recommend inclusion of transition costs in rate base.

Q. Do other Staff witnesses provide rebuttal testimony concerning regulatory lag and trackers?

A. Yes. Staff witness Mark L. Oligschlaeger is providing an overview on the subject of trackers and regulatory lag in his rebuttal testimony. Staff witness Karen Lyons addresses the cyber security and environmental trackers as well in her rebuttal testimony.

REGULATORY LAG AND EARNINGS FROM SURVEILLANCE REPORTS

Q. To whose direct testimony are you responding concerning regulatory lag?

A. I am responding to LAC and MGE witness Lobser, specifically to the references on pages 32 and 37 of his direct testimony to regulatory lag and LAC's mechanisms to reduce LAC's "unintended consequences" of regulatory lag.

Q. Please describe the concept of "regulatory lag".

A. Regulatory lag is the period of time that elapses between when the time of an event and its related consequences occur and the time the event and its related consequences are reflected in the utility's rates.

Q. How do LAC and MGE seek to address regulatory lag concerns in this proceeding?

A. As described by LAC and MGE witness Lobser, LAC and MGE seek implementation of ratemaking mechanisms to reduce risk associated with regulatory lag and LAC's and MGE's alleged compromised ability to earn their authorized returns. Some of these mechanisms have been requested by various Missouri utilities in prior cases, and have been rejected by the Commission. Specifically, LAC and MGE seek a "Revenue Stabilization Mechanism," a tracker for environmental expenses, a tracker for integrity management expenses, and a capital projects tracker.

Q. LAC and MGE witness Lobser on page 37 of his direct testimony asserts that the purpose of the requested tracking mechanisms is to more closely match the cost of providing utility service with what LAC and MGE ultimately charge for that service. How are costs determined in the ratemaking process?

A. Actual historical costs are used as the starting point for determining what a utility's future cost to serve its retail customers is; those historical costs are normalized and annualized, when appropriate, to reflect the most current information available. Adjustments for known and measurable changes are made to the test year, in this case the 12 months ending December 31, 2016, updated through June 30, 2017. These adjustments are further trued-up through September 30, 2017, five months before the anticipated ordered effective date of rates, March 8, 2018.

The test year is a starting point for all costs. While the majority of costs such as payroll and property taxes are included in the cost of service calculation at current adjusted known and measurable levels, under certain circumstances, other costs are deemed

appropriate to include in rates at the recorded test year level and no adjustments are proposed. When a cost is left at the test year level, it is believed that those costs represent the level necessary for those expenditures going forward.

Q. In his direct testimony, witness Lobser identifies environmental costs, integrity management costs, and the cost of large capital projects as potentially increasing cost items for which LAC and MGE request a tracker. Do other cost of service items increase year to year?

A. Yes, though other cost of service items can be expected to decrease. For example, salary and wage levels for LAC and MGE have increased routinely for merit and internal promotions. All other things being equal, this particular cost increase would increase overall expense and decrease earnings. However, all other things are not equal in this instance. Workforce attrition is the net loss of a headcount when an employee retires or is separated and not replaced. Workforce turnover can reduce the costs per employee when younger less experienced workers, which earn less, replace more senior workers. For bargaining unit positions, these reductions also impact overtime expense. These reductions serve to offset and mitigate salary increases based on merit and promotion.

Isolating costs that might increase ignores other non-tracked costs that can and will decrease and, at least, mitigate those increases.

Q. Can you name any specific positive regulatory lag that LAC and MGE have or will experience?

A. Yes. For example, on page 3 of the direct filed testimony of Glenn W. Buck, he identifies $170 million of long-term debt instruments that are scheduled to be funded on or before September 15, 2017. This refinancing will be included in Staff's true up. LAC and

MGE will able to retain any interest savings related to this financing for nearly 6 months until the effective date of rates of March 8, 2018.

Q. Can you cite any other examples of positive regulatory lag that LAC and MGE benefited from?

A. Yes. LAC and MGE have had significant cost reductions in their cost of service for increased accumulated deferred income taxes ("ADIT"). ADIT is accounted for as an offset to rate base. LAC's direct filed ADIT balance in Case No. GR-2013-0171, was $176.0 million, and in LAC's current direct filed case the balance is $206.8 million, an increase of $30.8 million. Staff's direct filed MGE ADIT balance in Case No. GR-2014-0007, was $4.8 million, and in MGE's current direct filed case the balance is $28.5 million, an increase of $23.7 million. The decrease in rate base for deferred taxes is an approximately $3.1 to $4.6 million annual savings for LAC, and approximately $2.4 to $3.6 million annual savings for MGE, to the revenue requirement on a Missouri jurisdictional basis (assuming a 10% to 15% rate base conversion). Deferred taxes will further increase, reducing revenue requirement, for the true-up in this case at September 30, 2017.

Q. Does Staff recommend that LAC and MGE not be allowed to retain the benefits of positive regulatory lag?

A. No. Staff has made no effort to capture the financial effect of positive regulatory lag that LAC and MGE might experience.

Q. Is regulatory lag inherently detrimental to utilities?

A. Not necessarily. Regulatory lag is a natural result of historical cost of service ratemaking. Between rate cases, utility management has the incentive and responsibility to prudently manage expenses while providing safe, reliable, and adequate utility service.

As the Commission recognized in its Report and Order in Case No. ER-2010-0355, page 151, the effect of regulatory lag can be a benefit or a detriment:

> As a result of regulatory lag, if a utility experiences a cost decrease, there is a lag in time until that reduced cost is reflected in rates. During that lag, the Company shareholders reap, in the form of increased earnings, the entirety of the benefit associated with reduced costs. The Company shareholders also reap, in the form of decreased earnings, the entirety of the loss associated with increased costs.

Q. Has the Commission previously addressed the subject of regulatory lag?

A. Yes. The Commission has found it is not reasonable to protect shareholders from all regulatory lag. In 1991, Missouri Public Service, a division of UtiliCorp United Inc., the predecessor company of Kansas City Power and Light Greater Missouri Operations Company ("GMO"), requested an accounting authority order ("AAO"), in Case Nos. EO-91-358 and EO-91-360. In its Order, the Commission stated in part:

> **Lessening the effect of regulatory lag by deferring costs is beneficial to a company but not particularly beneficial to ratepayers.** Companies do not propose to defer profits to subsequent rate cases to lessen the effects of regulatory lag, but insist it is a benefit to defer costs. Regulatory lag is part of the regulatory process and can be a benefit as well as a detriment. Lessening regulatory lag by deferring costs is not a reasonable goal unless the costs are associated with an extraordinary event.
>
> Maintaining the financial integrity of a utility is also a reasonable goal. The deferral of costs to maintain current financial integrity, though, is of questionable benefit. If a utility's financial integrity is threatened by high costs so that its ability to provide service is threatened, then it should seek interim rate relief. **If maintaining financial integrity means sustaining a specific return on equity, this is not the purpose of regulation. It is not reasonable to defer costs to insulate shareholders from any risks. If costs are such that a utility considers its return on equity unreasonably low, the proper approach is to file a rate case so that a new revenue requirement can be developed which allows the company the opportunity to earn its**

> **authorized rate of return.** Deferral of costs just to support the current financial picture distorts the balancing process used by the Commission to establish just and reasonable rates. Rates are set to recover ongoing operating expenses plus a reasonable return on investment. Only when an extraordinary event occurs should this balance be adjusted and costs deferred for consideration in a later period.[1] [emphasis added]

Q. What is a surveillance report, and what information does it contain?

A. Surveillance reports are monthly reports describing the actual earnings results provided to Staff. The reports include the actual financial results for each month based on the preceding 12-months.

