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MAJOR RATE CASE DECISIONS--JANUARY-JUNE 2012

9.25
The average return on equity (ROE) authorized electric utilities in the first six months of 2012 was 10.36% (25 observations), slightly higher than 10.22% in calendar-2011. This increase was driven by several surcharge/rider generation cases in Virginia that incorporate ROE premiums. Virginia statutes authorize the State Corporation Commission to approve ROE premiums of up to 200 basis points for certain generation projects (see the Virginia Commission Profile). Excluding these Virginia surcharge/rider generation cases from the data, the average authorized electric ROE was 10.05% for the first six months of 2012. The average ROE authorized gas utilities for the first six months of 2012 was 9.75% (13 observations), slightly lower than the 9.92% in calendar-2011. We note that this report utilizes the simple mean for the return averages.

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, although the number of decisions declined in 2011. There were 84 electric and gas rate decisions in 2011, versus 126 in 2010, 95 in 2009, and only 32 back in 2001. Increased costs, including environmental compliance expenditures, the need for generation and delivery infrastructure upgrades and expansion, renewable generation mandates, and higher employee benefit expenses argue for the continuation of an active rate case schedule over the next few years.

As a result of electric industry restructuring, certain states have unbundled electric rates and implemented retail competition for generation. Commissions in those states now have jurisdiction over the revenue requirement and return parameters for delivery operations only (which we footnote in our chronology beginning on page 4), thus complicating historical data comparability. We also note that while the heightened business risk associated with the sluggish economy may have increased corporate capital costs, average authorized ROEs have declined slightly since 2008. In fact, some state commissions have cited customer hardship as a factor influencing their equity return authorizations.

The table on page 2 shows the average ROE authorized in major electric and gas rate decisions annually since 1990, and by quarter since 2006, followed by the number of observations in each period. The tables on page 3 show the composite electric and gas industry data for all major cases summarized annually since 1998 and by quarter for the past six quarters. The individual electric and gas cases decided in the first six months of 2012 are listed on pages 4-6, 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. We note that the cases and averages included in this study may be slightly different from those in our on-line Rate Case History database, with any differences reflecting, for example, this study's historical inclusion (pre-2011) of ROE determinations that are rendered in cost-of-capital-only proceedings in California.

Dennis Spurduto

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MEC Exhibit No. 530
Date 10/5/12 Reporter MR
File No. ER-2012-0166

Average Equity Returns Authorized January 1990 - June 2012

Year	Period	Electric Utilities		Gas Utilities	
		ROE %	(# Cases)	ROE %	(# 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	1st Quarter	10.38	(3)	10.63	(6)
	2nd Quarter	10.68	(6)	10.50	(2)
	3rd Quarter	10.06	(7)	10.45	(3)
	4th Quarter	10.39	(10)	10.14	(5)
	Full Year	10.36	(26)	10.43	(16)
2007	1st Quarter	10.27	(8)	10.44	(10)
	2nd Quarter	10.27	(11)	10.12	(4)
	3rd Quarter	10.02	(4)	10.03	(8)
	4th Quarter	10.56	(16)	10.27	(15)
	Full Year	10.36	(39)	10.24	(37)
2008	1st Quarter	10.45	(10)	10.38	(7)
	2nd Quarter	10.57	(8)	10.17	(3)
	3rd Quarter	10.47	(11)	10.49	(7)
	4th Quarter	10.33	(8)	10.34	(13)
	Full Year	10.46	(37)	10.37	(30)
2009	1st Quarter	10.29	(9)	10.24	(4)
	2nd Quarter	10.55	(10)	10.11	(8)
	3rd Quarter	10.46	(3)	9.88	(2)
	4th Quarter	10.54	(17)	10.27	(15)
	Full Year	10.48	(39)	10.19	(29)
2010	1st Quarter	10.66	(17)	10.24	(9)
	2nd Quarter	10.08	(14)	9.99	(11)
	3rd Quarter	10.26	(11)	9.93	(4)
	4th Quarter	10.30	(17)	10.09	(12)
	Full Year	10.34	(59)	10.08	(37)
2011	1st Quarter	10.32	(13)	10.10	(5)
	2nd Quarter	10.12	(10)	9.88	(5)
	3rd Quarter	10.00	(7)	9.65	(2)
	4th Quarter	10.34	(11)	9.88	(4)
	Full Year	10.22	(41)	9.92	(16)
2012	1st Quarter	10.84	(12)	9.63	(5)
	2nd Quarter	9.92	(13)	9.83	(8)
	Year-To-Date	10.36	(25)	9.75	(13)

