

Commission A



**EDISON ELECTRIC
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FILED
October 23, 2012
Data Center
Missouri Public
Service Commission

Rate Case Summary

Commission Exhibit No. A
Date 10/5/12 Reporter MM
File No. ER-2012-016

Q1 2012
FINANCIAL UPDATE

QUARTERLY REPORT
OF THE U.S. SHAREHOLDER-OWNED
ELECTRIC UTILITY INDUSTRY

About EEI

The Edison Electric Institute is the association of U.S. shareholder-owned electric companies. Our members serve 95% of the ultimate customers in the shareholder-owned segment of the industry, and represent approximately 70% of the U.S. electric power industry. We also have 79 international electric companies as Affiliate members and more than 190 industry suppliers and related organizations as Associate members.

About EEI's Quarterly Financial Updates

EEI's quarterly financial updates present industry trend analyses and financial data covering 61 U.S. shareholder-owned electric utility companies. These 61 companies include 55 electric utility holding companies whose stocks are traded on major U.S. stock exchanges and six electric utilities who are subsidiaries of non-utility or foreign companies. Financial updates are published for the following topics:

Dividends	Rate Case Summary
Stock Performance	SEC Financial Statements (Holding Companies)
Credit Ratings	FERC Financial Statements (Regulated Utilities)
Construction	Fuel

For EEI Member Companies

The EEI Finance and Accounting Division is developing current year and historical data sets that cover a wide range of industry financial and operating metrics. We look forward to serving as a resource for member companies who wish to produce customized industry financial data and trend analyses for use in:

- Investor relations studies and presentations
- Internal company presentations
- Performance benchmarking
- Peer group analyses
- Annual and quarterly reports to shareholders

We Welcome Your Feedback

EEI is interested in ensuring that our financial publications and industry data sets best address the needs of member companies and the financial community. We welcome your comments, suggestions and inquiries.

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Future EEI Finance Meetings

47th EEI Financial Conference
November 11-14, 2012
JW Marriott Desert Ridge Resort and Spa
Phoenix, Arizona

For more information about EEI Finance Meetings, please contact Debra Henry, (202) 508-5496, dhenry@eei.org

The 61 U.S. Shareholder-Owned Electric Utilities

The companies listed below all serve a regulated distribution territory. Other utilities, such as transmission provider ITC Holdings, are not shown below because they do not serve a regulated distribution territory. However, their financial information is included in relevant EEL data sets, such as transmission-related construction spending.

ALLETE, Inc. (ALE)	Great Plains Energy Incorporated (GXP)	Sempra Energy (SRE)
Alliant Energy Corporation (LNT)	Hawaiian Electric Industries, Inc. (HE)	Southern Company (SO)
Ameren Corporation (AEE)	IDACORP, Inc. (IDA)	TECO Energy, Inc. (TE)
American Electric Power Company, Inc. (AEP)	Integrus Energy Group, Inc. (TEG)	UIL Holdings Corporation (UIL)
Avista Corporation (AVA)	<i>IPALCO Enterprises, Inc.</i>	UniSource Energy Corporation (UNS)
Black Hills Corporation (BKH)	MDU Resources Group, Inc. (MDU)	Unitil Corporation (UTL)
CenterPoint Energy, Inc. (CNP)	MGE Energy, Inc. (MGEE)	Vectren Corporation (VVC)
Central Vermont Public Service Corporation (CV)	<i>MidAmerican Energy Holdings Company</i>	Westar Energy, Inc. (WR)
CH Energy Group, Inc. (CHG)	NextEra Energy, Inc. (NEE)	Wisconsin Energy Corporation (WEC)
Cleco Corporation (CNL)	NiSource Inc. (NI)	Xcel Energy, Inc. (XEL)
CMS Energy Corporation (CMS)	Northeast Utilities (NU)	
Consolidated Edison, Inc. (ED)	NorthWestern Corporation (NWE)	
Constellation Energy Group, Inc. (CEG)	NSTAR (NST)	
Dominion Resources, Inc. (D)	NV Energy, Inc. (NVE)	
<i>DPL, Inc. (DPL)</i>	OGE Energy Corp. (OGE)	
DTE Energy Company (DTE)	Otter Tail Corporation (OTTR)	
Duke Energy Corporation (DUK)	Pepco Holdings, Inc. (POM)	
Edison International (EIX)	PG&E Corporation (PCG)	
El Paso Electric Company (EE)	Pinnacle West Capital Corporation (PNW)	
Empire District Electric Company (EDE)	PNM Resources, Inc. (PNM)	
<i>Energy East Corporation</i>	Portland General Electric Company (POR)	
<i>Energy Future Holdings Corp. (formerly TXU Corp.)</i>	PPL Corporation (PPL)	
Entergy Corporation (ETR)	Progress Energy (PGN)	
Exelon Corporation (EXC)	Public Service Enterprise Group Inc. (PEG)	
FirstEnergy Corp. (FE)	<i>Puget Energy, Inc.</i>	
	SCANA Corporation (SCG)	

