WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF RESPONSE TO DATA REQUEST

DATE PREPARED:	December 11, 2014	WITNESS:	David C. Parcell
DOCKETS:	UE-121697, et al.	RESPONDER:	David C. Parcell
REQUESTER:	Public Counsel	TELEPHONE:	Thomas E. Schooley (360) 664-1307

REQUEST NO. 2: Please provide all electric utility rate case cost of capital testimony submitted by Mr. Parcell in which decoupling was considered and accounted for in his estimate of the cost of capital.

RESPONSE: Please see attached testimony related to decoupling and any impact on cost of capital.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MARYLAND

IN THE MATTER OF THE APPLICATION OF	)	
POTOMAC ELECTRIC POWER COMPANY	)	
FOR AUTHORITY TO REVISE ITS RATES	)	**CASE NO. 9092**
AND CHARGES FOR ELECTRIC SERVICE	)	
AND FOR CERTAIN RATE DESIGN CHANGES	)	

DIRECT TESTIMONY
OF
DAVID C. PARCELL
ON BEHALF OF
UNIVERSITY OF MARYLAND,
COLLEGE PARK

MARCH 7, 2007

Q. PEPCO IS PROPOSING A BILL STABILIZATION ADJUSTMENT ("BSA"). DOES THE POTENTIAL APPROVAL OF THIS REGULATORY MECHANISM AFFECT PEPCO'S RISK?

A. Yes, it does.

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF THE NEW REGULATORY MECHANISM THAT PEPCO IS PROPOSING IN THIS PROCEEDING.

A. The BSA is intended to insulate the Company from any variation in distribution revenues attributed to conservation, weather effects or price responses by the customer. This mechanism is especially risk-reducing.

Q. DID YOU REQUEST, FROM PEPCO, ANY DATA REQUESTS CONCERNING THE IMPACT OF BSA'S (OR OTHER DECOUPLING ADJUSTMENTS) ON THE PERFORMANCE OF THE ELECTRIC INDUSTRY?

A. Yes, the University of Maryland, College Park asked several data requests on this issue. These include:

U 3-17
U 4-2
U 4-3

In addition, several similar data requests were asked by other parties on this issue. These include:

Staff

6-9	7-7
7-5	7-8
7-6	7-9

The responses to these requests reveal a number of factors:

- The existence of decoupling adjustments for electric utilities is rare. (U 4-2). In fact, Pepco could identify only one state commission that has adopted a similar mechanism to that proposed by the Company.
- There are no studies performed by security analysts on rating agencies that describe the impact of decoupling mechanisms on the risk profiles of electric utilities (U 4-3).

Q. WHAT WILL BE THE EFFECT ON PEPCO'S PERCEIVED RISKS IF THESE REGULATORY MECHANISMS ARE ADOPTED?

A. The effect will be to transfer a significant portion of Pepco's business risks from its stockholders to its ratepayers. This will, in turn, reduce the cost of equity capital of Pepco. In fact, it is conceivable that a combination of regulatory mechanisms, including the BSA, could have the effects of virtually guaranteeing that Pepco would exactly earn its authorized rate of return. This would have the effect of reducing the common equity risk to approximately that of the cost of debt.

BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner
BRENDA BURNS
Commissioner

IN THE MATTER OF THE APPLICATION OF SOUTHWEST GAS CORPORATION FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS PROPERTIES THROUGHOUT ARIZONA.	DOCKET NO. G-01551A-10-0458

DIRECT

TESTIMONY

OF

DAVID C. PARCELL

ON BEHALF OF

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 10, 2010

Q. As noted by Moody's, Southwest Gas is requesting certain regulatory cost-recovery mechanisms in this proceeding. What are the cost of capital implications of the implementation of these?

A. It is my understanding that the Company is requesting approval to implement certain new rate design proposals that, if approved, will be risk-reducing. These proposals include an Energy Efficiency Enabling Provision ("EEP"), which provides for full revenue decoupling for all of Southwest Gas' customers except for its largest general service customers.

Q. How are these proposals risk-reducing to the Company?

A. These rate design proposals, if approved, are risk-reducing to Southwest Gas since the Company's revenues, and income, will be essentially insulated from variations due to weather and usage. The net effect of these proposals is to transfer a significant portion of the Company's risks from its shareholders to its ratepayers.

