**A Summary of State Rate & Regulatory Activity**

***A Publication for AGA Members***

*This document is intended to provide AGA members with a summary of information relative to state rate and regulatory proceedings and other related matters on a timely basis. Additional information and archived versions of the Rate & Regulatory Update can be found at the following web link:* [*https://www.aga.org/rate-alerts*](https://www.aga.org/rate-alerts)

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| **Rate Case Data for this Period** | |
| **Orders Issued** | 9 |
| **Average ROE** | 9.55% |
| **Trends and Analysis** | |
| The average ROE authorized gas utilities was 9.55% in the first quarter of 2019 compared to 9.59% in full year 2018. In the first three months of 2019, only four gas cases included an ROE determination. The median authorized ROE was 9.7% up from 9.6% in 2018.  Increased costs associated with environmental compliance, infrastructure upgrades and expansion, storm and disaster recovery, cybersecurity and employee benefits argue for the continuation of an active rate case agenda over the next several years. Additionally, the need to address the impacts of the 2017 Tax Cuts and Jobs Act has cased rate case agendas to be more active than previously anticipated.  Furthermore, raising interest rates may also play a role in increased rate case activity. In 2015, the Federal Reserve began to gradually raise the federal funds rate. Subsequent to that hike, the Federal Reserve has increased rates by 25 basis points eight times, the most recent hike occurring in December 2018, bringing the federal funds rate to the range of 2.25 to 2.5%. While additional increases were anticipated in 2019, comments from the Federal Reserve indicate a willingness to remain patient about hikes in 2019 due to the slowdown in the global economy and low inflationary pressures.  To counter the negative cash flow impact of the Tax Cuts and Jobs Act, many utilities sought higher common equity rations, and the average authorized equity ratio adopted by utility commissions in the first three months of 2019 was modestly higher than levels observed in 2018 and 2017. The average allowed equity ratio for gas utilities nationwide was 51.40% in the first three months of 2019; compared to 50.09% in 2018 and 49.88% in 2017. The aforementioned averages include allowed equity ratios adopted by utility commissions in Arkansas, Florida, Indiana and Michigan – jurisdictions that authorize capital structures that include cost-free items or tax credit balances. For gas utilities, there were no determinations from the aforementioned states to-date in 2019, however, excluding these jurisdictions from prior years, the average allowed equity ratio was 51.47% in 2018 and 51.13% in 2017. | |
| **Other Regulatory Developments** | |
| **Commission Changes & Updates**  **IL:** On March 29, Illinois Governor J.B. Pritzker appointed Carrie Zalewski to the Illinois Commerce Commission to a five-year term that extends to January 2024.  **MD:** On February 15, the Maryland Senate voted unanimously to confirm Governor Larry Hogan’s appointment of Jason Stanek to serve as chairman of the Maryland Public Service Commission. Stanek has been serving on the PSC since his appointment in July 2018 for a term extending to June 2023.  **MD:** On February 15, Governor Larry Hogan announced that he would be reappointing Commissioner Mindy Herman, a Democrat. Herman joined the PSC in September 2017 and is currently serving a term that extends to June 2019.    **NV:** Commissioner Ann Wilkinson resigned from the Public Utilities Commission of Nevada, effective March 22. Wilkinson, who was also the PUC Chairman, was serving a four-year term as commissioner that extends to September 2020.  **UT:** On March 1, David Clark began serving a second six-year term on the Public Service Commission of Utan that extends to March 2025. This action follows his recent reappointment by Governor Gary Herbert and his February 5 confirmation by the Utah Senate.  **WA:** On March 1, the Washington Senate confirmed the December 2018 reappointment of David Danner by Governor Jay Inslee to the Washington Utilities and Transportation Commission for a new six-year term as commissioner that extends to January 1, 2025. Danner has been designated by Inslee to continue to serve as commission chair, a position he has held since 2013.  **WI:** Wisconsin Governor Tony Evers rescinded the appointment by his predecessor of Ellen Nowak to the Public Service Commission of Wisconsin. The governor rescinded scores of appointments made by former Republican Governor Scott Walker after a circuit court judge on March 21 ruled that a lame-duck extraordinary session by the Wisconsin Legislature was illegally convened.  **Other Noteworthy Regulatory Action**  **The following companies initiated rate proceedings during Q1 2019:** UGI Utilities Inc. (PA), Consolidated Edison Co. of NY (NY), Black Hills Colorado Gas Inc. (CO), Atmos Energy Corp. (KS), Atmos Energy Corp. (TN), Piedmont Natural Gas Co. (NC), Interstate Power and Light Co. (IA), Mountaineer Gas Co, (WV), CenterPoint Energy Resources (OK), Oklahoma Natural Gas Co. (OK), Avista Corp. (OR), New Jersey Natural Gas Co. (NJ), Wisconsin Public Service Corp, (WI), Cascade Natural Gas Corp. (WA)  **M&A Activity**  **PA: Aqua America Inc./Peoples Natural Gas Co. LLC**  On January 18, the Pennsylvania Public Utility Commission scheduled a prehearing conference to set rules for its review of the proposed acquisition of Peoples Natural Gas Co. LLC and its Pennsylvania subsidiaries by Aqua America Inc.  **IN/OH: CenterPoint Energy Inc./Vectren Corp.**  While CenterPoint Energy Inc.’s proposed acquisition of Vectren Corp. did not require approval from the Indiana Utility Regulatory Commission, the commission said in an order issued on January 16 that it “appreciates” the information that the companies submitted for review. The Public Utilities Commission of Ohio signed off on the proposed acquisition on January 30. They were the only remaining regulatory approval required before the transition could be completed.  **ID/WA/OR: Hydro One Ltd./Avista Corp.**  On January 3, the Idaho Public Utilities Commission, in a final order, rejected the merger application citing a state law that bars the transaction due to the Ontario government’s control of Hydro One and a post-acquisition Avista. The Washington Utilities and Transportation Commission effectively denied a petition for reconsideration and rehearing by taking no action on the matter. The Oregon Public Utility Commission suspended the merger proceeding indefinitely on January 14 due to the rejections dealt by the Idaho and Washington commissions.  On January 23, Avista and Hydro One announced that they terminated their proposed $5.3 billion merger. | |
| **Rate Case Decisions** | |
| **January 4, 2019** | |
| **Company** | Baltimore Gas and Electric Company |
| **State** | Maryland |
| **Docket Number** | [C-9484](https://www.psc.state.md.us/search-results/?keyword=9484&x.x=21&x.y=8&search=all&search=case) |
| **Approved Increase** | $64.9 Million ($85 Million requested) |
| **Approved ROE** | 9.8% |
| **Intervenors** | Maryland Office of People’s Council (OPC) |
| **Case Summary** | |
| On January 4, 2019, the Maryland Public Service Commission authorized Baltimore Gas & Electric Company, a subsidiary of Exelon, a $64.4 million rate increase, which went into effect immediately.  Baltimore Gas & Electric filed a request with the Maryland PSC for an $85 million base rate increase on June 8, 2018 – this increase included $21.7 million being collected through the recently re-approved Strategic Infrastructure Development and Enhancement (STRIDE) rider, under which BG&E will implement accelerated replacement or cast iron and bare steel mains, bare steel and cooper services, and any pre-1970 .75 inch, high-pressure steel services from 2019-2023. Recovering the costs of major investments in infrastructure improvements under the STRIDE program coupled with a low growth of customers and rising costs were BGE’s major drivers in filing for the rate base increase. BG&E also proposed an increase to residential customers’ fixed charges by over 15%, from $13 to $15 per month, resulting in an overall bill increase of 8%.  On August 24, 2018, BG&E filed an update supporting an $83.3 million rate increase premised on a 10.5% ROE.  Testimony was filed by intervening parties, the Office of People’s Council (OPC), on September 14, 2018 which recommended the PSC deny BG&E’s request due to BG&E’s inclusion of costs related to non-STRIDE eligible safety and reliability measures in the rate base increase; PSC staff did not oppose BG&E’s proposals to include these measures. OPC recommended a $53.6 million rate increase premised on a 9% RPE while PSC staff recommended a $41.7 million rate increase premised upon a 9.65% ROE.  Ultimately, in its decision, the PSC increased BG&E’s ROE while approving a smaller rate increase than requested. | |
| **January 8, 2019** | |
| **Company** | Oklahoma Natural Gas Company |
| **State** | Oklahoma |
