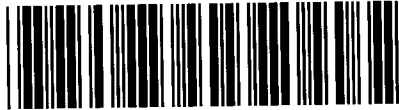


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PUBLIC UTILITY COMMISSION  
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APPLICATION OF MONARCH § BEFORE THE STATE OFFICE  
UTILITIES I, L.P. TO CHANGE RATES § OF  
FOR WATER AND SEWER SERVICE § ADMINISTRATIVE HEARINGS

**MONARCH UTILITIES I, L.P.'S RESPONSES TO  
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

To: Commission Staff, by and through its attorney of record, Sam Chang, Public Utility Commission of Texas, Legal Division, 1701 North Congress Avenue, Austin, Texas 78711-3326.

Monarch Utilities I, L.P. ("Monarch") files its Responses to Public Utility Commission ("Commission") Staff's Third Requests for Information received April 7, 2016. This response is timely filed. This response may be treated by all parties as if it were filed under oath.

Respectfully submitted,

**LLOYD, GOSSELINK,  
ROCHELLE & TOWNSEND, P.C.**  
816 Congress Avenue, Suite 1900.  
Austin, Texas 78701  
Telephone: (512) 322-5800  
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ATTORNEYS FOR MONARCH UTILITIES I, LP

1 135

**CERTIFICATE OF SERVICE**

I hereby certify that on this 20<sup>th</sup> day of April, 2016, a true and correct copy of the foregoing document has been hand-delivered., sent via facsimile, e-mail, or first class mail to all parties of record.

  
\_\_\_\_\_  
WILLIAM A. FAULK, III

**PUC DOCKET NO. 45570  
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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-1:**     **Provide the actual requirements and sources of capital for the most recent fiscal year.**

**RESPONSE:**        See Confidential Attachment Staff 3-1, providing requirements and sources of capital for the year ended December 31, 2015.

Prepared by:        Kent Cauley  
Sponsored by:       Carmelitha Bordelon-Taylor

# DOCKET NO. 45570

## CONFIDENTIAL

STYLE: Application Of Monarch Utilities, I, L.P., To Change Rates for Water and Sewer Service

SUBMITTING PARTY: Monarch Utilities I., L.P.

BRIEF DESCRIPTION OF CONTENTS: Confidential Portion of Monarch Utilities I, L.P.'s Responses to Staff's 3rd RFIs

BATE STAMPED PAGE NUMBER RANGE: Responses to RFI 3-1

ENVELOPE # 1 of \_\_\_\_\_

DATE PROVIDED: April 20, 2016

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-2:**      **Reference Schedule II-B, Rate Base Summary, Line No. 14, Other Rate Base Items (\$6,051,205). Provide the source(s) of capital used to finance this item.**

**RESPONSE:**              Sources of capital used to finance Other Rate Base Items include internal sources, debt, and equity.

Prepared by:              Carmelitha Bordelon-Taylor  
Sponsored by:              Carmelitha Bordelon-Taylor

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-3:**     **Reference Schedule II-B, Rate Base Summary, Line No. 16, Accumulated Deferred Income Taxes (\$1,751,440). Provide the source of capital used to finance this item.**

**RESPONSE:**       Sources of capital used to finance this item include internal sources, debt, and equity.

Prepared by:       Carmelitha Bordelon-Taylor  
Sponsored by:     Carmelitha Bordelon-Taylor

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-4:**     **Reference Schedule II-B, Rate Base Summary, Line 19, Total Rate Base \$78,867,407, and Schedule II-C-1(2), Rate of Return Method – Actual Capital Structure, Line 3, Total \$85,894,674. Provide reconciliation for the difference.**

**RESPONSE:**       Please see the table below:

Capital Structure (Schedule II-C-1(2))		85,894,674
Less Non-Rate Base Items		
Construction Work In Progress	(1,595,768)	
Other Deferred Debits	(1,332,987)	
Unamortized Debt Discount and Expense	(174,327)	
Other Property and Investments	(9,841)	
Deferred Rate Case Expense	<u>(2,269)</u>	(3,115,192)
Less Reduced Working Capital Using Lead/Lag Method		(3,557,535)
Less Known & Measurable Adjustments		(381,622)
Less CIAC & Advances, Deferred Credits Variance - Net		(330,156)
Less Materials & Supplies Variance		(23,809)
Miscellaneous Differences		<u>381,047</u>
Rate Base (Schedule II-B)		<u><u>78,867,407</u></u>

Prepared by:       Tulinh Cao  
Sponsored by:     Paul Moul



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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-5:**      **Reference Schedule II-C-1(2) Rate of Return Method – Actual Capital Structure, Line 2, Long-term Debt \$25,625,704; and Schedule II-C-4, Long-Term Debt. Explain why the long-term debt prior to the adjustment of net proceeds for recognition of issuance costs was used in the capital structure with the cost rate after adjusted for net proceeds for recognition of issuance costs.**

**RESPONSE:**      Ideally, the two components should be synchronized. But in this case, the Company's actual capital structure was not used to determine the weighted average cost of capital. Hence, there is no need to address any difference between the principal amount of debt in the capital structure and the net proceeds amount of debt used in the cost of debt calculation because the Company has proposed hypothetical capital structure ratios in this case.

Prepared by:      Paul R. Moul  
Sponsored by:      Paul R. Moul

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-6:**      **Reference the Direct Testimony of Paul R. Moul, page 16, footnote number 2. Provide any document reviewed or relied on by Mr. Moul to support this statement.**

**RESPONSE:**            No additional documentation is necessary to support the statement contained in footnote 2. The relative valuation related to the risk associated with each situation is self-evident. Rational investors will discount expected earnings in a risk-adjusted manner.