Companies Listed by Category

(as of 12/31/10)

Please refer to the Quarterly Financial Updates webpage for previous years' lists.

Given the diversity of utility holding company corporate strategies, no single company categorization approach will be useful for all EEI members and utility industry analysts. Nevertheless, we believe the following classification provides an informative framework for tracking financial trends and the capital markets' response to business strategies as companies depart from the traditional regulated utility model.

Regulated	80%+ of total assets are regulated
Mostly Regulated	50% to 80% of total assets are regulated
Diversified	Less than 50% of total assets are regulated

Categorization of the 57 publicly traded utility holding companies is based on year-end business segmentation data presented in 10Ks, supplemented by discussions with company IR departments. Categorization of the five non-publicly traded companies (*shown in italics*) is based on estimates derived from FERC Form 1 data and information provided by parent company IR departments.

The EEI Finance and Accounting Division continues to evaluate our approach to company categorization and business segmentation. In addition, we can produce customized categorization and peer group analyses in response to member company requests. We welcome comments, suggestions and feedback from EEI member companies and the financial community.

Regulated (39 of 62)

ALLETE, Inc.
Alliant Energy Corporation
Ameren Corporation
American Electric Power Company, Inc.
Avista Corporation
Central Vermont Public Service Corporation
CH Energy Group, Inc.
Cleco Corporation
CMS Energy Corporation
Consolidated Edison, Inc.
DPL, Inc.
DTE Energy Company
El Paso Electric Company
Empire District Electric Company
Energy East Corporation
Entergy Corporation
Great Plains Energy Incorporated
IDACORP, Inc.
Integrus Energy Group
IPALCO Enterprises, Inc.
Northeast Utilities
NorthWestern Energy
NSTAR

NV Energy, Inc.
PG&E Corporation
Pinnacle West Capital Corporation
PNM Resources, Inc.
Portland General Electric Company
Progress Energy
Puget Energy, Inc.
Southern Company
TECO Energy, Inc.
UIL Holdings Corporation
UniSource Energy Corporation
Unitil Corporation
Vectren Corporation
Westar Energy, Inc.
Wisconsin Energy Corporation
Xcel Energy, Inc.

Mostly Regulated (19 of 62)

Allegheny Energy, Inc.
Black Hills Corporation
CenterPoint Energy, Inc.
Dominion Resources, Inc.
Duke Energy Corporation
Edison International
Exelon Corporation

First Energy Corp.
MGE Energy, Inc.
MidAmerican Energy Holdings
NextEra Energy, Inc.
NiSource Inc.
OGE Energy Corp.
Otter Tail Corporation
Pepco Holdings, Inc.
PPL Corporation
Public Service Enterprise Group, Inc.
SCANA Corporation
Sempra Energy

Diversified (4 of 62)

Constellation Energy Group, Inc.
Energy Future Holdings
Hawaiian Electric Industries, Inc.
MDU Resources Group, Inc.