| **Docket Number** | [PUD201800028](http://imaging.occeweb.com/AP/Orders/occ30184820.pdf) |
| **Approved Increase** | -$5.9 million (-$5.6 million requested) |
| **Approved ROE** |  |
| **Intervenors** | Oklahoma Industrial Energy Consumers (OIEC) |
| **Case Summary** | |
| On March 15 ,2018, the Oklahoma Natural Gas Company filed an application with the Oklahoma Corporation Commission (OCC), and requested approval of its PBRC Plan calculations for the year 2017, energy efficiency true-up, and utility incentive adjustments programs, and changes to its tariffs.  On September 20, 2018, the Report and Recommendations of the Administrative Law Judge (ALJ Report) filed a reports with its findings which set forth recommendations for rate adjustments and refunds.  OCC found that due to the 2017 Tax Cuts and Jobs Act (2017 TCJA), which reformed the federal income corporate tax, Oklahoma Natural Gas performance resulted in an ROE of less than 9% - due to these significant income tax savings over its authorized return (9.5%), Oklahoma Natural was directed to refund 100% of savings. The refund of the excess accumulated deferred income tax will be reflected on the bills of Oklahoma Gas customers.  Upon review of the ALJ Report submitted by Oklahoma Natural and exceptions On January 8, 2019, the utility division of the OCC ordered a rate reduction of $5.9 million. | |
| **January 18, 2019** | |
| **Company** | Berkshire Gas Company |
| **State** | Massachusetts |
| **Docket Number** | [DPU 18-40](https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/10286946) |
| **Approved Increase** | $2.39 Million ($4.5 million requested) |
| **Approved ROE** | 9.7% |
| **Intervenors** | Low-income Weatherization and Fuel Assistance Program Network (Low Income Network), Massachusetts Department of Energy Resources (DOER) |
| **Case Summary** | |
| On May 17, 2018, Berkshire Gas Company filed a petition with the Massachusetts Department of Public Utilities (DPU) for an increase of $4,065,485 and a 10.5% ROE.  On December 4, 2018, Berkshire Gas and the Attorney General filed for an approval of a settlement agreement to address issues brought up during initial testimony. The settlement proposed the following;   1. A proposed distribution rate increase to be rolled out in two phases; a $1.69 million increase to go into effect on February 1, 2019 and a subsequent increase of up to $0.70 million effective on December 1, 2019. 2. A distribution rate increase to go into effect on February 1, 2019, which contained adjustments to Berkshire Gas Company’s initial filing. These adjustments included a $0.8 million exclusion of any charges associated with BGC’s headcount, an exclusion of $0.02 million (medical insurance expenses), an exclusion of $0.04 million (rate case expense), an exclusion of $0.10 million (recalculation of the return portion of the shared services capital asset costs), and an exclusion of $0.05 million (BGC’s proposed changes in deprecation accrual rates to remove any deprecation expenses associated with land-related property accounts) 3. Tax-related adjustments to take effect on February 1, 2019 which are designed to return a regulatory liability of $1.47 million over 15 months (associated with savings resulting from the Tax Cuts and Jobs Act of 2017) to ratepayers.    1. An amortization period of 19.9 years to return $11.37 million to ratepayers in excess accumulated deferred income taxes resulting from the Tax Cuts and Jobs Act.    2. An adjustment of base rates by May 1, 2020 as a reflection of the completion of tax savings    3. An inclusion of distribution rates designed to return $11.37 million over an amortization period of 19.9 years to ratepayers in excess accumulated deferred income taxes resulting from the Tax Cuts and Jobs Act. 4. An approved and agreed upon ROE of 9.7%   Upon review, the staff recommended an approval of the settlement agreement, and the settlement terms were approved by the DPU on January 18, 2019. | |
| **January 29, 2019** | |
| **Company** | Indiana Gas Company, Inc. |
| **State** | Indiana |
| **Docket Number** | [44430-TDSIC-9-S1](https://iurc.portal.in.gov/legal-case-details/?id=18042a1c-8ecc-e811-814b-1458d04eb810) |
| **Approved Increase** | -$801,955 |
| **Approved ROE** |  |
| **Intervenors** | Office of the Utility Consumer Counselor (OUCC) |
| **Case Summary** | |