These reports currently include combined financial information for both LAC and MGE operations.

Q. What was LAC's and MGE's earned return on equity over time since their prior rate cases?

A. The table below lists the return on equity for LAC's and MGE's combined Missouri operations for the quarters ending September 30, 2014, through the most recent available full quarter, December 31, 2016. This time period was used because LAC and MGE currently provide combined surveillance reports and September 2014 was the first report post-acquisition with a full 12 months of combined data:

[1] MPSC vol 1, 3d 207.

LAC and MGE Surveillance ROE 12 Month Period Ending	ROE, Unweighted	ROE, Weighted Average Cost of Capital
September 30, 2014	** ___ **	** ___ **
December 31, 2014	** ___ **	** ___ **
March 31, 2015	** ___ **	** ___ **
June 30, 2015	** ___ **	** ___ **
September 30, 2015	** ___ **	** ___ **
December 31, 2015	** ___ **	** ___ **
March 31, 2016	** ___ **	** ___ **
June 30, 2016	** ___ **	** ___ **
September 30, 2016	** ___ **	** ___ **
December 31, 2016	** ___ **	** ___ **

New rates resulting from Case No. GR-2013-0171 became effective July 8, 2013, for LAC. Rates from Case No. GR-2014-0007 became effective May 1, 2014, for MGE.

The first column "ROE Unweighted" is the 12 months ending net income (numerator) divided by the 12 month average equity balance (denominator), which is a measure of the total earnings available to shareholders compared to their average investment. This methodology was referenced on page 4 of LAC and MGE's *Answer to Complaint and Response to Motion for Expedited Treatment* filed in Case No. GC-2016-0297, an earnings complaint case filed by Office of the Public Counsel ("OPC").

The second column "ROE, Weighted Average Cost of Capital," calculates the actual earned ROE based on 12 months average equity balance, 12 months average rate base, and 12 months average debt cost and balances. This method takes into account the return on rate

base ("ROR") and the actual sources and costs of capital. While the two methods differ, they are both indicative of LAC and MGE's actual returns.

Q. Have these rates of return been adjusted for any ratemaking normalizations or annualizations?

A. No. These rates of return on equity are taken directly from the monthly surveillance reports as reported by LAC and MGE combined. The revenues as reported are not weather-normalized, nor are any of the expenses adjusted from actual results, as opposed to the substantial adjustments made during the ratemaking process. For these reasons, the ROE results reported in these surveillance reports do not necessarily correspond with the revenue requirement calculations used in general rate proceedings to determine whether a utility's rates should be increased or decreased. The surveillance reports reflect actual operating results for LAC and MGE, and as such are useful in indicating the general level and trend in LAC's and MGE's earnings levels over time.

Q. What is the Commission authorized ROE for LAC and MGE?

A. There has been no recent Commission order regarding LAC and MGE's ROE to be used in determining rates in a general rate case. The most recent LAC general rate case, Case No. GR-2013-0171, was settled by a Stipulation and Agreement approved by the Commission. Attachment 2 to that stipulation was the capital structure to be used for future Infrastructure System Replacement Surcharge ("ISRS") filings that utilized a 9.7% ROE. However, no specific return on equity, rate of return, or capital structure for the general rate case was approved by the Commission at that time.

Q. During the timeframe of the listed ROEs, do you have any information concerning ROEs of other gas utilities?

A. Yes. I have attached the Regulatory Research Associates ("RRA") Regulatory Focus – Major Rate Case Decisions report for the first half of 2017 as Attachment KM-r1. This report lists the average authorized ROEs for gas utilities for 2014, 2015, 2016, and 2017 year-to-date as 9.78%, 9.60%, 9.54%, and 9.50%, respectively.

Q. What is Staff's overall conclusion regarding LAC's and MGE's current and recent earnings levels in relation to their request for the ratemaking mechanisms in direct testimony?

A. Based upon a review of surveillance results, since at least 2014 both LAC and MGE have generally earned at or above a reasonable ROE level. Regulatory lag does not appear to have a meaningful negative impact to LAC and MGE. Staff does not recommend LAC and MGE's requested extraordinary ratemaking mechanisms.

CONSTRUCTION ACCOUNTING

Q. To whose direct testimony are you responding concerning construction accounting?

A. LAC and MGE witness Lobser, specifically to page 38 of his direct testimony:

> The costs we are proposing to track or defer and recover in LAC and MGE's next rate case include those prudently incurred costs, whether capital or expense, to…
>
> …(c) complete major capital projects necessary to support the business and provide customer benefits, but that do not produce any new revenues to offset the costs and have significant investment requirements with relatively high depreciation rates. For such capital projects, these deferred costs would include the depreciation, taxes and carrying costs on the investments made by the Company from the time the related facilitates or equipment are placed in service.

The requested deferral mechanism is commonly referred to as "construction accounting", or "continuation of construction accounting."

Q. Does Staff recommend the Commission approve LAC's and MGE's requested construction accounting regulatory mechanism?

A. No. Staff recommends the Commission reject LAC's and MGE's request for several reasons:

1) The proposed regulatory mechanism may represent unjustified single-issue ratemaking.

2) LAC and MGE's proposal does not take into account any changes in revenues or expenses between rate cases.

3) LAC and MGE's proposal reduces management's incentive to efficiently control costs.

4) The proposal does not take into account plant retirements or increases to depreciation reserve that reduce the Company's net investment, as it is described in LAC and MGE's direct testimony.

5) The proposal does not address increases in the ADIT that would reduce the Company's rate base, as it is described in LAC and MGE's direct testimony.

Q. What is construction accounting?

A. Construction accounting is a regulatory mechanism authorized very infrequently to mitigate the impact on earnings related to large rate-based capital additions.

Under normal plant accounting, immediately following the completion of construction and in-service certification of utility assets, depreciation of the asset begins and Allowance for Funds Used during Construction ("AFUDC") ceases to be accrued. Under construction accounting, an amount equal to the depreciation recorded to the depreciation reserve is recorded into a regulatory asset. Additionally, a carrying cost similar to AFUDC is recorded to the same regulatory asset account. In prior instances where construction accounting has been authorized by the Commission, the deferral of depreciation expense and carrying costs to the regulatory asset continues until the effective date of new rates that include the capital and depreciation costs of the plant in question.

Q. In what cases has construction accounting been authorized by the Commission?

A. For electric utilities, construction accounting has been authorized for large baseload coal-fired construction projects such as Iatan 2, Plum Point, and environmental upgrades to large baseload coal-fired units such as those at Iatan 1 and Sioux. In the case of Iatan 1 and 2, the Commission authorized construction accounting through approval of various stipulations and agreements including those made under utility experimental regulatory plans.

To Staff's knowledge, the first time the Commission used construction accounting for an electric utility was in the 1985 KCPL Wolf Creek and 1984 Ameren Missouri (then Union Electric) Callaway rate cases. Both of these generating stations were their respective companies' sole nuclear generating assets, had significant cost overruns, and represented a significant portion of rate base at that time.

For gas utilities, construction accounting or its equivalent has been authorized relating to the service (or safety) line replacement programs ("SLRP"). These deferrals have been requested through the Commission's Accounting Authority Order ("AAO") process on a case by case basis. SLRP costs are currently recovered through the ISRS.