Electric Utilities--Summary Table*

	<u>Period</u>	<u>ROR % (# Cases)</u>		<u>ROE % (# Cases)</u>		<u>Eq. as %</u>		<u>Amt.</u>	
						<u>Cap. Struc. (# Cases)</u>		<u>\$ Mil. (# Cases)</u>	
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	(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	8.24	(24)	10.36	(26)	48.67	(23)	1,465.0	(42)
2007	Full Year	8.22	(38)	10.36	(39)	48.01	(37)	1,401.9	(46)
2008	Full Year	8.25	(35)	10.46	(37)	48.41	(33)	2,899.4	(42)
2009	Full Year	8.23	(38)	10.48	(39)	48.61	(37)	4,192.3	(58)
2010	Full Year	7.99	(59)	10.34	(59)	48.45	(54)	5,567.7	(77)
	1st Quarter	8.12	(13)	10.32	(13)	49.05	(13)	610.5	(15)
	2nd Quarter	8.01	(10)	10.12	(10)	46.36	(10)	1,055.9	(12)
	3rd Quarter	8.09	(7)	10.00	(7)	48.33	(7)	642.4	(11)
	4th Quarter	7.61	(11)	10.34	(11)	47.91	(10)	544.7	(15)
2011	Full Year	7.95	(41)	10.22	(41)	47.97	(40)	2,853.5	(53)
	1st Quarter	8.00	(11)	10.84	(12)	50.20	(10)	970.6	(16)
	2nd Quarter	7.78	(12)	9.92	(13)	51.01	(13)	432.3	(16)
2012	Year-To-Date	7.89	(23)	10.36	(25)	50.66	(23)	1,402.9	(32)

Gas Utilities--Summary Table*

	<u>Period</u>	<u>ROR % (# Cases)</u>		<u>ROE % (# Cases)</u>		<u>Eq. as %</u>		<u>Amt.</u>	
						<u>Cap. Struc. (# Cases)</u>		<u>\$ Mil. (# Cases)</u>	
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	Full Year	8.51	(16)	10.43	(16)	47.43	(16)	444.0	(25)
2007	Full Year	8.12	(32)	10.24	(37)	48.37	(30)	813.4	(48)
2008	Full Year	8.48	(30)	10.37	(30)	50.47	(30)	884.8	(41)
2009	Full Year	8.15	(28)	10.19	(29)	48.72	(28)	475.0	(37)
2010	Full Year	7.95	(38)	10.08	(37)	48.56	(38)	816.7	(49)
	1st Quarter	8.07	(6)	10.10	(5)	52.47	(4)	48.3	(9)
	2nd Quarter	8.05	(4)	9.88	(5)	54.45	(3)	234.0	(7)
	3rd Quarter	8.09	(2)	9.65	(2)	49.44	(2)	26.5	(4)
	4th Quarter	8.07	(5)	9.88	(4)	52.03	(4)	127.5	(11)
2011	Full Year	8.57	(16)	9.92	(16)	48.04	(13)	436.3	(31)
	1st Quarter	7.63	(5)	9.63	(5)	51.40	(5)	125.3	(5)
	2nd Quarter	7.79	(5)	9.83	(8)	48.92	(6)	39.3	(8)
2012	Year-To-Date	7.71	(10)	9.75	(13)	50.05	(11)	164.6	(13)