Note: Based on assets at 12/31/10

The following companies were removed from the consolidated financial statements for 2009 and 2010 because they did not file Form 10-K with the SEC: Duquesne Light Holdings, Green Mountain Power, KeySpan, Kentucky Utilities, Louisville Gas and Electric and Niagara Mohawk Power.

Q1 2012

Rate Case Summary

HIGHLIGHTS

- The first quarter's 17 filed rate cases extended the trend of rising rate case activity since the early 2000s. Infrastructure investment was the main driver of filed cases in Q1, and this included investment in nuclear generation, environmental-related projects and the Smart Grid
- The industry's average awarded ROE jumped in Q1 mostly due to settlement of five cases in Virginia with performance premiums. Otherwise, awarded ROEs were stable at the low level of recent years.
- Many of the quarter's decided cases reflect a heavy dose of new generation spending. The settlement approved for Florida Power increases base rates related to nuclear generation by \$150 million, then freezes most rates through 2016, and contains performance incentives related to the management of nuclear plant maintenance.

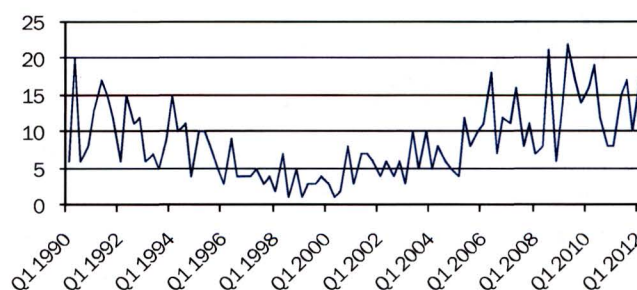
COMMENTARY

Shareholder-owned electric utilities filed 17 rate cases in Q1 2012, a number consistent with the trend of rising rate case activity since the early 2000s. The trend largely reflects a construction cycle in the industry driven by the need to replace aging infrastructure and to reduce the environmental impact of power generation. Consequently, infrastructure investment, the main driver of rate cases in recent years, was once again the main driver of filings in Q1. Attempts by utilities to implement tracking mechanisms and attempts to recover for revenue shortfalls caused by the weak economy were prominent among other drivers of the quarter's filings.

The average awarded ROE in Q1 was 10.84%, a jump upward from the level in recent years and the highest

I. Number of Rate Cases Filed (Quarterly)

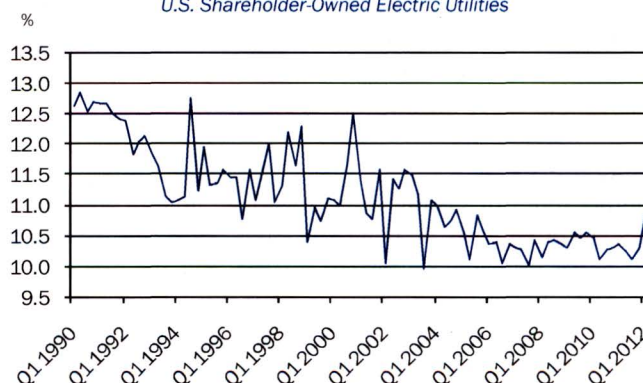
U.S. Shareholder-Owned Electric Utilities



Source: SNL Financial / Regulatory Research Assoc. and EEI Rate Department

II. Average Awarded ROE (Quarterly)

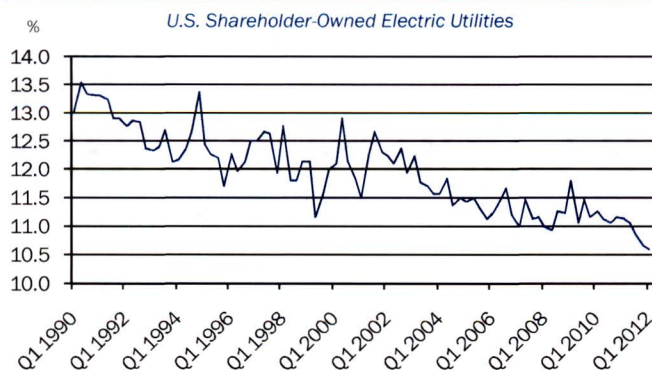
U.S. Shareholder-Owned Electric Utilities