Prepared by:            Paul R. Moul  
Sponsored by:           Paul R. Moul

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-7:**      **Reference the Direct Testimony of Paul R. Moul, page 20, lines 6-12. Provide the capital structures for the Water Group for the year ending June 30, 2015.**

**RESPONSE:**         Mr. Moul has not accessed or analyzed the capital structures of the Water Group ending June 30, 2015.

Prepared by:         Paul R. Moul  
Sponsored by:         Paul R. Moul

**PUC DOCKET NO. 45570  
SOAH DOCKET NO. 473-16-2873.WS**

**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-8:**      **Reference the Direct Testimony of Paul R. Moul, page 31, lines 13-18.  
Provide the following:**

- a.      **An explanation on how one company can have several capital structures on which to measure risk; and**
- b.      **The capital structure rating agencies use to determine a credit rating.**

**RESPONSE:**

- a.      Capital structures can be analyzed using book values per the balance sheet, or using the market capitalization of the debt and equity of a firm.
- b.      Generally book values are used by rating agencies to determine a credit rating in their published analysis. Other measures may be employed as well.

Prepared by:            Paul R. Moul  
Sponsored by:         Paul R. Moul

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-9: Reference the Direct Testimony of Paul R. Moul, page 32, lines 10-14. Provide the following:**

- a. Provide a list of Pennsylvania Public Utility Commission proceedings in which Mr. Moul proposed a leverage adjustment;
- b. For each proceeding identified above in which Mr. Moul proposed a leverage adjustment, please state whether the Pennsylvania Public Utility Commission adopted Mr. Moul's proposal; and
- c. A list of testimonies where Mr. Moul used a leverage adjustment to lower the cost of equity when the market value capitalization was less than the book value capitalization.

**RESPONSE:**

- a. See the list provided below:

Client	Date	Jurisdiction	Docket No.
Pennsylvania American Water Co	4/20/1999	Pennsylvania Public Utility Commission	Docket No. R-00994638
Philadelphia Suburban Water Co.	10/26/1999	Pennsylvania Public Utility Commission	Docket No. R-00994868
PFG Gas/North Penn Gas Co.	6/23/2000	Pennsylvania Public Utility Commission	Docket No. R-00005277
PAWC - WasteWater	9/7/2000	Pennsylvania Public Utility Commission	Docket No. R-00005212
Pennsylvania-American Wtr. Co.	4/20/2001	Pennsylvania Public Utility Commission	Docket No. R-00016339
Philadelphia Suburban Wtr. Co.	11/7/2001	Pennsylvania Public Utility Commission	Docket No. R-00016750
PPL Electric Utilities Corp.	6/20/2002	Pennsylvania Public Utility Commission	Docket No. R-00016850C001
PECO Energy Company	6/20/2002	Pennsylvania Public Utility Commission	Docket No. R-00016856C001
Pennsylvania-American Wtr. Co.	4/25/2003	Pennsylvania Public Utility Commission	Docket No. R-00038304
Philadelphia Suburban Water Co		Pennsylvania Public Utility Commission	Docket No. R-00038805
York Water Co.		Pennsylvania Public Utility Commission	Docket No. R-00049165
PP&L Electric Utilities	3/29/2004	Pennsylvania Public Utility Commission	Docket No. R-00049255
Aqua Pennsylvania, Inc.	11/18/2005	Pennsylvania Public Utility Commission	Docket No. R-00051030
T.W. Phillips Gas & Oil Co.	2/13/2006	Pennsylvania Public Utility Commission	Docket No. R-00051178
Duquesne Light Company	4/7/2006	Pennsylvania Public Utility Commission	Docket No. R-00061346
The York Water Company	4/27/2006	Pennsylvania Public Utility Commission	Docket No. R-00061322
PPL Gas Utilities Corporation	4/27/2006	Pennsylvania Public Utility Commission	Docket No. R-00061398
PPL Electric Utilities Corp.	3/29/2007	Pennsylvania Public Utility Commission	Docket No. R-00072155
Pennsylvania-American Water Co.	4/27/2007	Pennsylvania Public Utility Commission	Docket No. R-00072229
Aqua Pennsylvania, Inc.	11/21/2007	Pennsylvania Public Utility Commission	Docket No. R-00072711
Columbia of Pennsylvania	1/28/2008	Pennsylvania Public Utility Commission	Docket No. R-2008-2011621
PECO Energy Company	3/31/2008	Pennsylvania Public Utility Commission	Docket No. R-2008-2028394
Coatesville Wastewater	4/28/2008	Pennsylvania Public Utility Commission	Docket No. R-2008-2032689
York Water Co.	5/22/2008	Pennsylvania Public Utility Commission	Docket No. R-2008-2023067
UGI Utilities, Inc	1/28/2009	Pennsylvania Public Utility Commission	Docket No. R-2008-2079675
Pennsylvania-American Water Co.	4/28/2009	Pennsylvania Public Utility Commission	Docket No. R-2009-2097323
Aqua Pennsylvania, Inc.	11/18/2009	Pennsylvania Public Utility Commission	Docket No. R-2009-2132019
Columbia of Pennsylvania	1/28/2010	Pennsylvania Public Utility Commission	Docket No. R-2009-2149262
PPL Electric Utilities Corp.	3/31/2010	Pennsylvania Public Utility Commission	Docket No. R-2010-2161694
PECO Energy Company (Gas)	3/31/2010	Pennsylvania Public Utility Commission	Docket No. R-2010-2161592
PECO Energy Company (Electric)	3/31/2010	Pennsylvania Public Utility Commission	Docket No. R-2010-2161575
Pennsylvania-American Water Co.	4/23/2010	Pennsylvania Public Utility Commission	Docket No. R-2010-2166212
T.W. Phillips Gas & Oil Co.	4/30/2010	Pennsylvania Public Utility Commission	Docket No. R-2010-2167797
York Water Co.	5/13/2010	Pennsylvania Public Utility Commission	Docket No. R-2010-2157140
Duquesne Light Company	7/23/2010	Pennsylvania Public Utility Commission	Docket No. R-2010-2179522
Peoples Natural Gas Company	10/28/2010	Pennsylvania Public Utility Commission	Docket No. R-2010-2201702
UGI Utilities, Inc. (Central Penn Gas)	1/14/2011	Pennsylvania Public Utility Commission	Docket No. R-2010-2214415
Columbia Gas of Pennsylvania	1/14/2011	Pennsylvania Public Utility Commission	Docket No. R-2010-2215623
Pennsylvania-American Water Co.	4/29/2011	Pennsylvania Public Utility Commission	Docket No. R-2011-2232243
Aqua Pennsylvania	11/18/2011	Pennsylvania Public Utility Commission	Docket No. R-2011-2267958
Peoples Natural Gas Company LLC	2/29/2012	Pennsylvania Public Utility Commission	Docket No. R-2012-2285985
PPL Electric Company	3/30/2012	Pennsylvania Public Utility Commission	Docket No. R-2012-2290597