Q. Is the Staff recommending approval of these new proposals which would transfer significantly more risk to ratepayers?

A. Other Staff witnesses are addressing the Company's new risk-reducing rate design proposals. It is my understanding that the Staff is recommending a different proposal. However, I want to point out that if the Commission should adopt either of them, it would reduce the Company's risk, normally a consideration in the cost of equity estimation.

Q. Are you proposing an adjustment to Southwest Gas' cost of equity if either of the proposed decoupling mechanisms is approved?

A. No, I am not proposing an adjustment if decoupling is approved for Southwest Gas. I have made such recommendations in other rate proceedings based upon the reduction in risk associated with decoupling. However, in this proceeding I am not making such a recommendation. This is the case because the Commission has indicated in its *Final ACC Policy Statement Regarding Utility Disincentives to Energy Efficiency and Decoupled Rate Structures, Docket Nos. E-00000J-08-0314 and G-00000C-08-0314* that decoupling should be implemented for an initial three-year period and that more detailed evaluations of its impact, including cost of capital implications, be conducted at the end of the three year period.

VI. CAPITAL STRUCTURE AND COST OF DEBT

Q. What is the importance of determining a proper capital structure in a regulatory framework?

A. A utility's capital structure is important because the concept of rate base – rate of return regulation requires that a utility's capital structure be determined and utilized in estimating the total cost of capital. Within this framework, it is proper to ascertain whether the utility's capital structure is appropriate relative to its level of business risk and relative to other utilities.

As discussed in Section III of my testimony, the purpose of determining the proper capital structure for a utility is to help ascertain its capital costs. The rate base – rate of return concept recognizes the assets employed in providing utility services and provides for a return on these assets by identifying the liabilities and common equity (and their cost rates) used to finance the assets. The inherent assumption in this procedure is that the

CA-T-4
DOCKET NO. 2010-0080

DIRECT TESTIMONY AND EXHIBITS

OF

DAVID C. PARCELL

ON BEHALF OF
THE DIVISION OF CONSUMER ADVOCACY

SUBJECT: RATE OF RETURN

recommended range would produce a coverage level at the top end of the benchmark range for a BBB rated utility. In addition, the debt ratio (which reflects the capital structure as proposed by the Company) is within that benchmark for a BBB rated utility.

XIII. **IMPACT OF DECOUPLING MECHANISMS.**

Q. HECO HAS BEEN ALLOWED TO IMPLEMENT A DECOUPLING MECHANISM. DOES THE APPROVAL AND IMPLEMENTATION OF THIS REGULATORY MECHANISM AFFECT HECO'S RISK?

A. Yes, it does.

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF THE REGULATORY MECHANISM THAT THE COMMISSION APPROVED FOR HECO.

A. In Docket No. 2008-0274, the HECO Companies and the Consumer Advocate jointly proposed a decoupling mechanism for the Company. On March 30, 2009, HECO and the Consumer Advocate issued a "Joint Proposal on Decoupling and Statement of Position of the HECO Companies and Consumer Advocate." According to this proposal, HECO can institute a sales decoupling mechanism, which will be implemented through a Revenue Balancing Account ("RBA") and Revenue Adjustment Mechanism ("RAM"). This proposal, according to the March 30, 2009 joint statement, is intended to be consistent with the previously-cited HCEI.

According to the Joint Decoupling Proposal, the purpose of the sales decoupling mechanism is to remove the linkage between utility sales and revenues, in order to encourage energy efficiency. In turn, the purpose of the RAM is the "adjust revenues decoupled from sales to reflect changes in revenue requirements between rate case[s], which should help maintain the utility's financial integrity and ability to invest in infrastructure necessary to meet Hawaii's 70% clean energy objective, while maintaining reliable service to customers."[13]

Q. HAS THIS DECOUPLING MECHANISM BEEN APPROVED FOR THE HECO COMPANIES?

A. Yes, it has. In its Order filed on February 19, 2010, the Commission approved the proposed decoupling mechanism set forth in the Joint Final Statement of Position of the HECO Companies and the Consumer Advocate, filed on May 11, 2009 (as amended). In addition, the Commission provided for the implementation of this decoupling in its Final Decision and Order on December 29, 2010 in Docket No. 2008-0083. In this Final Decision and Order, the Commission also directly acknowledged the "undisputed" reduction