Source: SNL Financial / Regulatory Research Assoc. and EEI Rate Department

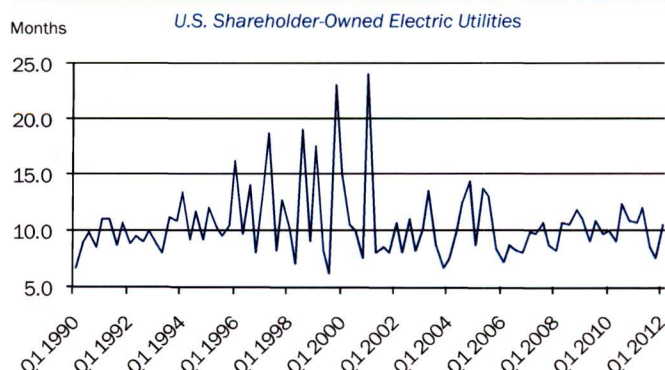
awarded ROE for any quarter since 2005. However, we do not believe the number indicates a trend change. Virginia utilities settled five rate cases that reflect premiums earned for performance and other factors, skewing the quarter's average

III. Average Requested ROE (Quarterly)



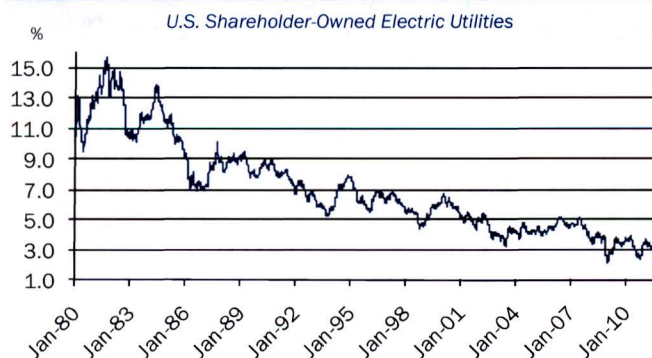
Source: SNL Financial / Regulatory Research Assoc. and EEI Rate Department

IV. Average Regulatory Lag (Quarterly)



Source: SNL Financial / Regulatory Research Assoc. and EEI Rate Department

V. 10-Year Treasury Yield



Source: U.S. Federal Reserve

awarded ROE upward. If the Virginia cases are removed from the dataset, the average awarded ROE was 10.3%, a level much closer to that of recent quarters. The disparity is further reflected in a comparison with the average requested ROE, which for Q1 was 10.57%. This is the first time in almost twelve years that the average requested ROE for a quarter was lower than the average awarded ROE.

Regulatory Lag

During times of rapidly rising spending, utilities attempt to recover rising costs by filing rate cases. However, rate cases are based primarily on historical costs, and the preparation for and administration of a case takes time. By the time the case is decided and rates go into effect, they may already be outdated in relation to costs that have continued to rise. We define regulatory lag as the time between a rate case filing and decision — a rough proxy for the time between when a utility needs recovery and when new rates take effect.

Some analysts have argued that regulatory lag is actually longer if other delays are considered, such as the time needed to prepare for a case. This perspective would suggest

an average regulatory lag closer to twice what our definition indicates, or close to two years. However it is measured, lag obstructs utilities' ability to earn allowed returns when costs are rising. As a result, lag can ultimately increase utilities' borrowing costs. Electric utilities often fall short of achieving their allowed return due to regulatory lag. Consequently, the decline in allowed ROEs across the industry may over-compensate, in some cases, for declining interest rates.

Commissions can allow utilities to shorten regulatory lag through the use of innovative approaches such as interim rate increases, adjustment clauses and other recovery mechanisms, the use of projected costs in rate cases, and construction work in progress (CWIP), which allows a utility to partly recover construction financing costs before a project comes online. These approaches have the added benefit of helping to smooth the introduction of rate increases rather than allowing rates to suddenly jump after a case. Commissions and state legislatures can support utilities' financial health and help curb future rate increases by helping utilities reduce lag.

