**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** | 5 |
| **Average ROE** | 9.69 |
| **Trends and Analysis** | |
| The average ROE authorized gas utilities was 9.69% in the second quarter of 2019 compared to 9.55% in the first quarter. Only two of the rate cases decided this quarter contained an ROE determination. For gas utilities, the median authorized ROE in the first six months of 2019 was 9.70% versus 9.60% 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.  Furthermore, rising 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, the Fed cut rates for the first time since late 2008. Analysts now expect a quarter-basis point reduction in the federal funds rate by the end of July, with the potential for additional cuts by year-end.  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 six months of 2019 was modestly higher than levels observed in 2018 and 2017. The average allowed equity ratio for gas utilities nationwide was 54.60% in the first six 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**  **CT**: Gov. Lamont nominated Marissa Paslick Gillett as commissioner of the Connecticut Public Utilities Regulatory Authority. Gillett, who will begin serving as a commissioner April 26, will serve the remainder of a term extending to June 30, 2020, that was most recently held by Katie Dykes. Gillet was subsequently elected chair of the CPURA on May 1.  **HI:** The Hawaii Senate on April 3 confirmed the appointment of Leodoloff Asuncion Jr. to the Hawaii Public Utilities Commission for the remainder of an unexpired term that extends to June 2020.  **MN**: Gov. Tim Walz appointed Valerie Means, an attorney who has represented utilities in regulatory proceedings, to a six-year term on the Minnesota Public Utilities Commission that extends to January 2025. Walz also on April 12 designated Commissioner Katie Sieben as chair of the PUC.  **NV**: Hayley Williamson began serving the remainder of an unexpired at the Public Utilities Commission of Nevada that extends to September 2020. This action follows her appointment to the position April 23 by Gov. Sisolak.  **WI**: The Wisconsin Supreme Court issued a ruling April 30 restoring 82 appointments made by former Gov. Scott Walker, a Republican, including that of Ellen Nowak to the Public Service Commission of Wisconsin. Nowak returned to the commission and will serve the remainder of her term that extends to March 2023.  **ME**: Maine PUC Chairman Mark Vannoy resigned from the PUC, effective May 3. Vannoy was serving beyond the end of a term that expired March 31. Gov. Mills appointed Phil Bartlett, former state lawmaker and Democratic Party chair, to serve a six-year term as chair of the commission for a term ending in March 2025.  **AL**: Members of the Regulatory Commission of Alaska unanimously voted Commissioner Robert Pickett to serve as the next commission chairman for a one-year period beginning July 1.  **NY**: The New York Public Service Commission announced June 21 that Gov. Cuomo's appointments of Tracey Edwards and John Howard to serve as commissioners on the PSC were confirmed by the New York Senate.  **RI**: On June 3, Gov. Raimondo appointed Laura Olton to a six-year term on the Rhode Island Public Utilities Commission expiring March 1, 2025. Olton was nominated to replace Commissioner Margaret Curran.  **TX**: On June 18, Commissioner Wayne Christian was elected chairman of the Railroad Commission of Texas by his fellow commissioners. His term as commissioner extends through December 2022. Christian will take over as chairman from Commissioner Christi Craddick.  **Other Noteworthy Regulatory Action**  **The following companies initiated rate proceedings during Q2 2019:** Piedmont Natural Gas Co. (NC), CenterPoint Energy Resources (AR), Elizabethtown Gas Co. (NJ), San Diego Gas & Electric (CA), Southern California Gas Co. (CA), Washington Gas Light Co. (MD), Brooklyn Union Gas Co. (NY), KeySpan Gas East Corp. (NY), Avista Corp. (WA), NY State Electric & Gas Corp. (NY), Rochester Gas & Electric Corp. (NY), Columbia Gas of Maryland (MD), Northern States Power Co -WI (WI), MDU Resources Group Inc. (WY), Baltimore Gas and Electric Co. (MD), Atlanta Gas Light Co. (GA), Virginia Natural Gas Inc. (VA), Black Hills Distribution (WY), Atmos Energy Corp. (KS), and Northern Utilities Inc. (ME).  **M&A Activity**  **Aqua America Inc./Peoples Natural Gas Co. LLC** — A settlement was reached by most of the parties to a proceeding in which the Pennsylvania Public Utility Commission is reviewing the proposed acquisition of Peoples Natural Gas Co. LLC and its Pennsylvania subsidiaries Peoples Equitable, which does business as Equitable Gas Co. LLC, and People Gas Co., also known as Peoples TWP LLC, by Aqua America. The agreement, which resolves all issues in the proceeding, calls for the PUC to approve the transaction, subject to certain conditions. | |
| **Rate Case Decisions** | |
| **April 30, 2019** | |
| **Company** | Louisville Gas and Electric Co. |
| **State** | Kentucky |
| **Docket Number** | [C-2018-00295](https://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2018-00295) |
| **Approved Increase** | $18.6 million |
| **Approved ROE** | 9.73% |
| **Intervenors** | Kentucky Office of the Attorney General, Sierra Club, Kentucky School Boards Association, Louisville Metro, Association of Community Ministries, Walmart, United States Department of Defense, Kentucky Industrial Utility Customers Inc., Metropolitan Housing Coalition, and Kroger. |
| **Case Summary** | |