None of the circumstances under which construction accounting for utilities was previously authorized by the Commission applies to LAC's and MGE's current situation.

Q. How are LAC's and MGE's requested construction accounting mechanisms unjustified single-issue ratemaking?

A. LAC's and MGE's request represents an example of a utility seeking beneficial single-issue ratemaking treatment with regard to one aspect of costs while ignoring all other

relevant factors. LAC and MGE request this accounting treatment on an unspecified group of investments while ignoring all other changes to its net investment, and its other costs and revenues.

A utility's revenues, expenditures, capital investments, retirements, and taxes are in a constant state of change from one accounting period to the next. As a result of the regulatory process in Missouri, the information used to establish rates is but a snapshot in time using the best data available. Notwithstanding currently authorized ratemaking mechanisms that allow changes in utility rates outside the rate-case process, the utility is subject to fluctuations in all aspects of revenues and expenses. Additional investments between rate cases, such as the type LAC and MGE request construction accounting for here, are a part of the expenditures that are subject to constant change. Ignoring increases or decreases in the mix of revenues and expenses comprising a utility's cost of service while capturing the depreciation and carrying costs on additional investments where there is not a compelling reason to do so is inappropriate and would be a departure from traditional ratemaking.

Q. Has Staff recommended the use of construction accounting for other utilities?

A. Yes, but not for a wide range of smaller investments. On occasion, and most frequently pursuant to the terms of stipulations and agreements approved by the Commission, Staff has recommended the use of construction accounting for sufficiently large rate base additions.

In the prior stipulations recommending construction accounting, Staff viewed that the size of the investment and its potential impact on the utility's access to reasonably priced capital justified disregarding any mitigating decreases in expenses or increases in revenues.

In the case of the Iatan 2[2] generating unit, the construction accounting regulatory asset was reduced by the value of the energy provided to the system, or displacement cost, after its in-service date. These generating facilities represented significant enough investment that the addition to rate base and depreciation of these relatively large capital investments would have negatively and materially impacted the company's earnings absent construction accounting.

Q. Does traditional ratemaking incentivize utilities to prudently and efficiently manage construction costs?

A. Yes. In traditional ratemaking, capital additions to plant-in-service are depreciated immediately and AFUDC ceases to accrue. Thus the utility has sufficient incentive to minimize the amount of capital investment while providing safe, reliable, and adequate service. The lower the initial capital investment, the lower the depreciation expense, and all other things being equal, the lower the impact to earnings.

Q. How do LAC's and MGE's requests fail to take into account plant retirements and increases to the depreciation reserve that reduce net investment?

A. If LAC and MGE remove and replace portions of their systems, LAC and MGE will retire the existing equipment and remove it from plant-in-service. The net investment of the new plant reduced by the amount of retired plant will be less than the gross amount of new investments being made. Without any recognition of retirements, the investment upon which carrying costs are calculated would be overstated.

Once depreciation begins, the depreciation reserve accrues, reducing the net investment in plant assets, in turn reducing the net rate base value of the assets. Staff's understanding is that the depreciation reserve associated with LAC's and MGE's assets for

[2] Approved by the Commission Order approving the Stipulation and Agreement in Case No. EO-2005-0329.

which construction accounting is requested will be charged with ongoing depreciation accruals, even if the depreciation expense is deferred rather than being included on LAC's and MGE's income statement, pursuant to construction accounting. Without any recognition of the increase in depreciation reserve of these assets once they are placed in service, the investment upon which carrying costs are calculated would be overstated.

On a broader scale, retirements and increases to depreciation reserve, as well as additions to plant-in-service in all categories of assets impact the net rate base on which LAC and MGE earn a return. In the normal operations of maintaining its transmission and distribution system, LAC and MGE are regularly adding to and replacing components of these systems without the need for construction accounting.

Q. How do LAC's and MGE's requests fail to fully address accumulated deferred income taxes ("ADIT") associated with investments?

A. ADIT represents the various timing differences between when depreciation is recognized for ratemaking purposes and when it is recognized for income tax purposes. As plant is placed into service the ADIT increases quickly as depreciation for income tax purposes is "front-loaded". The depreciation expense for tax purposes is higher at the beginning of the asset's useful life but is lower near the end of the asset's life. For accounting purposes, depreciation is often calculated on a "straight-line" basis over the useful life of the asset. The difference between these two methodologies is captured in LAC and MGE's ADIT balances. The amount of accumulated ADIT is a cost-free source of capital and serves as a reduction to the Company's investment and a reduction to rate base.

As plant assets are added, depreciation expense begins and ADIT begins to accumulate. LAC and MGE's request does not address the reduction to investment that these

ADIT balances represent. In its direct testimony, LAC and MGE do not address the need for treatment of either the ADIT associated with the specific plant additions qualifying for construction accounting or the ADIT offset to the increased plant balances associated with non-qualifying additions. Incorporating the reduction of ADIT to the plant investment base on which carrying costs would be accrued under LAC and MGE's proposal would reduce the amount of total carrying costs recorded to the regulatory asset. This issue is similar to the effects of retirements and increased depreciation reserve that I have discussed earlier in this testimony.

Q. What capital additions do LAC and MGE expect to make in the future?

A. Below is a summary of the response to Staff Data Request 9, requesting capital budgets:

LAC Capital Budget, in millions	FY 2018	FY 2019	FY 2020	FY 2021
ISRS	84.9	85.5	86.2	86.9
New Business	22.4	23.1	23.8	24.6
Other Non-ISRS	41.0	36.2	44.7	44.6
Total	$ 148.3	$ 144.8	$ 154.7	$ 156.1
Percent ISRS or New Business	72.4%	75.0%	71.1%	71.4%

MGE Capital Budget, in millions	FY 2018	FY 2019	FY 2020	FY 2021
ISRS	73.8	75.7	77.7	79.8
New Business	19.6	19.7	17.7	19.9
Other Non-ISRS	18.8	18.6	19.7	16.8
Total	$ 112.2	$ 114.0	$ 115.1	$ 116.5
Percent ISRS or New Business	83.2%	83.7%	82.9%	85.6%

The majority of both LAC's and MGE's investments are subject to minimal regulatory lag through the ISRS surcharge or are expected to be recovered through new revenues.

Q. Has the Commission been presented with a proposal similar to LAC and MGE's request in a previous rate case?

A. Yes. In Case No. ER-2012-0166, Ameren Missouri requested "Plant in Service Accounting ("PISA"). Ameren Missouri's PISA request would allow Ameren Missouri to continue to accrue AFUDC on eligible plant additions until that new plant can be added to the rate base in a future rate case. Ameren Missouri's request was limited to projects that would not produce new revenue, and was very similar to LAC and MGE's request in this case. The Commission rejected Ameren Missouri's proposal in its *Report and Order* in that case:

> Finally, PISA seems to be a solution in search of a problem. Ameren Missouri has had difficulty earning its allowed ROE in the past several years. The company likes to blame that failure on systemic problems in Missouri's regulatory scheme that lead to excessive regulatory lag. However, many businesses and individuals have been unable to earn as much as they might like in the economic conditions prevailing in recent years…
>
> …After considering Ameren Missouri's PISA proposal, the Commission finds that PISA would be bad public policy and should not be authorized. [footnotes omitted]

Q. What is Staff's recommendation with regard to LAC's and MGE's proposed construction accounting treatment?

A. Staff recommends the Commission reject this request as it may constitute unjustifiable single-issue ratemaking, ignores mitigating increases in revenues and decreases in expenses, and reduces the incentive to efficiently manage construction expenditures and operating expenses. In addition, LAC's and MGE's construction accounting requests do not recognize the effect of retirements and ADIT on the total investment or on the calculation of carrying costs. As can be seen from the budget information previously referenced, the majority of LAC's and MGE's construction investments are included in the ISRS, subject to minimal regulatory lag, or supported by new revenues from growth. Finally, the Commission has been presented with and rejected a virtually identical request from Ameren Missouri.