The average regulatory lag for the quarter was 10.5 months — very close to the average for the past few decades. Regulatory lag spiked up and became more volatile during the main period of industry restructuring in the late 1990s and early 2000s, but otherwise has remained relatively stable at around 10 months.

Filed Cases

Infrastructure investment was the main driver of filed cases in Q1, and this included investment in nuclear generation, environmental-related projects and the Smart Grid. (Smart Grid is the term for several advances in utility technology that allow customers more control over electricity usage and associated savings, help utilities more quickly locate and efficiently address outages, and make the electric grid more self-healing, among other benefits.) Secondary drivers of filings in Q1 included attempts by utilities to implement trackers

VI. Rate Case Data: From Tables I-V

U.S. Shareholder-Owned Electric Utilities

Quarter	Number of Rate Cases Filed	Average Awarded ROE	Average Requested ROE	Average 10-Year Treasury Yield	Average Regulatory Lag
Q4 1988	1	NA	14.30	8.96	NA
Q1 1989	4	NA	15.26	9.21	NA
Q2 1989	4	NA	13.30	8.77	NA
Q3 1989	14	NA	13.65	8.11	NA
Q4 1989	13	NA	13.47	7.91	NA
Q1 1990	6	12.62	13.00	8.42	6.71
Q2 1990	20	12.85	13.51	8.68	9.07
Q3 1990	6	12.54	13.34	8.70	9.90
Q4 1990	8	12.68	13.31	8.40	8.61
Q1 1991	13	12.66	13.29	8.02	11.00
Q2 1991	17	12.67	13.23	8.13	11.00
Q3 1991	15	12.49	12.89	7.94	8.70
Q4 1991	12	12.42	12.90	7.35	10.70
Q1 1992	6	12.38	12.77	7.30	8.90
Q2 1992	15	11.83	12.86	7.38	9.61
Q3 1992	11	12.03	12.81	6.62	9.00
Q4 1992	12	12.14	12.36	6.74	10.10
Q1 1993	6	11.84	12.33	6.28	8.87
Q2 1993	7	11.64	12.39	5.99	8.10
Q3 1993	5	11.15	12.70	5.62	11.20
Q4 1993	9	11.04	12.12	5.61	10.90
Q1 1994	15	11.07	12.15	6.07	13.40
Q2 1994	10	11.13	12.37	7.08	9.28
Q3 1994	11	12.75	12.66	7.33	11.80
Q4 1994	4	11.24	13.36	7.84	9.26
Q1 1995	10	11.96	12.44	7.48	12.00
Q2 1995	10	11.32	12.26	6.62	10.40
Q3 1995	8	11.37	12.19	6.32	9.50
Q4 1995	5	11.58	11.69	5.89	10.60
Q1 1996	3	11.46	12.25	5.91	16.30
Q2 1996	9	11.46	11.96	6.72	9.80
Q3 1996	4	10.76	12.13	6.78	14.00
Q4 1996	4	11.56	12.48	6.34	8.12
Q1 1997	4	11.08	12.50	6.56	13.80
Q2 1997	5	11.62	12.66	6.70	18.70
Q3 1997	3	12.00	12.63	6.24	8.33
Q4 1997	4	11.06	11.93	5.91	12.70
Q1 1998	2	11.31	12.75	5.59	10.20
Q2 1998	7	12.20	11.78	5.60	7.00
Q3 1998	1	11.65	NA	5.20	19.00
Q4 1998	5	12.30	12.11	4.67	9.11
Q1 1999	1	10.40	NA	4.98	17.60
Q2 1999	3	10.94	11.17	5.54	8.33
Q3 1999	3	10.75	11.57	5.88	6.33
Q4 1999	4	11.10	12.00	6.14	23.00
Q1 2000	3	11.08	12.10	6.48	15.10
Q2 2000	1	11.00	12.90	6.18	10.50
Q3 2000	2	11.68	12.13	5.89	10.00
Q4 2000	8	12.50	11.81	5.57	7.50
Q1 2001	3	11.38	11.50	5.05	24.00
Q2 2001	7	10.88	12.24	5.27	8.00
Q3 2001	7	10.78	12.64	4.98	8.62
Q4 2001	6	11.57	12.29	4.77	8.00
Q1 2002	4	10.05	12.22	5.08	10.80
Q2 2002	6	11.41	12.08	5.10	8.16
Q3 2002	4	11.25	12.36	4.26	11.00
Q4 2002	6	11.57	11.92	4.01	8.25