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

- b. Most rate cases in Pennsylvania are resolved by a stipulation among the parties in rate cases, and therefore, the Pennsylvania Commission has not often opined on the cost of equity. Cases where the Pennsylvania Commission has adopted the leverage adjustment are listed on page 32 of Mr. Moul's prefiled direct testimony. There were two cases where the rate of return issue was decided by the Pennsylvania Commission, and it declined to use the leverage adjustment. Those were its decision for Aqua Pennsylvania, Inc. (Docket No. R-00072711) and PPL Electric Utilities Corporation (Docket No. R-2012-2290597). Notably, the Pennsylvania Commission did not repudiate the leverage adjustment in the Aqua case, but instead arrived at an 11.00% return on equity for Aqua by including a separate return increment for exemplary management performance. Likewise, in the rate case decision for PPL, the Pennsylvania Commission recognized management performance as an additional increment when reaching the 10.4% cost of equity that it granted, rather than the leverage risk adjustment. Just like the increment for management performance where it is not recognized in all rate cases, so too the Pennsylvania Commission seems to be taking a similar approach to the leverage adjustment.
- c. Mr. Moul has proposed a leverage adjustment to lower the cost of equity in the following cases.

<u>Utility</u>	<u>Jurisdiction</u>	<u>Docket Number</u>
Lockhart Power Company	South Carolina	2013-378-E
Ohio Valley Gas Corporation	Indiana	Cause No 44147
Lockhart Power Company	South Carolina	2010-181-E
Kokomo Gas and Fuel Company	Indiana	Cause No. 43941
Northern Indiana Fuel and Light Co.	Indiana	Cause No. 43942
Ohio Valley Gas Corporation	Indiana	Cause No. 43208
Lockhart Power Company	South Carolina	2007-33-EE
Lockhart Power Company	South Carolina	2002-122-E

In those instances, the unleveraged cost of equity would be equivalent to the overall cost of capital with no debt in the capital structure (i.e., ROE = ROR).

Prepared by: Paul R. Moul  
Sponsored by: Paul R. Moul

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-10:**    **Reference the Direct Testimony of Paul R. Moul, page 46, lines 3 through 18. For each publication referenced, admit or deny that the publication is specific to the utility industry.**

**RESPONSE:**        The publications referenced in my testimony generally deal with broad indices of traded stocks regardless of their industry type.

The Journal of Finance – did not limit itself to any particular industry-type. Rather it looked at all nonfinancial firms traded on the NYSE, AMEX and NASDAQ, whose membership include public utilities.

Public Utility Fortnightly – did not limit itself to any particular industry-type. These companies are listed on the NYSE, AMEX and NASDAQ. In these cases, utilities are included along with other industries in the analysis.

SBBI Yearbook – did not limit itself to any particular industry-type. The SBBI Yearbook looks at all companies listed on the NYSE, AMEX and NASDAQ (see page 3 of Schedule PRM-12). In these cases, utilities are included along with other industries in the analysis.

Prepared by:        Paul R. Moul  
Sponsored by:       Paul R. Moul

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-11: Is it Mr. Moul's opinion that the regulated utility industry faces the same amount of risk as unregulated businesses?**

**RESPONSE:** There are instances where objective measures of risk for each type of business point to similar risks. Setting aside screening measures used to levelize those risks, generally non-regulated businesses have more business risk (as distinguished from financial risk or systematic risk) than regulated utilities.

Prepared by: Paul R. Moul  
Sponsored by: Paul R. Moul



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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-12:**    **Reference Schedule PRM-13. Provide this schedule using the most recent, up-to-date Value Line information.**

**RESPONSE:**        Please see Attachment Staff 3-12.

Prepared by:        Paul R. Moul  
Sponsored by:       Paul R. Moul

**Comparable Earnings Approach**

Using Non-Utility Companies with  
Timeliness of 2 & 3; Safety Rank of 2 & 3; Financial Strength of B, B+, B++ & A;  
Price Stability of 85 to 100; Betas of .55 to .80; and Technical Rank of 1, 2, 3 & 4

<u>Company</u>	<u>Industry</u>	<u>Timeliness Rank</u>	<u>Safety Rank</u>	<u>Financial Strength</u>	<u>Price Stability</u>	<u>Beta</u>	<u>Technical Rank</u>
Altria Group Inc	Tobacco	2	2	B+	100	0.65	2
Capitol Federal Financial Inc	Thrift	3	2	B+	100	0.65	2
Forrester Research Inc	Information Servi	3	3	B+	85	0.70	4
Hershey Company	Food Processing	3	2	B++	100	0.65	3
Mercury General Corp	Insurance (Prop/	2	2	B++	90	0.70	3
Northwest Bancshares Inc	Thrift	3	2	B+	100	0.75	3
Verisk Analytics Inc	Information Servi	2	2	B++	90	0.75	3
Average		<u>3</u>	<u>2</u>	<u>B+</u>	<u>95</u>	<u>0.69</u>	<u>3</u>
Water Group	Average	<u>3</u>	<u>3</u>	<u>B++</u>	<u>92</u>	<u>0.69</u>	<u>2</u>