| On October 1, 2018, the Indiana Gas Company (A subsidiary of Vectren) filed a petition with the Indiana Utility Regulatory Commission (IURC) for approval of a deferral of costs associated with projects to improve the safety, resilience, and reliability of pipeline systems (TDSIC projects) and the creation of sub docket to address approval of a targeted economic development (TED) project in Pendleton, IN. The sub docket was created on October 10, 2018.  In approving a TED project, 80% of capital expense is eligible for recovery through the TDSIC tracker proceeding, and the remaining 20% are eligible for deferral. The proposed Pendleton project called for the provision of natural gas services to two projects; (1) a ready mix concreate plant build by Shelby materials, and (2) a campus for the Giving Hope Foundation which would aid children with special needs.  Upon review, OUCC recommended the project be approved as a part of the company’s TDSIC filing, and on January 29, 2019, the IURC approved the TED project in Pendleton for inclusion in the Indiana Gas Company’s TDSIC plan thus authorizing the recovery of 80% of costs incurred through CSIA and the deferral of 20% of incurred costs for recovery in their next general rate case. | |
| **January 29, 2019** | |
| **Company** | Southern Indiana Gas and Electric Company |
| **State** | Indiana |
| **Docket Number** | [44429-TDSIC-9](https://iurc.portal.in.gov/legal-case-details/?id=ea9d2aad-4cc6-e811-814b-1458d04eb810) |
| **Approved Increase** | -$801,955 |
| **Approved ROE** |  |
| **Intervenors** | Office of the Utility Consumer Counselor (OUCC) |
| **Case Summary** | |
| On October 1, 2018, The Southern Indiana Gas & Electric Company (a subsidiary of Vectren) filed a petition to the Indiana Utility Regulatory Commission (IURC) for an approval of an adjustment to its CSIA charges based on 80% of the calculated revenue requirement on recoverable expenses on any projects to comply with federal mandates or improve the safety, resilience, and reliability of pipeline systems (TDSIC projects) as overseen by the IURC as a part of Vectren’s 7-Year Plan, a 20% deferral of the revenue requirement to any compliance of TDSIC projects, general updates of their seven year plan, and an adjustment to net operating income (NOI).  Upon review of the filing, OUCC recommended approving the adjustments to the 7-year plan’s compliance projects, but argued that the TDSIC projects outlined in the plan did not offer improvements to communication between the company and municipalities, nor did it update plans for any standing TDSIC projects that would require a change in the standing CSIA rate schedule.  Ultimately, on January, 29, 2019, the IURC approved the update 7-year plan and recommended a more collaborative relationship between The Southern Indiana Gas & Electric Company and the OUCC in order to help reduce costs to rate payers further. The request to recover 80% of costs in connected with the 7-year plan in the amount of $17,277,135 through the CSIA and defer 20% of incurred costs in the amount of $4,319,283 in the company’s next rate case was approved as were general updates to the company’s 7-year plan resulting in rate decrease of $801,955. | |
| **February 5, 2019** | |
| **Company** | Kansas Gas Service Company, Inc. |
| **State** | Kansas |
| **Docket Number** | [D-18-KGSG-560-RTS](http://estar.kcc.ks.gov/estar/portal/kscc/PSC/DocketDetails.aspx?DocketId=453a43c8-99ac-4d7f-a07c-6f5b7d8fa564) |
| **Approved Increase** | $21.5 million |
| **Approved ROE** |  |
| **Intervenors** | Commission staff, Citizens Utility Ratepayer Board |
| **Case Summary** | |
| The Kansas Corporation Commission approved a settlement agreement for Kansas Gas Service Co. Inc. which resulted in new rates set to take effect February 6. The approved annual increase of $21.5 million will result in customers seeing a $2.40 increase on their monthly bill as part of the agreement.  A decision on whether Kansas Gas Service will be permitted to keep savings resulting from the federal tax overhaul was not included in the commission’s decision. The company has requested to keep the estimated $17.9 million in savings. | |
| **February 21, 2019** | |
| **Company** | Puget Sound Energy, Inc. |
| **State** | Washington |
| **Docket Number** | [D-UG-180900](https://www.utc.wa.gov/docs/Pages/DocketLookup.aspx) |
| **Approved Increase** | $21.5 million |
| **Approved ROE** | 9.5% |
| **Intervenors** | The Public Counsel, The Alliance of Western Energy Consumers, The Energy Project, federal executive agencies, Nucor Steel Seattle |
| **Case Summary** | |