MGE ACQUSITION TRANSITION COSTS

Q. In the direct testimony of Lewis E. Keathley, on pages 5-6, he supports inclusion in rate base of the one-time capital and non-capital transition costs related to the acquisition of MGE. Briefly, what is Staff's recommendation regarding recovery of these deferred transition costs?

A. As described in Staff's direct filed Cost of Service report on pages 79-84, Staff does not support inclusion of transition costs as an amortization in the cost of service.

Q. If the Commission does include transition cost recovery as an amortization in the cost of service, does Staff recommend inclusion of these costs in rate base?

A. No. In prior acquisition or merger cases, Staff has not recommended, nor have utilities requested, transition costs in rate base. In the case of the purchase of St. Joseph Light and Power ("SJLP") by Aquila, no rate base treatment was requested by Aquila.[3] The transition costs amortization period was 10 years in that case, as opposed to 5 years in the current request by LAC and MGE.

In the case of the purchase of Aquila by Great Plains Energy, the treatment of transition costs was contested in Case No. ER-2010-0355. Rate base treatment of transition costs was not requested in that case. Ultimately, the Commission ordered a 5 year amortization of transition costs with no rate base treatment.

Q. Has the Commission decided the issue of deferred expenses in rate base?

A. To Staff's knowledge, the Commission has not decided the specific issue of transition costs in rate base. However, the Commission has ruled on the issue of including deferred costs in rate base generally.

[3] See the Direct Testimony of H. Davis Rooney, Case No. ER-2005-0436, page 9.

Case No. GR-98-140 was a MGE general rate case in which the Commission ruled on whether SLRP deferrals authorized through the AAO process should be included in rate base. The Commission ultimately did not include those deferrals in rate base:

> The Commission finds that the unamortized balance of SLRP deferrals should not be included in the rate base for MGE. The AAOs issued by the Commission authorize the Company to book and defer the amount requested but do not approve any ratemaking treatment of amounts from the deferred and booked balances. AAOs are not intended to eliminate regulatory lag but are intended to mitigate the cost incurred by the Company because of regulatory lag. Given that the Company will recover the amortized amount of the SLRP deferral at the AFUDC rate in ten years, instead of the previous 20 years' amortization period, it is proper for the ratepayers and shareholders to share the effect of regulatory lag by allowing the Company to earn a return of the SLRP deferred balance but not a return on the SLRP deferred balance. The Commission has noted previously in the consolidated cases entitled In The Application of Missouri Public Service for the Issuance of an Accounting Order Relating to Its Electrical Operations, and In the Matter of the Application of Missouri Public Service for the Issuance of an Accounting Order Relating to its Purchase Power Commitments, 1 Mo. P.S.C. 3rd 200, that "the Court upheld the Commission's decision to place the initial risk of cancellation on the shareholders since to do otherwise would be to make the investment practically risk-free." State ex rel. Union Electric Company v. PSC (UE), 765 S.W. 2d 618, 622 (Mo. App. 1988); State ex rel Hotel Continental v. Burton, 334 S.W. 2d 75, 80 (Mo. 1960). Most recently, the Western District found that "AAOs are not a guarantee of an ultimate recovery of a certain amount by the utility." Missouri Gas Energy v. P.S.C, 1998 W.D. 54710 (Mo. App. Aug 18, 1998). All of the parties agree that it is the purpose of the AAO to lessen the effect of the regulatory lag, not to eliminate it nor to protect the Company completely from risk. Without the inclusion of the unamortized balance of the AAO account included in the rate base, MGE will still recover the amounts booked and deferred, including the cost of carrying these SLRP deferral costs, property taxes and depreciation expenses through the true-up period ending May 31, 1998. The Commission finds that OPC's position on this issue is just and reasonable and is supported by competent and substantial evidence in the record[4].

[4] 7 Mo P.S.C 3d, 408-409

Pursuant to the general ratemaking practice from past rate cases that unamortized transition costs have not been included in rate base, Staff recommends deferred transition costs should not be included in rate base in this proceeding.

Q. Does that conclude your rebuttal testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Request to Increase Its Revenues for Gas Service	)))	Case No. GR-2017-0215
In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase Its Revenues for Gas Service	)))	Case No. GR-2017-0216

AFFIDAVIT OF KEITH MAJORS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW KEITH MAJORS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

KEITH MAJORS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 13th day of October, 2017.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2020
Commission Number: 12412070

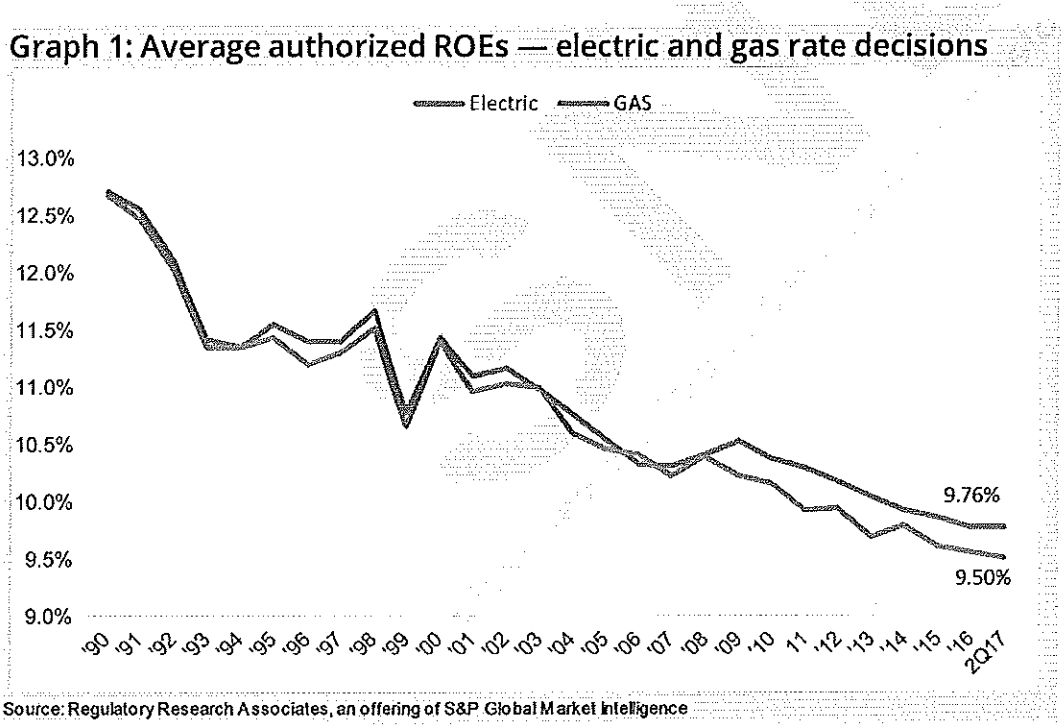
Notary Public

RRA Regulatory Focus

Major Rate Case Decisions January-June 2017

The average ROE authorized electric utilities was 9.76% in rate cases decided in the first two quarters of 2017, compared to 9.77% in full year 2016. There were 29 electric ROE determinations in the first six months of 2017, versus 42 in 2016. This data includes several limited issue rider cases; excluding these cases from the data, the average authorized ROE was 9.61% in rate cases decided in the first two quarters of 2017, virtually identical to the 9.6% in full year 2016. RRA notes that this differential in electric authorized ROEs is largely driven by Virginia statutes that authorize the State Corporation Commission to approve ROE premiums of up to 200 basis points for certain generation projects (see the Virginia Commission Profile). The average ROE authorized gas utilities was 9.5% in the first six months of 2017 versus 9.54% in 2016. There were nine gas cases that included an ROE determination in the first two quarters of 2017, versus 26 in full year 2016.