[13] Joint Final Statement of Position filed by the HECO Companies and the Consumer Advocate, filed on May 11, 2009, in Docket No. 2008-0274, at 2-3.

in HECO's risks that result from its cost-recovery mechanisms, which include the RAM.[14]

Q. HOW DOES THE DECOUPLING MECHANISM REDUCE THE COMPANY'S RISK?

A. These rate design and deferral accounting proposals, and the resulting rate design and deferral accounting proposals, and the resulting rate adjustments, are risk-reducing to HECO since the Company's revenues and income are now essentially insulated from variations due to usage, whether these variations are caused by conservation, economic conditions, the weather or any other reasons. The net effect of this mechanism is to transfer a significant portion of the Company's operating risk from its shareholders to its ratepayers.

Q. WHAT IS S&P'S ASSESSMENT OF THESE DECOUPLING MECHANISMS?

A. This was expressed in a May, 2009 report on HECO by S&P, wherein it was stated:

> While our outlook reflects the concerns that consolidated operations face in the next two years, **the company may receive HPUC authorization to implement several regulatory mechanisms that could support credit quality as early as 2010**.
>
> In October 2008, HEI's utilities signed an agreement to support the objectives of the state's Clean Energy Initiative (CEI). The

14 Final Decision and Order in Docket No. 2008-0083, pages 25 and 26.

agreement contemplates fundamental changes that would essentially move HECO and its subsidiary utilities away from a fully integrated electric utility dependent on petroleum to fuel 77% of its generation to a transmission and distribution company that would purchase future power requirements from third-party renewable developers and from its customers through distributed generation projects such as solar photovoltaics. **As part of the agreement, the utility would be permitted to introduce several key regulatory enhancements including:**

- **Decoupling revenues from electric sales**, which would result in HEI's utilities being able to recover in the following year any lost revenues due to lower than forecast sales;

- **Providing HECO and eventually HELCO and MECO with an annual revenue adjustment mechanism that would allow the company to annually reconcile actual to forecast O&M expenses and capital additions and would also look forward, resetting retail electric rates to reflect** expected expenses for the coming year. This would greatly reduce regulatory lag, which has resulted in the company earning poor, single-digit returns on equity since 2003;

- **Establishing a separate surcharge to allow the three utilities to pass through all reasonably incurred purchases power costs**, including capacity payments through its fuel and purchased power adjustment mechanism that is already in place (This change would result in a lower debt imputation for the company's off-balance-sheet (OBS) obligations under our power purchase criteria); and,

- **Creating surcharges to automatically collect the costs of funding sizable planned energy efficiency and renewable investment programs.**

A HECO decoupling mechanism is pending before the HPUC as part of its settlement agreement. While the utility may be allowed to track in a balancing account sales declines for the last six months of 2009, it will not recover any cash under collections until 2010. As a result, it does not mitigate our near-term flow concerns from 2009. MECO and HELCO are

> expected to seek decoupling mechanisms in rate case applications that have not been filed. The design of the revenue adjustment mechanism has yet to be pending and at best are not likely to be implemented to provide full year cash flow benefits to HEI's utilities until 2010 at the earliest, we view these proposed changes as more long-run enhancements that short-term features that will assist company in the next two years. (Emphasis added)

In addition, as noted earlier, S&P cited, as "Strengths" for HECO in its December 28, 2010 Credit Report, the following:

> Cost recovery mechanisms, including decoupling;
>
> Strong energy cost adjustment clauses; and,
>
> Riders for collection of renewable energy costs.

These reflect a continuing recognition of the risk-reducing effect of HECO's favorable regulatory mechanisms, including decoupling.

Q. HOW CAN THIS REDUCTION IN COST OF CAPITAL BE MEASURED?

A. One method to measure the impact of the reduction in cost of equity resulting from the potential adoption of these regulatory mechanisms is to quantify the difference between the yields on bonds and preferred stock for alternative bond ratings. I have made such a calculation on CA-415, which shows the differential over the 2001 to 2011 period in yields between: (1) bonds with a Baa and A rating; and (2) preferred stocks with a Baa and an A rating. For both series of securities, the average differential is about 0.4 percent, or 40 basis points. It stands to reason that the differential in cost of equity would be greater than 40 basis points, since common equity has a higher cost rate.