Source of Information: Value Line Investment Survey for Windows, April 2016

**Comparable Earnings Approach**  
**Five -Year Average Historical Earned Returns**  
**for Years 2011-2015 and**  
**Projected 3-5 Year Returns**

<u>Company</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Average</u>	<u>Projected 2019-21</u>
Altria Group Inc	92.1%	NMF	NMF	NMF	NMF	92.1%	NMF
Capitol Federal Financial Inc	3.3%	4.1%	4.2%	5.2%	5.5%	4.5%	6.0%
Forrester Research Inc	10.1%	8.6%	9.7%	13.2%	15.8%	11.5%	16.0%
Hershey Company	76.4%	71.4%	52.6%	61.6%	71.0%	66.6%	42.0%
Mercury General Corp	8.2%	6.3%	6.6%	6.7%	7.1%	7.0%	12.0%
Northwest Bancshares Inc	5.6%	5.6%	5.8%	5.8%	5.2%	5.6%	8.0%
Verisk Analytics Inc	-	NMF	NMF	NMF	35.5%	35.5%	17.5%
Mean						<u>31.8%</u>	<u>16.9%</u>
Median						<u>11.5%</u>	<u>14.0%</u>
Average (excluding values <8% and >20%)						<u>11.5%</u>	<u>13.4%</u>

Comparable Earnings Approach  
Screening Parameters

---

Timeliness Rank

The rank for a stock's probable relative market performance in the year ahead. Stocks ranked 1 (Highest) or 2 (Above Average) are likely to outpace the year-ahead market. Those ranked 4 (Below Average) or 5 (Lowest) are not expected to outperform most stocks over the next 12 months. Stocks ranked 3 (Average) will probably advance or decline with the market in the year ahead. Investors should try to limit purchases to stocks ranked 1 (Highest) or 2 (Above Average) for Timeliness.

---

Safety Rank

A measure of potential risk associated with individual common stocks rather than large diversified portfolios (for which Beta is good risk measure). Safety is based on the stability of price, which includes sensitivity to the market (see Beta) as well as the stock's inherent volatility, adjusted for trend and other factors including company size, the penetration of its markets, product market volatility, the degree of financial leverage, the earnings quality, and the overall condition of the balance sheet. Safety Ranks range from 1 (Highest) to 5 (Lowest). Conservative investors should try to limit purchases to equities ranked 1 (Highest) or 2 (Above Average) for Safety.

---

Financial Strength

The financial strength of each of the more than 1,600 companies in the VS II data base is rated relative to all the others. The ratings range from A++ to C in nine steps. (For screening purposes, think of an A rating as "greater than" a B). Companies that have the best relative financial strength are given an A++ rating, indicating ability to weather hard times better than the vast majority of other companies. Those who don't quite merit the top rating are given an A+ grade, and so on. A rating as low as C++ is considered satisfactory. A rating of C+ is well below average, and C is reserved for companies with very serious financial problems. The ratings are based upon a computer analysis of a number of key variables that determine (a) financial leverage, (b) business risk, and (c) company size, plus the judgment of Value Line's analysts and senior editors regarding factors that cannot be quantified across-the-board for companies. The primary variables that are indexed and studied include equity coverage of debt, equity coverage of intangibles, "quick ratio", accounting methods, variability of return, fixed charge coverage, stock price stability, and company size.

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Price Stability Index

An index based upon a ranking of the weekly percent changes in the price of the stock over the last five years. The lower the standard deviation of the changes, the more stable the stock. Stocks ranking in the top 5% (lowest standard deviations) carry a Price Stability Index of 100; the next 5%, 95; and so on down to 5. One standard deviation is the range around the average weekly percent change in the price that encompasses about two thirds of all the weekly percent change figures over the last five years. When the range is wide, the standard deviation is high and the stock's Price Stability Index is low.

---

Beta

A measure of the sensitivity of the stock's price to overall fluctuations in the New York Stock Exchange Composite Average. A Beta of 1.50 indicates that a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Average. Use Beta to measure the stock market risk inherent in any diversified portfolio of, say, 15 or more companies. Otherwise, use the Safety Rank, which measures total risk inherent in an equity, including that portion attributable to market fluctuations. Beta is derived from a least squares regression analysis between weekly percent changes in the price of a stock and weekly percent changes in the NYSE Average over a period of five years. In the case of shorter price histories, a smaller time period is used, but two years is the minimum. The Betas are periodically adjusted for their long-term tendency to regress toward 1.00.

---

Technical Rank

A prediction of relative price movement, primarily over the next three to six months. It is a function of price action relative to all stocks followed by Value Line. Stocks ranked 1 (Highest) or 2 (Above Average) are likely to outpace the market. Those ranked 4 (Below Average) or 5 (Lowest) are not expected to outperform most stocks over the next six months. Stocks ranked 3 (Average) will probably advance or decline with the market. Investors should use the Technical and Timeliness Ranks as complements to one another.

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-13:**    **Reference the Direct Testimony of Paul R. Moul, page 49, lines 2-5. Explain how using year-end values cause the rate of return to be lower than using average book value.**

**RESPONSE:**        A simple example will illustrate this point. Beginning with the prior year-end book value of \$10.00 per share plus current year's earnings per share of \$1.00 less current year's dividends per share of \$0.50 produces \$10.50 current year-end book value. The average book value in this case is \$10.25 ( $\$10.00 + \$10.50 = \$20.50 \div 2$ ). The rate of return on average book value is 9.76% ( $\$1.00 \div \$10.25$ ) as compared to 9.52% ( $\$1.00 \div \$10.50$ ) on year-end book value.