Graph 1: Average authorized ROEs — electric and gas rate decisions



Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

As shown in the graph on the top of page 2, after reaching a low in the early-2000s, the number of rate case decisions for energy companies has generally increased over the last several years, peaking in 2010 at more than 125 cases.

Since 2010, the number of rate cases has moderated somewhat but has been 90 or more in the last five calendar years. There were 115 electric and gas rate cases resolved in 2016, 92 in 2015, 99 in 2014, 100 in 2013, and 110 in 2012, and this level of rate case activity remains robust compared to the late

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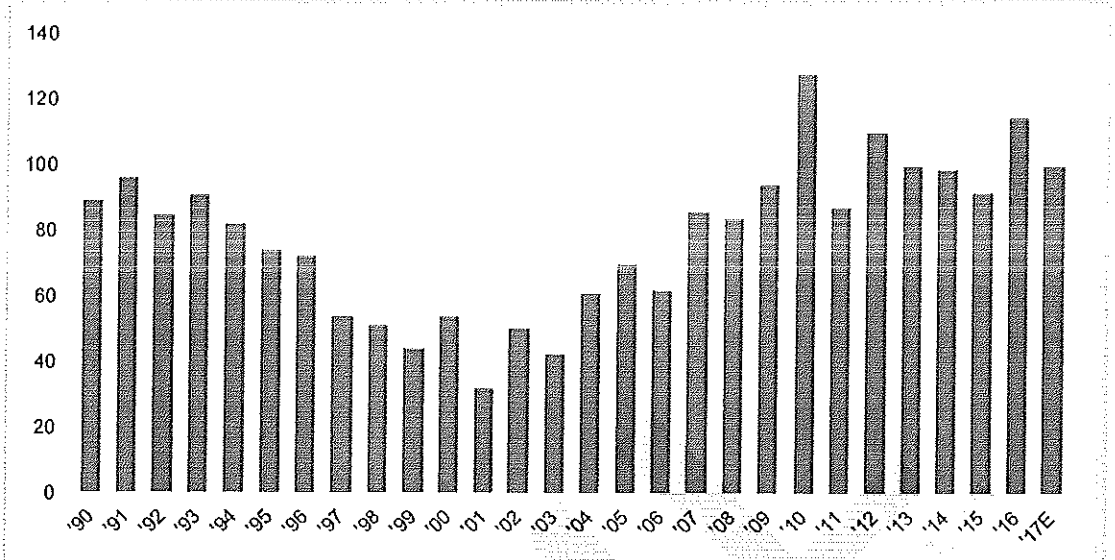
1990s/early 2000s. Increased costs associated with environmental compliance, generation and delivery infrastructure upgrades and expansion, renewable generation mandates and employee benefits argue for the continuation of an active rate case agenda over the next few years.

Graph 2: Volume of electric and gas rate case decisions



Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

In addition, if the Federal Reserve continues its policy initiated in December 2015 to gradually raise the federal funds rate, utilities eventually would face higher capital costs and would need to initiate rate cases to reflect the higher capital costs in rates. While the Fed has continued to raise the federal funds rate during 2017, the magnitude and pace of any additional action after this year is especially uncertain. An increase in the rate of price inflation would point to additional Fed tightening, but a significant weakening in the economy would likely cause the Fed to reconsider further interest rate hikes. Also, higher interest rates and borrowing costs would increase the U.S. budget deficit, which is already quite significant.

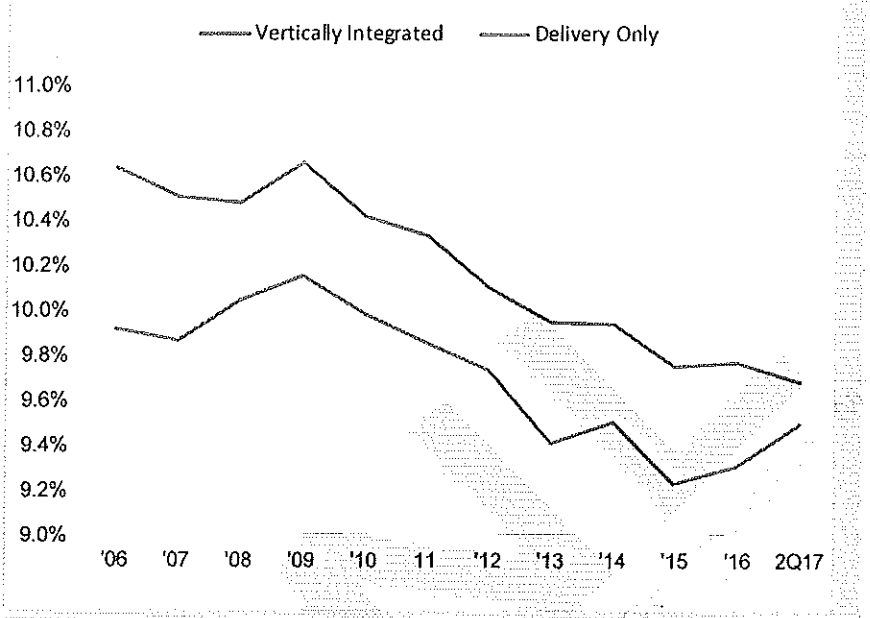
Included in tables on pages 6 and 7 of this report are comparisons, since 2006, of average authorized ROEs by settled versus fully litigated cases, general rate cases versus limited issue rider proceedings and vertically integrated cases versus delivery only cases. For both electric and gas cases, no pattern exists in average annual authorized ROEs in cases that were settled versus those that were fully litigated. In some years, the average authorized ROE was higher for fully litigated cases, in others it was higher for settled cases, and in a few years the authorized ROE was similar for fully litigated versus settled cases. Regarding electric cases that involve limited issue riders, over the last several years the annual average authorized ROEs in these cases was typically at least 70 basis points higher than in general rate cases, driven by the ROE premiums authorized in Virginia. Limited issue rider cases in which an ROE is determined have had extremely limited use in the gas industry. Comparing electric vertically integrated cases versus delivery only proceedings, RRA finds that the annual average authorized ROEs in vertically integrated cases typically are from roughly 40 to 70 basis points higher than in delivery only cases, arguably reflecting the increased risk associated with generation assets.

The simple mean is utilized for the return averages. In addition, the average equity returns indicated in this report reflect the cases decided in the specified time periods and are not necessarily representative of the returns actually earned by utilities industry wide.

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, which we footnote in our chronology beginning on page 8, thus complicating historical data comparability. RRA notes that from 2008 through 2015, interest rates declined significantly, and average authorized ROEs have declined modestly. Also, limited issue rider proceedings that allow utilities to recover certain costs outside of a general rate case and typically incorporate previously determined return parameters have been increasingly utilized.