Q. WHAT DIFFERENTIAL DO YOU BELIEVE IS PROPER TO REFLECT THE IMPACT OF THE IMPLEMENTATION OF THE REGULATORY MECHANISMS FOR HECO?

A. I believe the mechanisms have the impact of lowering HECO's cost of common equity to the low end of my cost of equity range. This amounts to a 50 basis point reduction, which is justified by the above analysis. Therefore, I specifically recommend a 50 basis point reduction in HECO's cost of equity.

XIV. COMMENTS ON COMPANY TESTIMONY.

Q. HAVE YOU REVIEWED THE TESTIMONY OF HECO WITNESS ROGER A. MORIN?

A. Yes, I have.

Q. WHAT IS YOUR UNDERSTANDING OF DR. MORIN'S COST OF EQUITY RECOMMENDATION FOR HECO?

A. Dr. Morin is recommending a 10.75 percent cost of common equity for HECO:

	Morin Conclusions	
CAPM		
Traditional	9.8%	
Empirical	10.2%	
Average		
		10.0%
Risk Premium		

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR AN INCREASE IN ELECTRIC BASE RATES AND MISCELLANEOUS TARIFF CHANGES (FILED DECEMBER 2, 2011	)))))	PSC DOCKET NO. 11-528

**PRE-FILED DIRECT TESTIMONY OF DAVID C. PARCELL
ON BEHALF OF COMMISSION STAFF**

MAY 15, 2012

match a coverage level consistent with the benchmark range for an A-rated utility. In addition, the debt ratio (which reflects the Company's proposed capital structure) exceeds the benchmark for an A-rated utility.

VIII. IMPACT OF PROPOSED REGULATORY MECHANISMS

Q. Has DP&L proposed any regulatory mechanisms that have the effect of enhancing the recovery of its expenses and/or investments?

A. Yes. DP&L is requesting three new regulatory mechanisms in this proceeding, which it refers to as "revenue stabilization mechanisms." These are:

- Revenue decoupling via Modified Fixed Variable ("MVF") rate design;
- Reliability Investment Recovery Mechanism ("RIM"), which is described by DP&L witness Lowry as "an expedited cost recovery mechanism that would target Delmarva's reliability-related capex costs"; and,
- Use of a fully forecasted test period.

Q. How would DP&L's risks be reduced by the approval and implementation of its proposed regulatory mechanisms?

A. The Company's risks would be significantly reduced if these mechanisms were to be approved and implemented. One risk faced by all businesses, including utility companies, is the risk of revenues covering all costs including investment costs. Revenue collections that are volatile and/or subject to seasonal/weather influences often do not match cost causation, resulting in periodic erosion of earnings.

DP&L's proposed regulatory mechanisms and rate design in this case basically eliminate many of the risks associated with revenue volatility. The proposed SFV rate design will reduce DP&L's risks of revenue recovery from volatility and systematic trends in customer's average consumption. The proposed RIM will reduce DP&L's risk of earnings from growing non-revenue producing plant investment. Finally, a fully forecasted test year will reduce DP&L's risk of earnings from cost inflation and systematic trends in customer growth. Individually and collectively, these regulatory mechanisms, if adopted and implemented, will significantly reduce DP&L's risks. In essence, DP&L is requesting that a significant portion of its risks be transferred from its shareholders to its ratepayers.[3]

Q. Have the rating agencies commented favorably on the approval and implementation of regulatory mechanisms such as those proposed by DP&L?

A. Yes, they have. Standard & Poor's made the following statements in a March 9, 2009 RatingsDirect report titled, "Regulatory Mechanisms Help Smooth Electric Utility Cash Flow and Support Ratings":

> we believe innovative ratemaking techniques and alternatives to traditional base rate case applications and large rate hikes will become more critical to the utilities' ability to maintain cash flow, earnings power, and ultimately credit quality. That's why **Standard & Poor's Ratings Services views rate recovery mechanisms that allow for the timely adjustment of rates to changing commodity prices and other expenses, outside of a fully litigated rate proceeding, as beneficial to utility creditworthiness.**
> **[Emphasis added]**

