Metrics

Trends In Utility Rate Case Filings

By Robert L. Schain

A growing number of electric and gas utilities are seeking approval of retail rate increases from their state regulators.

At the end of last year, electric utilities had $2.2 billion in rate cases pending; at the end of 2003, $2.4 billion in cases were pending. Gas utilities had $662 million in filings pending the end of last year and $971 million the end of 2003.

By far, the filings of both electric and natural gas utilities in the past two years dwarf the filings in any two-year period going back a decade.

Last year, regulators ratified a total of $1.1 billion worth of electric rate hikes — the highest amount of the past decade. Gas utilities were granted a combined $304 million in increases — the second highest total in 10 years.

In the early to mid-1990s, utilities were nearing the end of a very large construction cycle, in which numerous generating facilities were placed into service. Many of these plants were nuclear, which were relatively costly to construct. The number of cases, both filed and decided, was relatively high, given the utilities' needs to have their plant investments reflected in rates.

In the mid-to late-1990s the number of cases subsided given the completion of the large-scale construction and the fall in interest rates. The latter had a significant impact on the number of cases. As interest rates fell, the companies actively refinanced their high-cost debt. If they initiated a rate case, the lower interest costs would be flowed through in the form of lower rates. By staying out, the companies were able to retain the benefits from the lower costs. Additionally, lower interest rates meant lower allowed ROEs. By not coming in for a rate case, many a company retained the relatively high authorized ROE that it was awarded a few years back.

Also around that time, the term "competition" became popular. Companies tried to avoid rate filings, on the premise that raising their rates would not be ideal from a competitive standpoint. Also, most companies began severe cost-cutting efforts, which also kept them out of the rate case arena.

Today, the rate case count is still affected by the low interest rates — the average authorized ROE is currently at the lowest in recent memory. However, competition is no longer affecting the rate case count. For those states that have restructured, generation is now priced outside of rate cases (e.g. competitive bid, or contract). Distribution rates remain fully regulated and many companies that have not had a rate case in several years now have the need to file, despite the low interest rate environment. As these tables show, the number of cases decided is on the rise, as are the number of filings.

NUMBER OF RATE CASE FILINGS
Aggregate Amount Requested ($ mil.)

As of Dec. 1	Electric	Gas	Electric	Gas
2004	21	21	2,171.8	661.8
2003	20	23	2,400.3	970.5
2002	16	20	1,692.7	351.4
2001	21	12	1,816.8	560.4
2000	12	8	1,003.1	161.7
1999	10	13	759	562.9
1998	14	8	894.8	546.1
1997	13	11	624.9	161.9
1996	16	18	429.8	266.7
1995	26	14	INF	108.8

AVERAGE EQUITY RETURNS AUTHORIZED JANUARY 1994 - DECEMBER 2004

Period	Electric Utilities	Gas Utilities	Total Cases Decided	Aggregate Amount Electric	Authorized Gas
2004	10.73 (30)	10.59 (31)	61	1,092.2	303.5
2003	10.97 (22)	10.99 (30)	52	313.8	260.1
2002	11.16 (24)	11.03 (26)	50	-475.4	303.6
2001	11.09 (21)	10.95 (11)	32	14.2	114
2000	11.43 (34)	11.39 (20)	54	-291.4	135.9
1999	10.77 (30)	10.66 (14)	44	-1,683.8	51
1998	11.66 (31)	11.51 (20)	51	-429.3	93.9
1997	11.40 (33)	11.29 (21)	54	-553.3	-82.5
1996	11.39 (38)	11.19 (34)	72	-5.6	193.4
1995	11.55 (43)	11.43 (31)	74	455.7	-61.5

Source: Regulatory Research Associates

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Ticker Takes

A handful of utility stocks in the past 12 months have reversed significant price retreats, much to the delight of their investors.

TXU share prices have about tripled in the 12 months ended Feb. 1, according to data compiled by SNL Energy.

On the gas side, Williams Cos.' shares have jumped more than 67 percent in that period.