Prepared by:        Paul R. Moul  
Sponsored by:       Paul R. Moul

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-14: Reference the Direct Testimony of Paul R. Moul, page 49, lines 5-6.  
Provide all documentation supporting this statement.**

**RESPONSE:** Please see the response to Staff RFI 3-13.

Prepared by: Paul R. Moul  
Sponsored by: Paul R. Moul

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**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

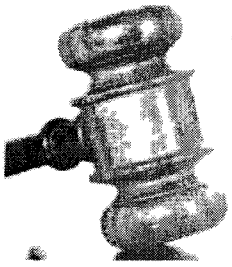
**STAFF RFI 3-15:**    **Reference the Direct Testimony of Paul R. Moul, page 50, lines 1-11.  
Provide the following:**

- a.    **The reasoning for using 20% as the cut off for a high return;**
- b.    **The reasoning for using 8% as the cut off for a low return; and**
- c.    **Any documents in Monarch's or Mr. Moul's possession showing the average state commission-granted return on common equity during any of the last 5 years for any utility and specify the commission and the industry.**

**RESPONSE:**

- a.    It is Mr. Moul's opinion that returns above 20% would constitute those associated with highly profitable enterprises or speculative ventures.
- b.    The reason that 8% was used to set the low end of the range of returns in the Comparable Earnings approach was to add symmetry to the range.
- c.    Please see Attachment Staff 3-15.

Prepared by:            Paul R. Moul  
Sponsored by:           Paul R. Moul

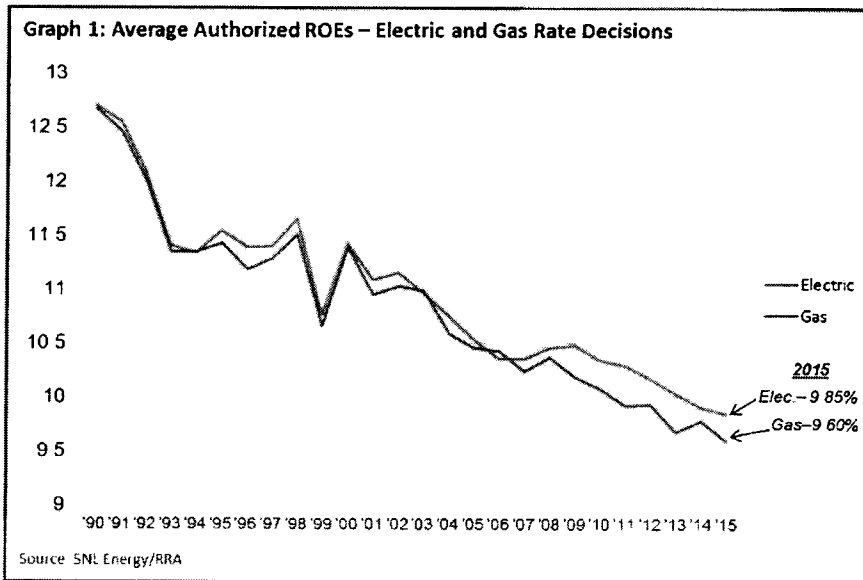


# REGULATORY FOCUS

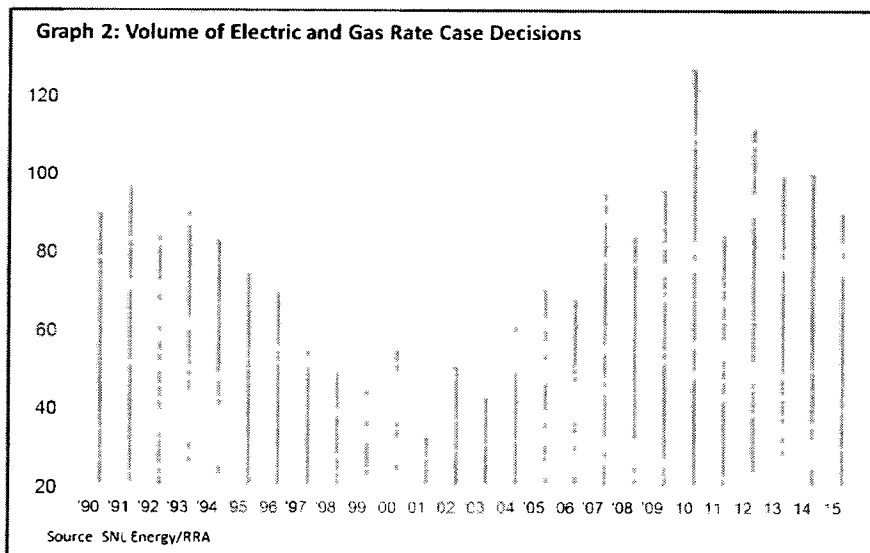
January 14, 2016

## MAJOR RATE CASE DECISIONS--CALENDAR 2015

The average return on equity (ROE) authorized electric utilities was 9.85% in 2015, compared to 9.91% in 2014. There were 30 electric ROE determinations in 2015, versus 38 in 2014. We note that the data includes several surcharge/rider generation cases in Virginia that incorporate plant-specific 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 9.58% in 2015 compared to 9.76% in 2014. The average ROE authorized gas utilities was 9.6% in 2015 compared to 9.78% in 2014. There were 16 gas cases that included an ROE determination in 2015, versus 26 in 2014. The 2014 averages do not include a Feb. 20, 2014 New York Public Service Commission steam rate decision for Consolidated Edison Co. of New York that adopted a 9.3% ROE.



As shown in Graph 2 below, 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, peaking in 2010 at more than 125 cases.