| In an expedited rate filing for Puget Sound Energy, the Washington Utilities Commission conditionally approved a settlement on February 21 authorizing the company to implement a gas rate increase of $21.5 million, or 2.9%, effective March 1.  In November 2018, PSE submitted an ERF seeking to implement a $21.7 million, or 2.7%, gas rate increase. The rate change reflected return parameters established in the company’s last base rate case, namely a 9.5% return on equity and 7.49% overall return.  The company indicated that while it could support a $37.5 million gas rate hike, it limited its requested increase in accordance with prior applications of the ERF that have limited rate increases to less than 3%. The ERF was submitted in accordance with the terms of the settlement adopted in the PSE’s previous rate case, which allowed for PSE to submit and ERF within one year of the final order that would allow for new rates resulting from the ERF to become effective within 120 days of the ERF filing.  The settlement did not include recovery of or on the company’s investment in advanced metering infrastructure. However, PSE would be permitted to defer the return on investment and depreciation expense associated with advanced metering infrastructure, subject to consideration by the Commission in PSE’s next proceeding. | |
| **March 14, 2019** | |
| **Company** | Orange and Rockland Utilities, Inc. |
| **State** | New York |
| **Docket Number** | C-18-G-0068 |
| **Approved Increase** | $700,000 |
| **Approved ROE** | 9% |
| **Intervenors** | Commission staff |
| **Case Summary** | |
| On March 14, a three-year joint proposal for Orange and Rockland Utilities Inc.’s electric and gas operations, covering January 1, 2019 through December 31, 2021, was approved by the New York Public Service Commission.  Under the approved proposal, regarding gas operations, ORU is authorized to implement a $7.5 million gas reduction, retroactive to January 1, 2019, based on a 9% return on equity and a 6.97% return on gas rate base valued at $454 million. The company is to implement an incremental $3.6 million gas rate increase effective January 1, 2020 and a $700,000 gas rates increase effective January 1, 2021. The joint proposal calls for a $5.9 million gas rate reduction January 1, 2019, an increase of about $1 million January 1, 2020 and an additional $1 million increase January 1, 2021.  The approved joint proposal includes earning-sharing provisions under which actual earnings between 9.6% and 10.2% ROE are to be shared equally by ratepayers and shareholders. Incremental earnings between 10.2% and 10.8% ROE are to be allocated 75% to ratepayers and 25% to shareholders, and incremental earnings in excess of 10.8% equity return are to be shared 90% with ratepayers and 10% with shareholders.  The approved joint proposal calls for the company to amortize deferred balances of $8.2 million (for gas operations) related to overcollections during calendar year 2018 over three years commencing January 1, 2019. ORU is to amortize protected excess deferred income tax balances resulting from tax reform over the remaining life of the underlying assets and unprotected excess deferred income tax balances over 15 years commencing January 1, 2019. ORU will continue deferral accounting of property taxes, pensions, post-employment benefits, etc. The company’s existing revenue decoupling mechanisms will remain in place. | |
| **March 27, 2019** | |
| **Company** | Duke Energy Kentucky, Inc. |
| **State** | Kentucky |
| **Docket Number** | [C-2018-00261](https://psc.ky.gov/order_vault/Orders_2019/201800261_03272019.pdf) |
| **Approved Increase** | $7.4 million |
| **Approved ROE** |  |
| **Intervenors** | Kentucky Attorney General |
| **Case Summary** | |
| The Kentucky Public Service Commission largely adopted a March 27 settlement permitting Duke Energy Kentucky Inc, to implement a $7.4 million, or 7.7% gas distribution base rate increase. Minor modifications to the settlement, adopted by the commission, pertained to rate design.  The primary impetus for the rate case filing was to recover recent infrastructure investments, including the Big Bone gas pipeline and digital metering equipment.  The company’s proposed weather normalization adjustment rider is to be put into place for residential and general service customers but not for commercial customers, as proposed.  The authorized rate increase is premised upon a 9.7% return on equity and a $313.4 million rate base. The settlement and the PSC order do not explicitly identify the stipulated capital structure but did provide for adoption of a 7.07% overall return and a capital structure that includes a 50.76% common equity component. | |

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