TOP 20 PRICE LEADERS as of last market close (2/1/2005)

Company	(%) Price Change	Closing Price ($)	High ($)	Low ($)
TXU Corp	188.88	69.33	69.85	23.35
Sthwstrn Energy Co	162.32	54.17	55.45	19.32
NRG Energy Inc	76.65	35.33	36.18	18.1
Williams Cos Inc	67.26	16.96	17.18	8.49
Reliant Energy	62.11	12.58	13.94	6.61
Crosstex Energy	58.31	34.75	35.25	21.38
Allegheny Energy	53.96	19.43	20.2	11.75
Edison Intl	46.45	32.22	32.98	21.24
AES Corp	46.41	14.29	14.37	7.56
Crosstex Energy	46.26	41.1	45	27.85
Questar Corp	44.69	50.83	52.12	33.82
El Paso Elctrc Co	41.06	19.72	19.84	13.07
Energen Corp	39.65	60.05	60.59	39.87
Southern Union Co	37.68	23.55	24.97	16.9
Exelon Corp	35.11	45.25	45.28	30.92
S Jersey Indstrs	31.51	54.13	54.55	39.36
Equitable Resource	31.44	57.69	61.18	42.1
UGI Corp	30.64	42.13	42.2	29.85
PG&E Corp	30.24	34.97	35.3	25.9
El Paso Corp	28.47	10.92	11.85	6.57

Based on stock prices as of market close on 2/1/2005

Source: SNL Energy

TOP 20 PRICE LOSERS as of last market close (2/1/2005)

Company	(%) Price Change	Closing Price ($)	High ($)	Low ($)
ALLETE Inc	-57.91	41.35	110.13	30.76
US Enrgy Systems	-43.88	0.78	1.85	0.65
Calpine Corp	-41.92	3.38	6.42	2.24
Envmntl Power Corp	-29.5	6.44	9.87	5.6
ME & Maritimes	-24.36	25.15	34.5	24.6
Cap Rock Energy	-22.74	24.8	32.91	23.4
Great Plains	-9.09	30.2	35.69	27.86
Cascade Ntrl Gas	-6.04	20.55	22.61	19.1
Otter Tail Corp	-5.88	24.99	27.36	23.77
Aquila Inc	-4.42	3.68	4.86	2.25
NE Utilities	-3.12	18.65	20.09	17.17
IDACORP Inc	-2.24	30.11	32.95	25.3
Kinder Morgan	-2.14	45.8	47.7	37.65
Central VT Public	-2.02	23.27	24.03	18.45
Avista Corp	-1.06	17.66	19.43	15.35
SEMCO Energy Inc	-1.06	5.58	6.38	4.5
Delta Natural Gas	-0.96	25.85	28.75	22.02
Duquesne Light	-0.95	18.86	20.5	16.93
BayCorp Hldgs Ltd	-0.23	13.16	13.31	11.4
Black Hills Corp	-0.1	29.77	32.49	26.52

Based on stock prices as of market close on 2/1/2005

POWER, GAS PRODUCTION FLAT

Natural gas and power production has exhibited little growth in recent years, according to the modest recent figures available.

PRODUCTION FLAT	
Electric Production	
2001	3,736,644 Gwh
2002	3,858,452
2003	3,847,990
Nat Gas Production (US)	
2001	19,616 Bcf (Net Imports-3,604)
2002	18,964 (3,499)
2003	19,106 (3,236)

Source: SNL Energy and U.S. Energy Information Administration

Renewable Energy Rankings

The United States is a close third to the United Kingdom and Spain in deployment of renewable energy technology, according to a new report by Ernst & Young.

The report weighs national efforts to use wind, solar, biomass and other renewable technologies.

The study is forward looking. Ernst & Young predicts that renewable energy growth will be more robust this year than last.

China is expected to step up its development of renewable energy as "the necessary support for a renewable energy economy is becoming established," the authors write.

Domestically, the situation is complex. "The U.S. renewable energy market continues to suffer from a lack of long-term political commitment," the authors write. "Foreign energy companies, including Shell, Scottish Power and AES have undertaken to challenge Florida Power & Light's traditional dominance in U.S. wind energy production.

RENEWABLE ENERGY RANKINGS

December 2004	
UK	67
Spain	67
USA	66
Germany	61
Portugal	59
France	58
Italy	58
Greece	56
Sweden	56
Netherlands	56
Ireland	56
Denmark	56
Australia	52
India	49

Source: Ernst & Young