Since 2010, the number of cases has moderated somewhat but has approximated 90 or more in the last five calendar years. There were 89 electric and gas rate cases resolved in 2015, 99 in both 2014 and 2013, 110 in 2012, and 86 in 2011. The number of rate cases decided in 2015 declined slightly from the level of activity in 2014, but this level remains robust compared to the late-1990s/early-2000s. Increased costs for environmental compliance (including the CO<sub>2</sub> reduction mandates), generation and delivery infrastructure upgrades and expansion, renewable generation mandates, and employee benefits argue for the continuation of an active rate case agenda over the next few years. In addition, if the Federal Reserve continues its policy initiated in December 2015 to gradually raise the federal funds rate, utilities eventually would face higher capital costs and would need to initiate rate cases to reflect the higher capital costs in rates.

We note that this report utilizes the simple mean for the return averages. In addition, the average equity returns indicated in this report reflect the cases decided in the specified time periods and are not necessarily representative of the returns actually earned by utilities industry wide.

As a result of electric industry restructuring, certain states unbundled electric rates and implemented retail competition for generation. Commissions in those states now have jurisdiction only over the revenue requirement and return parameters for delivery operations (which we footnote in our chronology beginning on page 5), thus complicating historical data comparability. We note that since 2008, interest rates declined significantly, and average authorized ROEs have declined modestly. We also note the increased utilization of limited issue rider proceedings that allow utilities to recover certain costs outside of a general rate case and typically incorporate previously-determined return parameters.

The table on page 3 shows the average ROE authorized in major electric and gas rate decisions annually since 1990, and by quarter since 2011, followed by the number of observations in each period. The tables on page 4 indicate the composite electric and gas industry data for all major cases summarized annually since 2001 and by quarter for the past eight quarters. The individual electric and gas cases decided in 2015 are listed on pages 5-9, 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), ROE, and percentage of common equity in the adopted capital structure. Next we indicate 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.

The table below tracks the average equity return authorized for all electric and gas rate cases combined, by year, for the last 26 years. As the table indicates, since 1990 the authorized ROEs have generally trended downward, reflecting the significant decline in interest rates and capital costs that has occurred over this time frame. The combined average equity returns authorized for electric and gas utilities in each of the years 1990 through 2015, and the number of observations for each year are as follows:

1990	12.69%	(75)	2003	10.98%	(47)
1991	12.51	(80)	2004	10.67	(39)
1992	12.06	(77)	2005	10.50	(55)
1993	11.37	(77)	2006	10.39	(42)
1994	11.34	(59)	2007	10.30	(76)
1995	11.51	(49)	2008	10.42	(67)
1996	11.29	(42)	2009	10.36	(68)
1997	11.34	(24)	2010	10.28	(100)
1998	11.59	(20)	2011	10.21	(59)
1999	10.74	(29)	2012	10.08	(93)
2000	11.41	(24)	2013	9.92	(71)
2001	11.05	(25)	2014	9.86	(63)
2002	11.10	(43)	2015	9.76	(46)

Please note: Historical data provided in this report may not match data provided on RRA's website due to certain differences in presentation.

Dennis Spurduto

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**Average Equity Returns Authorized January 1990 - December 2015**

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	Full Year	10.36	(26)	10.43	(16)
2007	Full Year	10.36	(39)	10.24	(37)
2008	Full Year	10.46	(37)	10.37	(30)
2009	Full Year	10.48	(39)	10.19	(29)
2010	Full Year	10.37	(61)	10.15	(39)
	1st Quarter	10.32	(13)	10.10	(5)
	2nd Quarter	10.12	(10)	9.88	(5)
	3rd Quarter	10.36	(8)	9.65	(2)
	4th Quarter	10.34	(11)	9.88	(4)
2011	Full Year	10.29	(42)	9.92	(16)
	1st Quarter	10.84	(12)	9.63	(5)
	2nd Quarter	9.92	(13)	9.83	(8)
	3rd Quarter	9.78	(8)	9.75	(1)
	4th Quarter	10.10	(25)	10.07	(21)
2012	Full Year	10.17	(58)	9.94	(35)
	1st Quarter	10.28	(14)	9.57	(3)
	2nd Quarter	9.84	(7)	9.47	(6)
	3rd Quarter	10.06	(7)	9.60	(1)
	4th Quarter	9.91	(21)	9.83	(11)
2013	Full Year	10.03	(49)	9.68	(21)
	1st Quarter	10.23	(8)	9.54	(6)
	2nd Quarter	9.83	(5)	9.84	(8)
	3rd Quarter	9.87	(12)	9.45	(6)
	4th Quarter	9.78	(13)	10.28	(6)
2014	Full Year	9.91	(38)	9.78	(26)
	1st Quarter	10.37	(9)	9.47	(3)
	2nd Quarter	9.73	(7)	9.43	(3)
	3rd Quarter	9.40	(2)	9.75	(1)
	4th Quarter	9.62	(12)	9.68	(9)
2015	Year-to-Date	9.85	(30)	9.60	(16)