This view has been reiterated by Moody's, which made the following statements in a June 18, 2010 Special Comment titled, "Cost Recovery Provisions Key To Investor Owned Utility Ratings and Credit Quality":

> **Moody's views automatic adjustment clauses**, the most common of which is for fuel and purchased power, the largest component of utility operating expenses, **as supportive of utility credit quality and important in reducing a utility's cash flow volatility, liquidity requirements, and credit risk.**
> . . .
> Generally, the more of these clauses a utility has in place, the stronger its scoring should be on this ratings factor and the lower the credit risk.
> **[Emphasis added]**

Q. Should this risk reduction be reflected in a lower cost of equity for DP&L?

A. Yes. Given the significance of the risk reduction to DP&L resulting from these regulatory mechanisms, I recommend that if the Commission approves one or all of them,

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3 These mechanisms, as well as their impact on DP&L's risks, are described more fully in the testimony of Staff witness Karl Pavlovic.

the lower-end of the cost of equity developed in my cost of equity analysis be used in setting the Company's cost of capital.

Q. Do any other Pepco Holdings subsidiaries have similar types of regulatory mechanisms in place in their respective jurisdiction?

A. Yes. According to DP&L's response to PSC-COC-11, DP&L has implemented a bill stabilization adjustment ("BSA") in Maryland. In addition, Pepco (another subsidiary of Pepco Holdings) has a BSA in Maryland and the District of Columbia. The response also indicates that the goal of both the BSA's and DP&L's request in this proceeding are the same – "to break the link between energy consumption and distribution revenues."

Q. Did the Maryland and District of Columbia Commissions make any cost of equity adjustments in connection with the approval of the BSA's?

A. Yes. According to DP&L witness Hevert's Schedule RBH-10, the D.C. Commission reduced Pepco's returns on equity by 50 basis points in the 2009 and 2010 proceedings in which the BSA's where approved. In addition, both DP&L and Pepco had a 50 basis point reduction in their respective Maryland decisions where the BSA's were approved.

Q. What is the average authorized return on equity for electric utilities in cases where decoupling mechanisms were approved?

A. This is shown in DP&L's response to PSC-COC-22. The average of all the listed cases is 10.0 percent. This is well below the 10.75 percent requested by DP&L in this proceeding. In addition, of the 37 decisions listed on this response, where a return on equity is cited, only two return on equity awards are as high as the 10.75 percent level DP&L is requested, while 22 are 10.0 percent or below.

IX. CRITIQUE OF DP&L'S COST OF CAPITAL REQUEST

Q. What is your understanding of the cost of capital being requested by DP&L in this proceeding?

ATTACHMENT 2

DATA REQUEST RESPONSES OF DELMARVA POWER & LIGHT COMPANY CITED IN TESTIMONY OF COMMISSION STAFF WITNESS DAVID C. PARCELL

PSC DOCKET NO. 11-528
STAFF'S FIRST SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
COST OF CAPITAL

Question No. : PSC-COC-11

Identify the decoupling mechanisms that the other Pepco Holdings utility subsidiaries currently employ, and discuss how each of these compare to the decoupling mechanism Delmarva requests in the current proceeding. Identify when each decoupling mechanism went into effect and the results for each year since each mechanism was implemented. If a year of data is not available, provide information on the year to date implementation of the mechanism.

RESPONSE:

PHI's Pepco jurisdictions in Maryland and the District of Columbia and the Delmarva Maryland jurisdictions have all implemented a bill stabilization adjustment (BSA) form of decoupling. The modified fixed variable (MFV) form of decoupling outlined in this filing reflects the current consensus of the working group ordered by the Commission in Docket No 09-276T, Order No. 8011. In Regulation Docket No. 59, Delmarva sought adoption of the BSA as a form of decoupling for Delaware. Staff objected to the BSA, and instead offered a form of the MFV. After working extensively with Staff on the MFV, Delmarva agreed to accept the MFV as the form of decoupling for Delmarva's Delaware customers. For an explanation of the rejection of the BSA as a decoupling mechanism in Delmarva's Delaware jurisdiction please see Regulation Docket No. 59, Order No. 7420.

The essential difference between the BSA and MFV is that the BSA is an adjustment taken on top of the current rate structure and the MFV is itself the rate structure, which provides for a fixed customer charge (i.e., not tied to the customer's volumetric consumption) to recover the utility's fixed costs, plus a reasonable rate of return. Their goal, to break the link between energy consumption and distribution revenues, is the same.