Graph 3: Average authorized electric ROEs



Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

The table on page 4 shows the average ROE authorized in major electric and gas rate decisions annually since 1990, and by quarter since 2013, followed by the number of observations in each period. The tables on page 5 indicate the composite electric and gas industry data for all major cases summarized annually since 2002 and by quarter for the past six quarters. The individual electric and gas cases decided in 2017 are listed on pages 8-10, with the decision date shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return, or ROR, ROE, and percentage of common equity in the adopted capital structure. Next, we indicate 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, including the treatment of cases that were withdrawn or dismissed.

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Average ROEs authorized January 1990 - June 2017

		Electric utilities		Gas utilities	
Year	Period	ROE (%)	No. of cases	ROE (%)	No. of 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	10.32	(26)	10.40	(15)
2007	Full year	10.30	(38)	10.22	(35)
2008	Full year	10.41	(37)	10.39	(32)
2009	Full year	10.52	(40)	10.22	(30)
2010	Full year	10.37	(61)	10.15	(39)
2011	Full year	10.29	(42)	9.92	(16)
2012	Full year	10.17	(58)	9.94	(35)
	1st quarter	10.28	(14)	9.57	(3)
	2nd quarter	9.84	(7)	9.47	(6)
	3rd quarter	10.06	(7)	9.60	(1)
	4th quarter	9.91	(21)	9.83	(11)
2013	Full year	10.03	(49)	9.68	(21)
	1st quarter	10.23	(8)	9.54	(6)
	2nd quarter	9.83	(5)	9.84	(8)
	3rd quarter	9.87	(12)	9.45	(6)
	4th quarter	9.78	(13)	10.28	(6)
2014	Full year	9.91	(38)	9.78	(26)
	1st quarter	10.37	(9)	9.47	(3)
	2nd quarter	9.73	(7)	9.43	(3)
	3rd quarter	9.40	(2)	9.75	(1)
	4th quarter	9.62	(12)	9.68	(9)
2015	Full year	9.85	(30)	9.60	(16)
	1st quarter	10.29	(9)	9.48	(6)
	2nd quarter	9.60	(7)	9.42	(6)
	3rd quarter	9.76	(8)	9.47	(4)
	4th quarter	9.57	(18)	9.68	(10)
2016	Full year	9.77	(42)	9.54	(26)
	1st quarter	9.87	(15)	9.60	(3)
	2nd quarter	9.63	(14)	9.45	(6)
2017	Year-to-date	9.76	(29)	9.50	(9)

Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

Schedule KM-r1

Electric utilities — summary table

	Period	ROR (%)	No. of cases	ROE (%)	No. of cases	Cap. struc.	No. of cases	Amt. ($M)	No. of cases
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	8.32	(26)	10.32	(26)	48.54	(25)	1,318.1	(39)
2007	Full year	8.18	(37)	10.30	(38)	47.88	(36)	1,405.7	(43)
2008	Full year	8.21	(39)	10.41	(37)	47.94	(36)	2,823.2	(44)
2009	Full year	8.24	(40)	10.52	(40)	48.57	(39)	4,191.7	(58)
2010	Full year	8.01	(62)	10.37	(61)	48.63	(57)	4,921.9	(78)
2011	Full year	8.00	(43)	10.29	(42)	48.26	(42)	2,595.1	(56)
2012	Full year	7.95	(51)	10.17	(58)	50.69	(52)	3,080.7	(69)
2013	Full year	7.66	(45)	10.03	(49)	49.25	(43)	3,328.6	(61)
2014	Full year	7.60	(32)	9.91	(38)	50.28	(35)	2,053.7	(51)
2015	Full year	7.38	(35)	9.85	(30)	49.54	(30)	1,891.5	(52)
	1st quarter	7.03	(9)	10.29	(9)	46.06	(9)	311.2	(12)
	2nd quarter	7.42	(7)	9.60	(7)	49.91	(7)	117.7	(9)
	3rd quarter	7.23	(8)	9.76	(8)	49.11	(8)	499.3	(13)
	4th quarter	7.38	(17)	9.57	(18)	49.93	(17)	1,403.9	(23)
2016	**Full year**	**7.28**	**(41)**	**9.77**	**(42)**	**48.91**	**(41)**	**2,332.1**	**(57)**
	1st quarter	6.97	(15)	9.87	(15)	47.95	(15)	1,015.8	(23)
	2nd quarter	7.11	(9)	9.63	(14)	48.77	(9)	597.0	(19)
2017	**Year-to-date**	**7.02**	**(24)**	**9.76**	**(29)**	**48.26**	**(24)**	**1,612.8**	**(42)**

Gas utilities — summary table

	Period	ROR (%)	No. of cases	ROE (%)	No. of cases	Cap. struc.	No. of cases	Amt. ($M)	No. of cases
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	8.44	(17)	10.40	(15)	47.24	(16)	392.5	(23)
2007	Full year	8.11	(31)	10.22	(35)	48.47	(28)	645.3	(43)
2008	Full year	8.49	(33)	10.39	(32)	50.35	(32)	700.0	(40)
2009	Full year	8.15	(29)	10.22	(30)	48.49	(29)	438.6	(36)
2010	Full year	7.99	(40)	10.15	(39)	48.70	(40)	776.5	(50)
2011	Full year	8.09	(18)	9.92	(16)	52.49	(14)	367.0	(31)
2012	Full year	7.98	(30)	9.94	(35)	51.13	(32)	264.0	(41)
2013	Full year	7.43	(21)	9.68	(21)	50.60	(20)	498.7	(39)
2014	Full year	7.65	(27)	9.78	(26)	51.11	(28)	529.2	(48)
2015	Full year	7.34	(16)	9.60	(16)	49.93	(16)	494.1	(40)
	1st quarter	7.12	(6)	9.48	(6)	50.83	(6)	120.2	(11)
	2nd quarter	7.38	(6)	9.42	(6)	50.01	(6)	276.3	(16)
	3rd quarter	6.59	(5)	9.47	(4)	48.44	(4)	106.3	(8)
	4th quarter	7.11	(11)	9.68	(10)	50.27	(10)	759.3	(23)
2016	**Full year**	**7.08**	**(28)**	**9.54**	**(26)**	**50.06**	**(26)**	**1,264.0**	**(58)**
	1st quarter	7.20	(2)	9.60	(3)	51.57	(3)	60.6	(7)
	2nd quarter	7.42	(4)	9.45	(6)	49.94	(4)	59.1	(10)
2017	**Year-to-date**	**7.34**	**(6)**	**9.50**	**(9)**	**50.64**	**(7)**	**119.7**	**(17)**

Source: Regulatory Research Associates, S&P Global Market Intelligence

Electric average authorized ROEs: 2006 — 2017 year-to-date

Settled versus fully litigated cases

	All cases		Settled cases		Fully litigated cases	
Year	ROE (%)	(No. of cases)	ROE (%)	(No. of cases)	ROE (%)	(No. of cases)
2006	10.32	(26)	10.26	(11)	10.37	(15)
2007	10.30	(38)	10.42	(14)	10.23	(24)
2008	10.41	(37)	10.43	(17)	10.39	(20)
2009	10.52	(40)	10.64	(16)	10.45	(24)
2010	10.37	(61)	10.39	(34)	10.35	(27)
2011	10.29	(42)	10.12	(16)	10.39	(26)
2012	10.17	(58)	10.06	(29)	10.28	(29)
2013	10.03	(49)	10.12	(32)	9.85	(17)
2014	9.91	(38)	9.73	(17)	10.05	(21)
2015	9.85	(30)	10.07	(14)	9.66	(16)
2016	9.77	(42)	9.80	(17)	9.74	(25)
2017 YTD	9.76	(29)	9.57	(15)	9.96	(14)

