

Regulatory Research Associates

REGULATORY FOCUS

Regulatory Study
July 3, 2007

MAJOR RATE CASE DECISIONS--JANUARY-JUNE 2007

For the first six months of 2007, the average of electric equity return authorizations by state commissions was 10.27% (18 determinations) versus 10.36% average for calendar-2006. The average gas equity return authorization for the first two quarters of 2007 was 10.34% (15 determinations), compared with the 10.43% average for calendar-2006.

After reaching a low in the late-1990's and early-2000's, the number of equity return determinations for energy companies increased somewhat beginning in 2002, and reached a ten-year high in 2005. Relatively low inflation and interest rates, technological improvements that lead to reduced costs, 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 substantially increasing further. However, increased costs, including environmental compliance expenditures, 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 delivery 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 30, 2007 Special Report entitled *Major Rate Case Decisions--January 2005-December 2006--Supplemental Study*. Refer to that report for information concerning individual rate case decisions that were rendered in 2005 and 2006.

The table on page 2 shows annual average equity returns authorized since 1997, and by quarter since 2001, in major electric and gas 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 1997, and quarterly for the most recent six quarters. The individual electric and gas cases decided in the first six months of 2007 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. Fuel adjustment clause rate changes are not reflected in this study.

STAFF
Exhibit No. 121
Case No(s) 21 ER-2007-
Date 10/2/07 Rptr pr

Average Equity Returns Authorized January 1997 - June 2007

(Return Percent - No. of Observations)

<u>Period</u>		<u>Electric Utilities</u>	<u>Gas Utilities</u>
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	1st Quarter	11.38 (2)	11.16 (4)
	2nd Quarter	10.88 (2)	10.75 (1)
	3rd Quarter	10.78 (8)	--- (0)
	4th Quarter	11.50 (6)	10.65 (2)
2001	Full Year	11.09 (18)	10.95 (7)
2002	1st Quarter	10.87 (5)	10.67 (3)
	2nd Quarter	11.41 (6)	11.64 (4)
	3rd Quarter	11.06 (4)	11.50 (3)
	4th Quarter	11.20 (7)	10.78 (11)
2002	Full Year	11.16 (22)	11.03 (21)
2003	1st Quarter	11.47 (7)	11.38 (5)
	2nd Quarter	11.16 (4)	11.36 (4)
	3rd Quarter	9.95 (5)	10.61 (5)
	4th Quarter	11.09 (6)	10.84 (11)
2003	Full Year	10.97 (22)	10.99 (25)
2004	1st Quarter	11.00 (3)	11.10 (4)
	2nd Quarter	10.54 (6)	10.25 (2)
	3rd Quarter	10.33 (2)	10.37 (8)
	4th Quarter	10.91 (8)	10.66 (6)
2004	Full Year	10.75 (19)	10.59 (20)
2005	1st Quarter	10.51 (7)	10.65 (2)
	2nd Quarter	10.05 (7)	10.54 (5)
	3rd Quarter	10.84 (4)	10.47 (5)
	4th Quarter	10.75 (11)	10.40 (14)
2005	Full Year	10.54 (29)	10.46 (26)
2006	1st Quarter	10.38 (3)	10.63 (6)
	2nd Quarter	10.69 (5)	10.50 (2)
	3rd Quarter	10.06 (7)	10.45 (3)
	4th Quarter	10.39 (10)	10.14 (5)
2006	Full Year	10.36 (25)	10.43 (16)
2007	1st Quarter	10.27 (8)	10.44 (10)
	2nd Quarter	10.27 (10)	10.15 (5)
2007	Year-To-Date	10.27 (18)	10.34 (15)

Electric Utilities--Summary Table*

	<u>Period</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Eq. as %</u> <u>Cap. Struc.</u>	<u>Amt.</u> <u>\$ Mil.</u>
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	Full Year	8.30 (26)	10.54 (29)	46.73 (27)	1,373.7 (36)
2006	1st Quarter	8.13 (3)	10.38 (3)	50.25 (3)	444.6 (9)
	2nd Quarter	8.02 (5)	10.69 (5)	45.40 (4)	130.7 (6)
	3rd Quarter	7.89 (7)	10.06 (7)	46.86 (6)	251.3 (9)
	4th Quarter	8.55 (9)	10.39 (10)	50.59 (10)	638.4 (18)
2006	Full Year	8.20 (24)	10.36 (25)	48.67 (23)	1,465.0 (42)
2007	1st Quarter	7.83 (8)	10.27 (8)	47.80 (8)	403.5 (9)
	2nd Quarter	7.92 (10)	10.27 (10)	46.03 (10)	704.2 (11)
2007	Year-To-Date	7.88 (18)	10.27 (18)	46.82 (18)	1,107.7 (20)

Gas Utilities--Summary Table*

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	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)
	3rd Quarter	8.15 (3)	10.45 (3)	47.19 (3)	38.8 (5)
	4th Quarter	7.83 (6)	10.14 (5)	44.28 (5)	271.3 (12)
2006	Full Year	8.20 (16)	10.43 (16)	47.43 (16)	444.0 (25)
2007	1st Quarter	8.36 (10)	10.44 (10)	48.33 (9)	158.4 (13)
	2nd Quarter	8.41 (4)	10.15 (5)	51.01 (5)	69.6 (6)
2007	Year-To-Date	8.37 (14)	10.34 (15)	49.29 (14)	228.0 (19)

* Number of observations in each period indicated in parentheses.