**Electric Utilities--Summary Table**

	<b>Period</b>	<b>ROR % (# Cases)</b>		<b>ROE % (# Cases)</b>		<b>Eq. as % Cap. Struc. (# Cases)</b>		<b>Amt. \$ Mil. (# Cases)</b>	
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)	10.37	(61)	48.45	(54)	5,567.7	(77)
2011	Full Year	8.00	(43)	10.29	(42)	48.26	(42)	2,853.5	(55)
2012	Full Year	7.95	(51)	10.17	(58)	50.55	(52)	3,131.5	(69)
2013	Full Year	7.66	(45)	10.03	(49)	49.25	(43)	3,326.6	(61)
	1st Quarter	7.71	(6)	10.23	(8)	51.08	(8)	251.4	(9)
	2nd Quarter	7.77	(2)	9.83	(5)	49.12	(4)	92.5	(6)
	3rd Quarter	7.55	(11)	9.87	(12)	50.12	(11)	651.5	(16)
	4th Quarter	7.56	(13)	9.78	(13)	50.29	(12)	1,058.4	(20)
<b>2014</b>	<b>Full Year</b>	<b>7.60</b>	<b>(32)</b>	<b>9.91</b>	<b>(38)</b>	<b>50.28</b>	<b>(35)</b>	<b>2,053.8</b>	<b>(51)</b>
	1st Quarter	7.74	(10)	10.37	(9)	51.91	(9)	203.7	(11)
	2nd Quarter	7.04	(9)	9.73	(7)	47.83	(6)	819.4	(16)
	3rd Quarter	7.85	(3)	9.40	(2)	51.08	(3)	379.6	(5)
	4th Quarter	7.22	(13)	9.62	(12)	48.24	(12)	484.3	(19)
<b>2015</b>	<b>Year-To-Date</b>	<b>7.38</b>	<b>(35)</b>	<b>9.85</b>	<b>(30)</b>	<b>49.54</b>	<b>(30)</b>	<b>1,887.0</b>	<b>(51)</b>

**Gas Utilities--Summary Table**

	<b>Period</b>	<b>ROR % (# Cases)</b>		<b>ROE % (# Cases)</b>		<b>Eq. as % Cap. Struc. (# Cases)</b>		<b>Amt. \$ Mil. (# Cases)</b>	
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)	10.15	(39)	48.56	(38)	816.7	(50)
2011	Full Year	8.09	(18)	9.92	(16)	52.49	(14)	436.3	(31)
2012	Full Year	7.98	(30)	9.94	(35)	51.13	(32)	263.9	(41)
2013	Full Year	7.39	(20)	9.68	(21)	50.60	(20)	494.9	(38)
	1st Quarter	7.67	(6)	9.54	(6)	51.14	(6)	22.2	(9)
	2nd Quarter	7.74	(7)	9.84	(8)	52.12	(8)	62.2	(12)
	3rd Quarter	7.24	(7)	9.45	(6)	48.68	(7)	329.1	(11)
	4th Quarter	7.97	(7)	10.28	(6)	52.35	(7)	115.5	(16)
<b>2014</b>	<b>Full Year</b>	<b>7.65</b>	<b>(27)</b>	<b>9.78</b>	<b>(26)</b>	<b>51.11</b>	<b>(28)</b>	<b>529.0</b>	<b>(48)</b>
	1st Quarter	6.41	(2)	9.47	(3)	50.41	(2)	168.7	(9)
	2nd Quarter	7.29	(3)	9.43	(3)	50.71	(3)	34.9	(8)
	3rd Quarter	7.35	(1)	9.75	(1)	42.01	(1)	103.9	(8)
	4th Quarter	7.54	(10)	9.68	(9)	50.40	(10)	180.1	(13)
<b>2015</b>	<b>Year-To-Date</b>	<b>7.34</b>	<b>(16)</b>	<b>9.60</b>	<b>(16)</b>	<b>49.93</b>	<b>(16)</b>	<b>487.6</b>	<b>(38)</b>

## ELECTRIC UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&amp;</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
1/23/15	PacifiCorp (WY)	7.41	9.50	51.43	6/15-A	20.2
2/4/15	Monongahela Power/Potomac Ed. (WV)	--	--	--	12/13	124.3 (B,1)
2/18/15	Virginia Electric and Power (VA)	7.88	11.00	52.03	3/16-A	36.9 (LIR,B,2)
2/24/15	Public Service Co. of Colorado (CO)	7.55	9.83	56.00	12/13-YE	-39.4 (I,B)
3/2/15	Black Hills Power (SD)	7.76	--	--	9/13-A	6.9 (I,B)
3/12/15	Virginia Electric and Power (VA)	8.40	12.00	52.03	3/16-A	-6.4 (LIR,B,3)
3/12/15	Virginia Electric and Power (VA)	7.88	11.00	52.03	3/16-A	11.4 (LIR,B,4)
3/12/15	Virginia Electric and Power (VA)	7.88	11.00	52.03	3/16-A	5.8 (LIR,B,5)
3/18/15	Jersey Central Power & Light (NJ)	8.01	9.75	50.00 (Hy)	12/11-YE	-115.0 (D)
3/25/15	PacifiCorp (WA)	7.30	9.50	49.10 (Hy)	12/13-A	9.6
3/26/15	Northern States Power-Minnesota (MN)	7.37	9.72	52.50	12/14-A	149.4 (R,I,Z)
<b>2015</b>	<b>1ST QUARTER: AVERAGES/TOTAL</b>	<b>7.74</b>	<b>10.37</b>	<b>51.91</b>		<b>203.7</b>
	<b>OBSERVATIONS</b>	<b>10</b>	<b>9</b>	<b>9</b>		<b>11</b>
4/9/15	Metropolitan Edison (PA)	--	--	--	4/16	105.7 (D,B)
4/9/15	Pennsylvania Electric (PA)	--	--	--	4/16	107.8 (D,B)
4/9/15	Pennsylvania Power (PA)	--	--	--	4/16	25.5 (D,B)
4/9/15	West Penn Power (PA)	--	--	--	4/16	95.2 (D,B)
4/14/15	Public Service Oklahoma (OK)	7.63	--	--	7/13-YE	-4.8 (I,B)
4/21/15	Virginia Electric & Power (VA)	7.88	11.00	52.03	8/16-A	60.5 (LIR,Z,B,6)
4/23/15	Wisconsin Public Service (MI)	6.01	10.20	--	12/15	4.0 (Z,B)
4/29/15	Union Electric (MO)	7.60	9.53	51.76	3/14-YE	121.5
5/1/15	Cross Texas Transmission (TX)	6.11	9.60	40.00	9/14-YE	30.9 (B,D,7)
5/26/15	Appalachian Pow./Wheeling Pow. (WV)	7.38	9.75	47.16	12/13-A	123.5
6/15/15	Northern States Power-Minnesota (SD)	7.22	--	--	12/13-A	15.2 (I,B)
6/17/15	Central Hudson Gas & Electric (NY)	6.62	9.00	48.00	6/16-A	15.3 (D,B,8)
6/17/15	Consolidated Edison of New York (NY)	6.91	9.00	48.00	12/16-A	-- (D,B,9)
6/22/15	Kentucky Power (KY)	--	--	--	9/14	-23.0 (B)
6/24/15	Empire District Electric (MO)	--	--	--	4/14	17.1 (B)
6/30/15	Kentucky Utilities (KY)	--	--	--	6/16	125.0 (B)
6/30/15	Louisville Gas & Electric (KY)	--	--	--	6/16	0.0 (B)
<b>2015</b>	<b>2ND QUARTER: AVERAGES/TOTAL</b>	<b>7.04</b>	<b>9.73</b>	<b>47.83</b>		<b>819.4</b>
	<b>OBSERVATIONS</b>	<b>9</b>	<b>7</b>	<b>6</b>		<b>16</b>
7/7/15	Mississippi Power (MS)	--	--	--	--	0.0 (LIR,10)
7/20/15	Entergy Texas (TX)	--	--	--	--	-- (11)
9/2/15	Kansas City Power & Light (MO)	7.53	9.50	50.09	3/14-YE	89.7 (12)
9/10/15	Kansas City Power & Light (KS)	7.44	9.30	50.48	6/14-YE	40.1 (12)
9/23/15	South Carolina Electric & Gas (SC)	8.57	--	52.66	6/15-YE	64.5 (LIR,13)
9/24/15	Westar Energy (KS)	--	--	--	9/14	185.3 (B)
<b>2015</b>	<b>3RD QUARTER: AVERAGES/TOTAL</b>	<b>7.85</b>	<b>9.40</b>	<b>51.08</b>		<b>379.6</b>
	<b>OBSERVATIONS</b>	<b>3</b>	<b>2</b>	<b>3</b>		<b>5</b>