ELECTRIC UTILITY DECISIONS

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. \$ Mil.
1/3/12	Appalachian Power (VA)	---	11.40	---	2/13-YE	26.1 (B,1)
1/10/12	PacifiCorp (ID)	---	---	---	12/10	34.0 (B,Z)
1/25/12	Duke Energy Carolinas (SC)	8.10	10.50	53.00	12/10-YE	92.8 (B)
1/27/12	Duke Energy Carolinas (NC)	8.11	10.50	53.00	12/10-YE	368.0 (B,2)
2/2/12	Virginia Electric and Power (VA)	8.77	11.40	53.25	3/13-A	34.1 (3)
2/15/12	Indiana Michigan Power (MI)	6.84	10.20	42.07 *	12/12-A	14.6 (B)
2/23/12	Idaho Power (OR)	7.76	9.90	49.90	12/11-A	1.8 (B)
2/22/12	Florida Power (FL)	---	---	---	---	150.0 (B,4)
2/27/12	Gulf Power (FL)	6.39	10.25	38.50 *	12/12-A	68.1 (I,Z)
2/29/12	Northern States Power-Minnesota (ND)	---	10.40	---	12/11	15.7 (B,I,Z)
3/16/12	Virginia Electric and Power (VA)	9.03	12.40	53.25	3/13-A	6.4 (5)
3/20/12	Virginia Electric and Power (VA)	8.48	11.40	53.25	3/13-A	-4.3 (6)
3/21/12	NorthWestern Corp. (MT)	---	---	---	A	39.1 (I,Z,7)
3/23/12	Virginia Electric and Power (VA)	8.48	11.40	53.25	3/13-A	46.8 (8)
3/29/12	Northern States Power-Minnesota (MN)	8.32	10.37	52.56	12/11-A	72.9 (B,I,Z)
3/30/12	PacifiCorp (WA)	7.74	---	---	12/10	4.5 (B)
2012	1ST QUARTER: AVERAGES/TOTAL	8.00	10.84	50.20		970.6
	MEDIAN	8.11	10.50	53.00		---
	OBSERVATIONS	11	12	10		16
4/4/12	Hawaii Electric Light Company (HI)	8.31	10.00	55.91	12/10-A	4.5 (I,B)
4/18/12	Westar Energy/Kansas Gas & Elec. (KS)	---	---	---	3/11	50.0 (B,9)
4/26/12	Public Service Co. of Colorado (CO)	8.08	---	56.00	---	234.4 (B,Z)
5/2/12	Maui Electric Company (HI)	8.15	10.00	56.86	12/10-A	4.7 (I,B)
5/7/12	Puget Sound Energy (WA)	7.80	9.80	48.00 (Hy)	12/10-A	63.3
5/15/12	Arizona Public Service (AZ)	8.33	10.00	53.94	12/10-YE	0.0 (B)
5/18/12	El Paso Electric (TX)	---	---	---	9/11	-15.0 (B)
5/29/12	Commonwealth Edison (IL)	8.16	10.05	46.17	12/10-YE	-168.6 (D)
6/7/12	Consumers Energy (MI)	6.70	10.30	42.07 *	9/12-A	118.5 (I)
6/14/12	Orange and Rockland Utilities (NY)	7.61	9.40	48.00	6/13-A	19.4 (B,D,10)
6/15/12	Wisconsin Power and Light (WI)	---	10.40	49.31	12/13-A	0.0 (11)
6/18/12	Cheyenne Light, Fuel and Power (WY)	7.99	9.60	54.00	8/11-YE	2.7 (B)
6/19/12	Northern State Power-Minnesota (SD)	7.79	9.25	53.04	12/10	8.0 (I,B)
6/26/12	Wisconsin Electric Power (MI)	6.35	10.10	43.51 *	12/12-A	9.2 (I)
6/29/12	Hawaiian Electric Company (HI)	8.11	10.00	56.29	12/11-A	43.1 (I,B,12)
6/29/12	Idaho Power (ID)	---	---	---	12/12	58.1 (13)
2012	2ND QUARTER: AVERAGES/TOTAL	7.78	9.92	51.01		432.3
	MEDIAN	8.04	10.00	53.04		---
	OBSERVATIONS	12	13	13		16
2012	YEAR-TO-DATE: AVERAGES/TOTAL	7.89	10.36	50.66		1,402.9
	MEDIAN	8.10	10.20	53.00		---
	OBSERVATIONS	23	25	23		32