Bill Stabilization Adjustment (BSA) Revenues
2007 - 2012

	Pepco		DPL
	DC	MD	MD
Mechanism	BSA	BSA	BSA
Implementation	11/1/2009	7/19/2007	7/19/2007
2007	NA	3,282,534 *	1,597,894
2008	NA	16,456,260	7,789,576
2009	2,138,154 *	23,060,436	8,542,910
2010	1,653,857	3,148,763	(3,547,804)
2011	7,101,008	1,702,901	(361,582)
2012	888,581	3,256,733	1,657,456

NA = Not applicable
* Partial Year

Respondent: Marlene C. Santacecilia

PSC DOCKET NO. 11-528
STAFF'S FIRST SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
COST OF CAPITAL

Question No. : PSC-COC-12

For each utility subsidiary of Pepco Holdings that has an authorized decoupling mechanism, identify any commission adjustment to the cost of equity related to the adoption of the decoupling mechanism.

RESPONSE:

Please see Witness Hevert's Schedule RBH-11 accompanying his direct testimony.

Respondent: Robert B. Hevert

PSC DOCKET NO. 11-528
STAFF'S FIRST SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
COST OF CAPITAL

Question No.: PSC-COC-16

RE: page 8, lines 13-15 of your testimony: Identify the planned amounts of debt and equity issuances over each of the next five years.

RESPONSE:

The Company is expected to issue $150 – $250 million of long-term debt in 2012. PHI is expected to contribute equity into DPL during 2012 to maintain the Company's equity ratio between 48% and 50%.

The Company has not disclosed any financing plans for the years 2013-2016. DPL's need to issue long-term debt or obtain equity from PHI to fund its critical infrastructure and reliability projects over the 2013-2016 period will be assessed periodically in accordance with the Company's capital structure policy to maintain an equity ratio in the range of 48% to 50%. The Company's equity ratio of 49.61% at December 31, 2011 is representative of the capital structure going forward.

Respondent: Kevin M. McGowan

PSC DOCKET NO. 11-528
STAFF'S FIRST SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
COST OF CAPITAL

Question No. : PSC-COC-17

RE: response to question #14 in your testimony. State whether any other Pepco Holdings utility subsidiaries have been granted decoupling mechanisms. If "yes," identify any changes to the authorized return on equity the respective commissions found appropriate in connection with the approval of decoupling.

RESPONSE

Please see the response to PSC-COC-12.

Respondent: Anthony J. Kamerick

ELECTRIC UTILITY DECOUPLING MECHANISM ROE ADJUSTMENTS

Defined Adjustment

No.	State	Utility	Specific Adjustment to ROE	Docket	Date of Final Order	Litigated or Settled	Authorized ROE (%)
1	DC	Potomac Electric Power Co.	50 basis points	F.C. 1053	9/28/2009	Litigated	10.00
2	DC	Potomac Electric Power Co.	50 basis points	F.C. 1076	3/2/2010	Litigated	9.63
3	MD	Baltimore Gas & Electric	50 basis points	C-9230	3/9/2011	Litigated	9.86
4	MD	Delmarva Power & Light Co.	50 basis points	C-9093	7/19/2007	Litigated	10.00
5	MD	Delmarva Power & Light Co.	50 basis points	C-9192, [1]	12/30/2009	Litigated	10.00
6	MD	PEPCO	50 basis points	C-9092	7/19/2007	Litigated	10.00
7	MD	PEPCO	50 basis points	C-9217	8/6/2010	Litigated	9.83
8	MT	Northwestern Energy	25 basis points	D2009.9.129, D2007.7.82	12/9/2010	Litigated	10.25
9	NY	Central Hudson	10 basis points	08-E-0887	6/22/2009	Litigated	10.00
10	OR	Portland General Electric	10 basis points	UE 197	1/22/2009	Settled	10.00
11	OR	Portland General Electric	10 basis points	UE 204	1/22/2010	Settled	Undisclosed