VI. Rate Case Data: From Tables I-V (cont.)

U.S. Shareholder-Owned Electric Utilities

Quarter	Number of Rate Cases Filed	Average Awarded ROE	Average Requested ROE	Average 10-Year Treasury Yield	Average Regulatory Lag
Q1 2003	3	11.49	12.24	3.92	10.20
Q2 2003	10	11.16	11.76	3.62	13.60
Q3 2003	5	9.95	11.69	4.23	8.80
Q4 2003	10	11.09	11.57	4.29	6.83
Q1 2004	5	11.00	11.54	4.02	7.66
Q2 2004	8	10.64	11.81	4.60	10.00
Q3 2004	6	10.75	11.35	4.30	12.50
Q4 2004	5	10.91	11.48	4.17	14.40
Q1 2005	4	10.55	11.41	4.30	8.71
Q2 2005	12	10.13	11.49	4.16	13.70
Q3 2005	8	10.84	11.32	4.21	13.00
Q4 2005	10	10.57	11.14	4.49	8.44
Q1 2006	11	10.38	11.23	4.57	7.33
Q2 2006	18	10.39	11.38	5.07	8.83
Q3 2006	7	10.06	11.64	4.90	8.33
Q4 2006	12	10.38	11.19	4.63	8.11
Q1 2007	11	10.30	11.00	4.68	9.88
Q2 2007	16	10.27	11.44	4.85	9.82
Q3 2007	8	10.02	11.13	4.73	10.80
Q4 2007	11	10.44	11.16	4.26	8.75
Q1 2008	7	10.15	10.98	3.66	7.33
Q2 2008	8	10.41	10.93	3.89	10.80
Q3 2008	21	10.42	11.26	3.86	10.60
Q4 2008	6	10.38	11.21	3.25	11.90
Q1 2009	13	10.31	11.79	2.74	11.10
Q2 2009	22	10.55	11.01	3.31	9.13
Q3 2009	17	10.46	11.43	3.52	10.90
Q4 2009	14	10.54	11.15	3.46	9.69
Q1 2010	16	10.45	11.24	3.72	10.00
Q2 2010	19	10.12	11.12	3.49	9.00
Q3 2010	12	10.27	11.07	2.79	12.40
Q4 2010	8	10.30	11.17	2.86	10.90
Q1 2011	8	10.35	11.11	3.46	10.80
Q2 2011	15	10.24	11.06	3.21	12.00
Q3 2011	17	10.13	10.86	2.43	8.64
Q4 2011	10	10.29	10.66	2.05	7.60
Q1 2012	17	10.84	10.57	2.04	10.50

NA = Not available

Source: SNL Financial / Regulatory Research Assoc. and EEI Rate Department

and to recover for revenue shortfalls caused by the weak economy.

Among the trackers, Union Electric in Missouri filed for a storm restoration tracker. Kansas City Power & Light in Missouri would like an interim energy charge mechanism that would serve several functions, including providing a sharing mechanism for changes in off-system sales margins based on the probabilities of meeting or exceeding certain levels of off-system sales. This is one of several tracking mechanisms the company is seeking while it is prohibited from seeking a fuel adjustment clause before June 15, 2015. PPL in Pennsylvania filed for a competitive enhancement rider intended to recover expenses associated with the util-

ity's customer education program and other initiatives designed to encourage the expansion of retail competition in Pennsylvania. Among the filings for recovery based on weak economic conditions, PPL filed in part to recover shortfalls from lower customer usage in a stagnant economy.