General rate cases versus limited issue riders

	All cases		General rate cases		Limited issue riders	
Year	ROE (%)	No. of cases	ROE (%)	No. of cases	ROE (%)	No. of cases
2006	10.32	(26)	10.34	(25)	9.80	(1)
2007	10.30	(38)	10.31	(37)	9.90	(1)
2008	10.41	(37)	10.37	(35)	11.11	(2)
2009	10.52	(40)	10.52	(38)	10.55	(2)
2010	10.37	(61)	10.29	(58)	11.87	(3)
2011	10.29	(42)	10.19	(40)	12.30	(2)
2012	10.17	(58)	10.01	(52)	11.57	(6)
2013	10.03	(49)	9.81	(42)	11.34	(7)
2014	9.91	(38)	9.75	(33)	10.96	(5)
2015	9.85	(30)	9.60	(24)	10.87	(6)
2016	9.77	(42)	9.60	(32)	10.31	(10)
2017 YTD	9.76	(29)	9.61	(20)	10.08	(9)

Vertically integrated cases versus delivery only cases

	All cases		Vertically integrated cases		Delivery only cases	
Year	ROE (%)	No. of cases	ROE (%)	No. of cases	ROE (%)	No. of cases
2006	10.32	(26)	10.63	(15)	9.91	(10)
2007	10.30	(38)	10.50	(26)	9.86	(11)
2008	10.41	(37)	10.48	(26)	10.04	(9)
2009	10.52	(40)	10.66	(28)	10.15	(10)
2010	10.37	(61)	10.42	(41)	9.98	(17)
2011	10.29	(42)	10.33	(28)	9.85	(12)
2012	10.17	(58)	10.10	(39)	9.73	(13)
2013	10.03	(49)	9.95	(31)	9.41	(11)
2014	9.91	(38)	9.94	(19)	9.50	(14)
2015	9.85	(30)	9.75	(17)	9.23	(7)
2016	9.77	(42)	9.77	(20)	9.31	(12)
2017 YTD	9.76	(29)	9.68	(13)	9.49	(7)

YTD=year-to-date

Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

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Gas average authorized ROEs: 2006 — 2017 year-to-date

Settled versus fully litigated cases

	All cases		Settled cases		Fully litigated cases	
Year	ROE (%)	No. of cases	ROE (%)	No. of cases	ROE (%)	No. of cases
2006	10.40	(15)	10.26	(7)	10.53	(8)
2007	10.22	(35)	10.24	(22)	10.20	(13)
2008	10.39	(32)	10.34	(20)	10.47	(12)
2009	10.22	(30)	10.43	(13)	10.05	(17)
2010	10.15	(39)	10.30	(12)	10.08	(27)
2011	9.92	(16)	10.08	(8)	9.76	(8)
2012	9.94	(35)	9.99	(14)	9.92	(21)
2013	9.68	(21)	9.80	(9)	9.59	(12)
2014	9.78	(26)	9.51	(11)	9.98	(15)
2015	9.60	(16)	9.60	(11)	9.58	(5)
2016	9.54	(26)	9.50	(16)	9.61	(10)
2017 YTD	9.50	(9)	9.68	(6)	9.15	(3)

General rate cases versus limited issue riders

	All cases		General rate cases		Limited issue riders	
Year	ROE (%)	No. of cases	ROE (%)	No. of cases	ROE (%)	No. of cases
2006	10.40	(15)	10.40	(15)	—	(0)
2007	10.22	(35)	10.22	(35)	—	(0)
2008	10.39	(32)	10.39	(32)	—	(0)
2009	10.22	(30)	10.22	(30)	—	(0)
2010	10.15	(39)	10.15	(39)	—	(0)
2011	9.92	(16)	9.91	(15)	10.00	(1)
2012	9.94	(35)	9.93	(34)	10.40	(1)
2013	9.68	(21)	9.68	(21)	—	(0)
2014	9.78	(26)	9.78	(26)	—	(0)
2015	9.60	(16)	9.60	(16)	—	(0)
2016	9.54	(26)	9.53	(25)	9.70	(1)
2017 YTD	9.50	(9)	9.50	(9)	—	(0)

YTD=year-to-date

Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

Schedule KM-r1

Electric utility decisions

Date	Company	State	ROR (%)	ROE (%)	Common equity as % of capital	Test year	Rate base	Amt. ($M)	Footnotes
1/10/17	Empire District Electric Company	KS	—	—	—	—	—	—	(1)
1/12/17	Electric Transmission Texas	TX	6.39	9.60	40.00	12/16	Year-end	-46.2	(Tr,B)
1/17/17	Cross Texas Transmission	TX	—	—	—	—	—	-6.5	(Tr,B)
1/18/17	MDU Resources Group, Inc.	WY	7.25	9.45	50.99	12/15	Year-end	2.7	(B)
1/19/17	Metropolitan Edison Company	PA	—	—	—	12/17	—	90.5	(D,B)
1/19/17	Pennsylvania Electric Company	PA	—	—	—	12/17	—	94.6	(D,B)
1/19/17	Pennsylvania Power Company	PA	—	—	—	12/17	—	27.5	(D,B)
1/19/17	West Penn Power Company	PA	—	—	—	12/17	—	60.6	(D,B)
1/24/17	Consolidated Edison Co. of NY	NY	6.82	9.00	48.00	12/17	Average	194.5	(D,B)
1/25/17	Northern Indiana Public Service Co.	IN	—	—	—	4/16	Year-end	1.9	(LIR,B,2)
1/26/17	Southwestern Public Service Co.	TX	—	—	—	9/15	Year-end	35.2	(B)
1/31/17	DTE Electric Company	MI	5.55	10.10	37.49	7/17	Average	184.3	(I,*)
2/15/17	Delmarva Power & Light Company	MD	6.74	9.60	49.10	3/16	Average	38.3	(D)
2/22/17	Rockland Electric Company	NJ	7.47	9.60	49.70	12/16	Year-end	1.7	(D,B)
2/24/17	Indianapolis Power & Light Company	IN	—	—	—	—	—	—	(1)
2/24/17	Tucson Electric Power Company	AZ	7.04	9.75	50.03	6/15	Year-end	81.5	(B)
2/27/17	Virginia Electric and Power Company	VA	7.73	11.40	49.49	3/18	Average	-2.4	(LIR,3)
2/27/17	Virginia Electric and Power Company	VA	6.74	9.40	49.49	3/18	Average	41.4	(LIR,4)
2/27/17	Virginia Electric and Power Company	VA	7.24	10.40	49.49	3/18	Average	-2.2	(LIR,5)
2/27/17	Virginia Electric and Power Company	VA	7.24	10.40	49.49	3/18	Average	-8.5	(LIR,6)
2/27/17	Virginia Electric and Power Company	VA	7.24	10.40	49.49	3/18	Average	0.5	(LIR,7)
2/28/17	Consumers Energy Company	MI	5.94	10.10	40.75	8/17	Average	113.3	(I,*)
3/2/17	Otter Tail Power Company	MN	7.51	9.41	52.50	12/16	Average	12.3	(I)
3/8/17	Union Electric Company	MO	—	—	—	3/16	—	92.0	(B)
3/20/17	Oklahoma Gas and Electric Co.	OK	7.69	9.50	53.31	6/15	Year-end	8.8	(I)
2017	1st quarter: averages/total		6.97	9.87	47.95			1,015.8	
	Observations		15	15	15			23	
4/4/17	Gulf Power Company	FL	—	10.25	—	12/17	—	62.0	(B)
4/12/17	Liberty Utilities (Granite State Electric)	NH	7.64	9.40	50.00	12/15	—	3.8	(D,B,I,Z)
4/19/17	Southwestern Public Service Company	NM	—	—	—	—	—	0.0	(8)
4/20/17	Unitil Energy Systems, Inc.	NH	8.34	9.50	50.97	12/15	—	4.1	(D,B,I,Z
5/3/17	Kansas City Power & Light Company	MO	7.43	9.50	49.20	12/15	Year-end	32.5	
5/11/17	Pacific Gas and Electric Company	CA	—	—	—	12/17	Average	91.0	(B,Z)
5/11/17	Appalachian Power Company	VA	—	—	—	6/18	Average	4.7	(B,LIR,9)
5/11/17	Northern States Power Company - MN	MN	7.08	9.20	52.50	12/19	Average	244.7	(B,I,Z)
5/18/17	Oklahoma Gas and Electric Company	AR	5.42	9.50	36.38	6/16	Year-end	7.1	(B,*)
5/23/17	Delmarva Power & Light Company	DE	—	9.70	—	12/15	—	31.5	(D,B,I)
5/31/17	Idaho Power Co.	ID	—	9.50	—	—	—	13.3	(B,LIR)
6/1/17	Virginia Electric and Power Company	VA	6.74	9.40	49.49	8/18	—	-12.8	(LIR,10)
6/6/17	Kansas City Power & Light Company	KS	—	—	—	6/14	—	-3.6	(B,11)
6/8/17	Westar Energy, Inc.	KS	—	—	—	9/14	—	16.4	(B,11)
6/16/17	MDU Resources Group, Inc.	ND	7.36	9.65	51.40	12/17	Average	7.5	(B,I)
6/22/17	Kentucky Utilities Company	KY	—	9.70	—	—	—	51.6	(B,R)
6/22/17	Louisville Gas and Electric Company	KY	—	9.70	—	—	—	57.1	(B,R)
6/30/17	Virginia Electric and Power Company	VA	6.74	9.40	49.49	8/18	Average	4.2	(LIR,12)
6/30/17	Virginia Electric and Power Company	VA	7.24	10.40	49.49	8/18	Average	-18.0	(LIR,13)
2017	2nd quarter: averages/total		7.11	9.63	48.77			597.0	
	Observations		9	14	9			19	
2017	Year-to-date: averages/total		7.02	9.76	48.26			1,612.8	
	Observations		24	29	24			42	

Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

Gas utility decisions

Date	Company	State	ROR (%)	ROE (%)	Common equity as % of capital	Test year	Rate base	Amt. ($M)	Footnotes
1/18/17	Missouri Gas Energy	MO	—	—	—	8/16	—	3.2	(LIR,14)
1/18/17	Laclede Gas Company	MO	—	—	—	8/16	—	4.5	(LIR,14)
1/24/17	Consolidated Edison Co. of NY	NY	6.82	9.00	48.00	12/17	Average	-5.3	(B)
2/9/17	Atmos Energy Corporation	KS	—	—	—		—	0.8	(LIR,15)
2/21/17	Atlanta Gas Light Company	GA	—	10.55	51.00		—	20.4	(B,16)
3/1/17	Washington Gas Light Company	DC	7.57	9.25	55.70	9/15	Average	8.5	
3/17/17	Columbia Gas of Virginia, Inc.	VA	—	—	—	12/15	—	28.5	(B,I)
2017	1st quarter: averages/total		7.20	9.60	51.57			60.6	
	Observations		2	3	3			7	
4/11/17	Southwest Gas Corporation	AZ	7.42	9.50	51.70	11/15	Year-end	16.0	(B)
4/20/17	National Fuel Gas Distribution Corp.	NY	6.92	8.70	42.90	3/18	Average	5.9	
4/26/17	Laclede Gas Company	MO	—	—	—	2/17	—	3.0	(B,LIR,14)
4/26/17	Missouri Gas Energy	MO	—	—	—	2/17	—	3.0	(B,LIR,14)
4/27/17	Delta Natural Gas Company, Inc.	KY	—	—	—	12/16	Year-end	1.8	(LIR,17)
4/28/17	Intermountain Gas Company	ID	7.30	9.50	50.00	12/16	Average	4.1	
5/11/17	Pacific Gas and Electric Company	CA	—	—	—	12/17	Average	-3.0	(B,Z)
5/23/17	CenterPoint Energy Resources Corp.	TX	8.02	9.60	55.15	6/16	Year-end	16.5	(B)
6/6/17	Delmarva Power & Light Company	DE	—	9.70	—	12/15	—	4.9	(B,I)
6/22/17	Louisville Gas and Electric Company	KY	—	9.70	—	—	—	6.8	(B,R)
2017	2nd quarter: averages/total		7.42	9.45	49.94			59.1	
	Observations		4	6	4			10	
2017	Year-to-date: averages/total		7.34	9.50	50.64			119.7	
	Observations		6	9	7			17	

Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

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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.

CWIP- Construction work in progress

D- Applies to electric delivery only

DCt- Date certain rate base valuation

E- Estimated

F- Return on fair value rate base

Hy- Hypothetical capital structure utilized

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

LIR- Limited-issue rider proceeding

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.

Tr- Applies to transmission service

U- Double leverage capital structure utilized.

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) Case withdrawn by company.

(2) Initial proceeding to establish the rates to be charged to customers under the company's transmission, distribution, and storage system improvement charge, or TDSIC, rate adjustment mechanism and reflects investments made between Jan. 1, 2016 and April 30, 2016.

(3) 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.

(4) Proceeding determines the revenue requirement for Rider GV, which is the mechanism through which the company recovers the costs associated with the new gas fired generation facility, the Greensville County project.

(5) Represents rate decrease associated with the company's Rider R proceeding, which is the mechanism through which the company recovers the investment in the Bear Garden generating facility.

(6) This proceeding determines the revenue requirement for Rider S, which recognizes in rates the company's investment in the Virginia City Hybrid Energy Center.

(7) Increase authorized through a surcharge, Rider W, which reflects in rates investment in the Warren County Power Station.

(8) The commission rejected the company's rate case filing.

(9) Case represents the company's RAC-EE rider, under which it recovers the costs and lost revenues associated with its energy efficiency programs.

(10) Case represents the company's Rider DSM, which involves a consolidation of two riders related to the company's costs and investments in demand-side management and energy conservation programs.

(11) Represents an "abbreviated" rate case.

(12) Case involves Rider US-2, which pertains to the company's investment in three new solar generation facilities with a total capacity of 56 MW.

(13) Case involves Rider BW, which relates to the company's investment in the Brunswick generating plant, which achieved commercial operation on 4/25/16.

(14) Case involves the company's infrastructure system replacement surcharge, or ISRS, rider.

(15) Case involves the company's gas system reliability surcharge, or GSRS, rider.

(16) In this proceeding, the commission adopted an alternative rate plan and authorized the first rate change, a $20.4 million increase, under the plan.

(17) Case involves the company's pipe replacement program, or PRP, rider.

Dennis Sperduto

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