GAS UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR %</u>	<u>ROE %</u>	<u>Common Eq. as % Cap. Str.</u>	<u>Test Year & Rate Base</u>	<u>Amt. \$ Mil.</u>
1/10/12	Ameren Illinois (IL)	8.33	9.06	53.27	12/12-A	32.2
1/10/12	North Shore Gas (IL)	7.43	9.45	50.00 (14)	12/12-A	1.9
1/10/12	Peoples Gas Light & Coke (IL)	6.94	9.45	49.00 (14)	12/12-A	57.8
1/23/12	Piedmont Natural Gas (TN)	7.98	10.20	52.71	2/13-A	11.9 (B)
1/31/12	New Mexico Gas (NM)	7.48	10.00	52.00	9/10-YE	21.5 (B)
2012	1ST QUARTER: AVERAGES/TOTAL	7.63	9.63	51.40		125.3
	MEDIAN	7.48	9.45	52.00		---
	OBSERVATIONS	5	5	5		5
4/24/12	UNS Gas (AZ)	8.27	9.75	50.82	12/10-YE	2.7
4/24/12	Northern Utilities (NH)	7.24	9.50	40.25	12/10-YE	2.7 (I,B,15)
5/7/12	Puget Sound Energy (WA)	7.80	9.80	48.00 (Hy)	12/10-A	13.4
5/22/12	SourceGas Distribution (NE)	7.67	9.60	51.16	3/11-YE	5.0 (I)
5/24/12	Minnesota Energy Resources (MN)	---	9.70	---	12/11-A	11.0 (I,E,16)
6/7/12	Consumers Energy (MI)	---	10.30	---	12/12	16.0 (I,B)
6/15/12	Wisconsin Power and Light (WI)	---	10.40	49.31	12/13-A	-13.1 (17)
6/18/12	Cheyenne Light, Fuel and Power (WY)	7.99	9.60	54.00	8/11-YE	1.6 (B)
2012	2ND QUARTER: AVERAGES/TOTAL	7.79	9.83	48.92		39.3
	MEDIAN	7.80	9.73	50.07		---
	OBSERVATIONS	5	8	6		8
2012	YEAR-TO-DATE: AVERAGES/TOTAL	7.71	9.75	50.05		164.6
	MEDIAN	7.74	9.70	50.82		---
	OBSERVATIONS	10	13	11		13

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

Hy- Hypothetical capital structure utilized

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

YE- Year-end

Z- Rate change implemented in multiple steps.

* Capital structure includes cost-free items or tax credit balances at the overall rate of return.

(1) Rate increase authorized through a generation rider/adjustment clause.

(2) The approved/stipulated \$368 million base rate increase includes \$51 million that the company is to defer until its next rate case, representing a cash return on construction work in progress.

(3) Increase authorized through a surcharge, Rider W, which reflects in rates the investment in the Warren County Power Station and associated transmission facilities.

(4) PSC adopted a settlement that addresses base rates and issues related to the company's nuclear plants. Effective January 2013, the company is to increase base rates by \$150 million, and base rates would then be frozen through 2016, except as otherwise provide for by the settlement.

(5) Increase authorized through a surcharge (Rider B) related to generation conversion project investments.

(6) Rate change approved through surcharge (Rider R) related to the Bear Garden Generating Station.

(7) Case is a limited-issue rate proceeding, covering NorthWestern's incremental investment in the Dave Gates (formerly Mill Creek) generating facility.

(8) Increase authorized through a surcharge, Rider S, associated with the Virginia City Hybrid Energy Center.

FOOTNOTES (continued)

- (9) Authorized base rate increase is \$104.3 million after the transfer to base rates, from a rider, of \$54.3 million of certain environmental compliance costs.
- (10) Approved Joint Proposal includes three-year rate plan specifying \$19.4 million, \$8.8 million, and \$15.2 million rate increases, based upon 9.4%, 9.5%, and 9.6% ROEs, respectively. A levelized plan was adopted, whereby rates in each of the three years are to be increased by \$15.2 million.
- (11) PSC adopted the company's proposal to freeze base rates for 2013 and 2014.
- (12) Rate increase excludes amounts being recovered through the company's alternative regulation framework.
- (13) The rate increase sought by Idaho Power reflects the recovery of the company's investment in the Langley Gulch natural gas-fired combined cycle plant. The rate request and authorization are premised upon the 7.86% overall return authorized in the company's last rate case that was decided on 12-30-11.
- (14) Component of an "imputed" capital structure.
- (15) An additional \$1 million step adjustment rate increase also authorized.
- (16) Written order has not been issued.
- (17) PSC adopted the company's proposal to reduce base rates by \$13.1 million for 2013 and then to freeze base rates for 2014.

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