Ameren Illinois and Florida Power & Light

Ameren Illinois filed its formula rate plan under a recently enacted law that requires utilities to meet various objectives in return for a formula-derived allowed ROE. The law requires Ameren to invest, over a 10-year period, \$265 million in electric system upgrades, modernization projects and training facilities, and \$360 million in transmission, distribu-

tion and Smart Grid upgrades. The commission will retain authority to investigate the prudence and reasonableness of these upgrades. The law requires formula rate plans that reflect the utility's capital structure (excluding goodwill), apply a legislatively set formula for determining allowed ROE based on the previous year's results (application of a premium to the 30-year treasury bond yield of 590 basis points the first year and 580 basis points each succeeding year) and provide for recovery of pension and pension-related costs and certain incentive compensation expenses. The utility must also refund to/collect from customers amounts above/below a 50 basis point dead-band around the authorized ROE. The utility's ROE may be reduced if it fails to meet certain performance metrics. The utility must also contribute, in conjunction with Commonwealth Edison, \$60 million toward low-income and support programs for certain customers. The formula rate plan will be terminated if the average annual rate increase between 2012 and 2014 exceeds 2.5%. All formula rate plans are to be terminated at year-end 2017 unless legislation extends them.

Florida Power & Light's filing requested a 25-basis-point adder if the company maintains the lowest residential typical bill in the state. The company's filing indicated that FP&L intends to spend \$9 billion between 2011 and 2013 to strengthen and improve Florida's electric generation and delivery system.

Decided Cases

Ten of the 17 decided cases in Q1 2012 were settlements, which are often silent on many of the case details. However, what is disclosed can be examined.

Generation

The quarter's decided cases reflect a heavy dose of new generation spending. The settlement approved for Florida Power increases base rates related to nuclear plants by \$150 million, then freezes most rates through 2016, and also contains performance incentives related to the management of nuclear plant maintenance. The order in a Virginia Electric & Power case allows the company to implement a rider to recover costs of converting three coal-fired plants to burn biomass fuels, including a cash return on construction work in progress (CWIP). The 12.4% ROE includes a 200-basis-point

premium through the first five years of the converted plants' lives. The commission said, "We find the proposed Biomass Conversions are likely to be cost-effective on a net present value basis. . . . The converted facilities will not adversely impact system reliability . . . and . . . Dominion's forecasted fuel prices are reasonable for purposes of this proceeding. . . . We conclude that the Conversions will have a positive impact on economic development within the Commonwealth."

The Montana commission approved a two-step rate increase for costs associated with a NorthWestern Energy generation plant. The increase reflects, in part, bonus depreciation — a federal program allowing parties to write off assets quickly.

PacifiCorp Idaho and Northern States Power Minnesota

In Q1, the Idaho commission approved a settlement that finds a transmission line totally used and useful after previously ruling that part of the line was not used and useful. The case was on appeal before the Idaho Supreme Court at the time of the settlement. The order approving the settlement requires PacifiCorp to dismiss the case and to delay the recovery of the costs of the incremental transmission until the next rate case. The commission said "this concession benefits customers because it eliminates uncertainty inherent in litigation and postpones cost recovery."

The North Dakota commission approved a settlement for Northern States Power Minnesota that authorizes a two-step rate increase and allows the company to implement a decoupling mechanism for retail sales revenue for 2012 only. The order approving the settlement requires the company to submit a performance-based ratemaking plan with metrics to measure and evaluate system reliability and with rate-of-return incentives to improve reliability. The settlement also allows the company to recover certain O&M and capital costs associated with flooding in the service territory in 2011, requires the company to credit to customers \$4.7 million associated with a payment the company received from DOE related to spent fuel removal, and requires the company to implement several initiatives aimed at improving reliability, including a three-year program to replace certain underground cables, and an increase in the size and scope of the company's vegetation management program. ■