Non-Defined Adjustment

No.	State	Utility	Specific Adjustment to ROE	Docket	Date of Final Order	Litigated or Settled	Authorized ROE (%)
12	CT	United Illuminating Company	No [2]	08-07-04	1/20/2009	Litigated	8.75
13	HI	Hawaiian Electric	No [2]	2008-0083	12/29/2010	Litigated	10.00
14	MA	Massachusetts Electric Co. & Nantucket Electric Co.	No [2]	D.P.U 09-39	11/30/2009	Litigated	10.35
15	MA	Western MA Electric	No [2]	DPU 10-70	1/31/2011	Litigated	9.60
16	MA	Fitchburg Gas & Electric	No [2]	11-01	8/1/2011	Litigated	9.20
17	NY	Consolidated Edison	No [3]	07-E-0523	3/25/2008	Litigated	9.10
18	NY	Consolidated Edison	No [2]	08-E-0539	4/24/2009	Litigated	10.00

No Adjustment

No.	State	Utility	Specific Adjustment to ROE	Docket	Date of Final Order	Litigated or Settled	Authorized ROE (%)
19	CA	Pacific Gas & Electric	No	CA Code Sec. 9 Section 739(3) and Sec. 10 Section 739.10 as amended by A.B. XI 29; Decisions 98-03-063 & 07-09-043	N/A	N/A	
20	CA	San Diego Gas & Electric	No	see above	N/A	N/A	
21	CA	Southern California Edision	No	see above	N/A	N/A	
22	ID	Idaho Power Company	No	IPC-E-08-10	1/30/2009	Litigated	10.50
23	MI	Consumers Energy Co.	No	C-U-15645	11/2/2009	Litigated	10.70
24	MI	Consumers Energy Co.	No [4]	C-U-16191	11/4/2010	Litigated	10.70
25	MI	Detroit Edison Co.	No	C-U-15768	1/11/2010	Litigated	11.00
26	MI	Upper Peninsula Power Co.	No	C-U-15988	12/16/2009	Settled	10.90
27	MI	Upper Peninsula Power Co.	No	C-U-16166	12/21/2010	Settled	10.30
28	MI	Detroit Edison	No	C-U-16472	10/20/2011	Litigated	10.50
29	NY	Central Hudson	No	09-E-0588	6/16/2010	Settled	10.00
30	NY	Consolidated Edison	No	09-E-0428	3/25/2010	Settled	10.15
31	NY	Niagara Mohawk	No	10-E-0050, 08-E-0827	1/24/2011	Litigated	9.30
32	NY	NY State Electric & Gas Corp.	No	C-09-E-0715 & C-09-E-0716	9/16/2010	Settled	10.00
33	NY	Orange & Rockland Utilities	No	07-E-0949	7/23/2008	Settled	9.40
34	NY	Rochester Gas & Electric Corp.	No	C 09 E-0717 & C-09-E-0718	9/16/2010	Settled	10.00
35	NY	Orange & Rockland Utilities	No	10-E-0362	6/16/2011	Litigated	9.20
36	OR	Portland General Electric	No [5]	UE 215	12/17/2010	Settled	10.00
37	WI	Wisconsin Public Service Co	No [6]	6690-UR-119	12/30/2008	Settled	Undisclosed
38	WI	Wisconsin Public Service Co	No	6690-UR-120	1/13/2011	Litigated	10.30
39	IL	Commonwealth Edison Company	No	10-0467	5/24/2011	Litigated	10.50

Source: Regulatory Research Associates

Notes:

[1] Delmarva Power & Light Co.'s decoupling mechanism was not addressed in the 2011 settlement in Docket C-9249 therefore it is not listed in this exhibit. However, the settlement did state that the ROE was to remain unchanged from this rate case.

[2] The Commission and/or parties stated the ROE was affected by the implementation of a decoupling mechanism but the adjustment was not specified.

[3] No ROE adjustment was made, although a 10 basis point adjustment was discussed but, ultimately, considered offset by other rate measures and revenue adjustments adopted by the Commission.

[4] No ROE adjustment was specified; however, we note the Commission's statement that the discontinuance of all other existing trackers removes much of the justification for lowering the Company's ROE to reflect the decreased business risk under revenue decoupling.

[5] No ROE adjustment was specified; however, the stipulating parties agreed upon an ROE of 10.00% that, it was noted, is equivalent to the Company's current approved ROE. See Line 11.

[6] ROE was not discussed or determined in the order.