ELECTRIC UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
1/5/07	Oklahoma Gas & Electric (AR)	5.36	10.00	32.33 *	12/05-YE	5.4 (B)
1/5/07	Puget Sound Energy (WA)	8.40	10.40	44.00	9/05-A	-22.8
1/11/07	Metropolitan Edison (PA)	7.52	10.10	49.00	12/06-YE	58.7 (D)
1/11/07	Pennsylvania Electric (PA)	7.92	10.10	49.00	12/06-YE	50.2 (D)
1/11/07	Wisconsin Public Service (WI)	8.63 (G)	10.90	57.46	12/07-A/P	56.7
1/12/07	Portland General Electric (OR)	8.29	10.10	50.00 (Hy)	12/07-A	20.5
1/19/07	Wisconsin Power and Light (WI)	8.68 (G)	10.80	54.13	12/07-A/P	36.2
3/21/07	Pacific Gas and Electric (CA)	---	---	---	12/07-A	192.2 (B,1)
3/22/07	Rockland Electric (NJ)	7.83	9.75	46.51	12/06-YE	6.4 (B,D)
2007	1ST QUARTER: AVERAGES/TOTAL	7.83	10.27	47.80		403.5
	MEDIAN	8.11	10.10	49.00		---
	OBSERVATIONS	8	8	8		9
5/15/07	Appalachian Power (VA)	7.36	10.00	41.11 *	12/05-A	24.0
5/17/07	Aquila Networks-MPS (MO)	8.39	10.25	48.17	12/05-YE	45.2
5/17/07	Aquila Networks-L&P (MO)	8.93	10.25	48.17	12/05-YE	13.6
5/22/07	Monongahela Pow./Potomac Ed. (WV)	8.44	10.50	46.07	12/05-YE	-6.2
5/22/07	Union Electric (MO)	7.94	10.20	52.22	6/06-YE	41.8
5/23/07	Nevada Power (NV)	9.06	10.70	47.29	6/06-YE	120.5
5/24/07	AEP Texas North (TX)	---	---	---	6/06	13.7 (B,D)
5/25/07	Public Service of New Hampshire (NH)	7.55	9.67	47.66	12/05-A	50.1 (B,D)
6/15/07	Entergy Arkansas (AR)	5.58	9.90	32.19 *	6/06-YE	-5.7
6/22/07	Appalachian Pow./Wheeling Pow. (WV)	7.67	10.50	42.88	12/06-YE	85.5 (B,2)
6/28/07	Arizona Public Service (AZ)	8.32	10.75	54.50	9/05-YE	321.7
2007	2ND QUARTER: AVERAGES/TOTAL	7.92	10.27	46.03		704.2
	MEDIAN	8.13	10.25	47.48		---
	OBSERVATIONS	10	10	10		11
2007	YEAR-TO-DATE: AVERAGES/TOTAL	7.88	10.27	46.82		1107.7
	MEDIAN	8.12	10.23	47.92		---
	OBSERVATIONS	18	18	18		20

GAS UTILITY DECISIONS

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. \$ Mil.
1/5/07	Puget Sound Energy (WA)	8.40	10.40	44.00	9/05-A	29.5
1/9/07	SEMCO Energy Gas (MI)	7.75	11.00	42.94 *	---	12.6 (B)
1/11/07	Wisconsin Public Service (WI)	8.63 (G)	10.90	57.46	12/07-A/P	18.9
1/12/07	Cascade Natural Gas (WA)	8.85	---	---	---	7.1 (B)
1/19/07	Wisconsin Power and Light (WI)	8.68 (G)	10.80	54.13	12/07-A/P	-1.9
1/26/07	Fitchburg Gas & Electric (MA)	---	10.00	---	---	2.2 (B,Z)
2/8/07	PPL Gas (PA)	8.44	10.40	51.79 (Hy)	12/06-YE	8.1
3/14/07	Connecticut Natural Gas (CT)	8.60	10.10	53.60	3/06-YE	14.4 (B)
3/15/07	Union Electric (MO)	---	---	---	---	6.0 (B)
3/20/07	Delmarva Power & Light (DE)	7.73	10.25	46.90	3/06	9.0 (B,I)
3/21/07	Pacific Gas and Electric (CA)	---	---	---	12/07-A	20.5 (B,1)
3/22/07	Southern Union (MO)	8.60	10.50	36.06 (3)	12/05-YE	27.2
3/29/07	Atmos Energy (TX)	7.90	10.00	48.10	12/05-YE	4.8
2007	1ST QUARTER: AVERAGES/TOTAL	8.36	10.44	48.33		158.4
	MEDIAN	8.52	10.40	48.10		---
	OBSERVATIONS	10	10	9		13
5/16/07	Aquila (KS)	---	---	---	---	5.1 (B)
6/5/07	Cascade Natural Gas (OR)	---	10.10	45.00	---	-0.7 (B)
6/13/07	Northern States Power (ND)	8.96	10.75	51.59	12/07-A	2.2 (B)
6/18/07	Public Service of Colorado (CO)	8.67	10.25	60.17	6/06-A	32.3 (B)
6/29/07	Yankee Gas Services (CT)	8.03	10.10	50.30	6/06-A	22.1 (B)
6/29/07	Public Service Co. of New Mexico (NM)	7.96	9.53	48.00	12/05-YE	8.6
2007	2ND QUARTER: AVERAGES/TOTAL	8.41	10.15	51.01		69.6
	MEDIAN	8.35	10.10	50.30		---
	OBSERVATIONS	4	5	5		6
2007	YEAR-TO-DATE: AVERAGES/TOTAL	8.37	10.34	49.29		228.0
	MEDIAN	8.52	10.25	49.20		---
	OBSERVATIONS	14	15	14		19

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.
 - D- Applies to electric delivery 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.
 - P- Partial inclusion of CWIP in rate base without AFUDC offset to income
 - 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) Rate increase effective retroactive to 1/1/07.
- (2) Returns implicit in settlement.
- (3) Parent company capital structure utilized.

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