| The Kentucky Public Service Commission adopted a partial settlement on April 30, authorizing PPL Corp. subsidiary Louisville Gas and Electric Co., or LG&E, electric and gas base rate increases of $2.1 million and $18.6 million, respectively. LG&E had requested a gas rate increase of $24.9 million.  The 9.725% equity return specified in the approved settlement for LG&E’s gas business is above the 9.59% average ROE accorded gas utilities nationwide in 2018. The requested gas rate increase was premised upon a 10.42% return on equity (52.84% of capital) and a 7.62% return on an average rate base valued at $788.4 million for a test year ending April 30, 2020.  On March 1, all intervenors except the Sierra Club filed a partial settlement calling for a $3.9 million a $19.3 million gas base rate increase premised upon a 9.725% ROE. The partial settlement was otherwise silent regarding traditional rate case parameters.  The partial settlement resolved all outstanding matters except LG&E’s 401(k) matching plan contributions for employees that are also covered by the company’s defined-benefit retirement plan; the amount of, and the daily versus monthly format of, gas fixed customer charges; and the company’s proposal to split its usage based charges into fixed and variable components for “tariff purposes only.” LG&E indicated that the unresolved issues did not “involve material amounts.”  On April 30, the PSC adopted the partial settlement and the addendum, with a relatively minor modification, and ruled on the outstanding matters. The PSC approved LG&E’s proposal to switch to a daily fixed charge for residential customers, finding the change to be “reasonable.” As a result of the commission’s decision on the retirement plan funding issue, the authorized electric and gas rate hikes were $2.1 million and $18.6 million, respectively. The new rates took effect May 1. | |
| **May 3, 2019** | |
| **Company** | Spire Missouri Inc. |
| **State** | Missouri |
| **Docket Number** | [**2019-0116**](https://www.efis.psc.mo.gov/mpsc/DocketSheet.html) |
| **Approved Increase** | $6,425,514 |
| **Approved ROE** |  |
| **Intervenors** |  |
| **Case Summary** | |
| On May 3 the Missouri Public Service Commission approved Spire’s infrastructure system replacement rider. The company’s rider-related changes reflect a 9.8% return on equity (54.16% of capital) and a 7.2% overall return, as previously authorized in the most recent base rate proceeding.  On January 14, 2019, Spire Missouri, Inc. filed applications and petitions with the Missouri Public Service Commission to change its Infrastructure System Replacement Surcharge in its Spire Missouri East and Spire Missouri West service territories. Order allowed authorized the establishment of an Infrastructure System Replacement Surcharges sufficient to recover ISRS revenues in the amount of $6,425,514 for its Spire Missouri East service territory. | |
| **May 3, 2019** | |
| **Company** | Missouri Gas Energy |
| **State** | Missouri |
| **Docket Number** | [**2019-0115**](https://www.efis.psc.mo.gov/mpsc/DocketSheet.html) |
| **Approved Increase** | $6,782,560 |
| **Approved ROE** |  |
| **Intervenors** |  |
| **Case Summary** | |
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| **May 7, 2019** | |
| **Company** | Atmos Energy Corp. |
| **State** | Kentucky |
| **Docket Number** | [2018-00281](https://www.psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2018-00281) |
| **Approved Increase** | -$300,000 |
| **Approved ROE** | 9.65% |
| **Intervenors** | Office of the Kentucky Attorney General |
| **Case Summary** | |
| In a May 7 decision, the Kentucky Public Service Commission ordered Atmos to reduce its gas distribution base rates by $0.3 million, premised upon a 9.65% return on equity (58.06% of capital) and a 7.49% return on a rate base valued at $424.9 million. The approved ROE approximates the 9.55% average ROE authorized gas utilities nationwide in cases during the first quarter of 2019. Atmos had requested a $14.4 million base rate increase premised upon a 10.4% return on equity (58.06% of capital) and a 7.93% return on a $496 million rate base.  The PSC rejected Atmos’ request to terminate its pipeline replacement program, or PRP, rider and reflect all prospective costs associated with its accelerated infrastructure upgrades in annual base rate filings. However, the commission acknowledged certain concerns the company had with the nature of the PRP rider proceedings. In addition, the PSC took issue with the company’s failure  to request preapproval of certain projects through a process outlined in state law. The commission made it clear that it would view similar actions in the future unfavorably. | |
| **June 12, 2019** | |
| **Company** | Columbia Gas of Virginia Inc. |
| **State** | Virginia |
| **Docket Number** | [**2018-00131**](http://www.scc.virginia.gov/docketsearch#/caseDetails/138948) |
| **Approved Increase** | $9.5 million |
| **Approved ROE** |  |
| **Intervenors** | Virginia Industrial Gas Users Association |
| **Case Summary** | |
| On June 12 the Virginia State Corporation Commission accepted an administrative law judge's recommendation, thereby approving a settlement in Columbia Gas of Virginia Inc.'s gas distribution base rate case proceeding.  The now approved-settlement calls for a $9.5 million distribution base rate increase that includes the transfer to base rates of $8.2 million being collected through the company's Steps to Advance Virginia Energy, or SAVE, rider. Ratepayers will see a net overall increase of $1.3 million. The final order also states that CGV is to return to ratepayers roughly $13.3 million in regulatory liabilities to reflect the over-collection of income taxes associated with federal tax changes enacted in 2017 that reduced the corporate federal income tax rate to 21% from 35%.  The settlement, which was filed on April 19, is silent with respect to the equity return and other traditional rate case parameters underlying the stipulated rate increase but specifies that a 9.7% ROE would be used for calculating the revenue requirement in any application or filing other than an application for a change in base rates and an annual earnings test analyses beginning with calendar year 2019. However, CGV would be permitted to continue to calculate the proposed revenue requirement in expedited rate cases based on a 9.75% ROE.  The base rate increase would be allocated such that the residential classes experience an average of 4.72% and small commercial customers see a 4.78% distribution bill increase versus the overall system average of 3.95%. The monthly customer charge for residential customers would rise to $16 per month from $15 per month. Since the stipulated increase is lower than that implemented on an interim basis, refunds would be required. | |

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