## ELECTRIC UTILITY DECISIONS (continued)

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&amp;</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
10/15/15	Orange & Rockland Utilities (NY)	7.10	9.00	48.00	10/16-A	9.3 (B,D,14)
10/29/15	NorthWestern Corp. (SD)	7.24	--	--	9/14-A	40.7 (I,B)
11/5/15	Southern California Edison (CA)	--	--	--	12/15-A	-450.4 (Z)
11/19/15	Consumers Energy (MI)	6.18	10.30	41.50 *	5/16-A	126.4 (I,Z)
11/19/15	PPL Electric Utilities (PA)	--	--	--	12/16	124.0 (D,B)
11/19/15	Wisconsin Public Service (WI)	8.24	10.00	50.47	12/16-A	-7.9
11/23/15	Virginia Electric and Power (VA)	--	--	--	12/14	0.0 (15)
12/3/15	Mississippi Power (MS)	6.68	9.23	49.73	5/16-A	126.1 (LIR,I,B)
12/3/15	Northern States Power-Wisconsin (WI)	7.81	10.00	52.49	12/16-A	7.6
12/9/15	Ameren Illinois (IL)	7.65	9.14	50.00	12/14-YE	95.1 (D)
12/9/15	Commonwealth Edison (IL)	7.05	9.14	46.25	12/14-YE	-65.5 (D)
12/11/15	DTE Electric (MI)	5.70	10.30	38.03 *	6/16-A	238.2 (I)
12/15/15	Portland General Electric (OR)	7.51	9.60	50.00	12/16-A	70.4 (B,16)
12/17/15	PECO Energy (PA)	--	--	--	12/16	127.0 (D,B)
12/17/15	Southwestern Public Service (TX)	7.88	9.70	51.00 (Hy)	6/14-YE	-4.0
12/18/15	Avista Corp. (ID)	7.42	9.50	50.00	12/14-A	1.7 (B)
12/22/15	Georgia Power (GA)	--	--	--	12/16	19.1 (LIR,17)
12/23/15	PacifiCorp (ID)	--	--	--	--	10.2 (LIR,18)
12/30/15	PacifiCorp (WY)	7.40	9.50	51.44	12/15-A	16.3 (R)
<b>2015</b>	<b>4TH QUARTER: AVERAGES/TOTAL</b>	<b>7.22</b>	<b>9.62</b>	<b>48.24</b>		<b>484.3</b>
	<b>OBSERVATIONS</b>	<b>13</b>	<b>12</b>	<b>12</b>		<b>19</b>
<b>2015</b>	<b>YEAR-TO-DATE: AVERAGES/TOTAL</b>	<b>7.38</b>	<b>9.85</b>	<b>49.54</b>		<b>1,887.0</b>
	<b>OBSERVATIONS</b>	<b>35</b>	<b>30</b>	<b>30</b>		<b>51</b>

## GAS UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&amp;</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
1/13/15	Consumers Energy (MI)	--	10.30	--	12/15	45.0 (I,B)
1/14/15	Indiana Gas (IN)	--	--	--	6/14-YE	5.7 (LIR,19)
1/14/15	Southern Indiana Gas & Electric (IN)	--	--	--	6/14-YE	1.5 (LIR,19)
1/21/15	North Shore Gas (IL)	6.26	9.05	50.48	12/15-A	3.5 (R)
1/21/15	Peoples Gas Light & Coke (IL)	6.56	9.05	50.33	12/15-A	71.1 (R)
1/26/15	Piedmont Natural Gas (NC)	--	--	--	10/14	26.6 (LIR,20)
1/27/15	Atmos Energy (KS)	--	--	--	9/14-YE	0.3 (LIR,21)
1/27/15	Northern States Power-Minnesota (MN)	--	--	--	12/15	14.7 (LIR,22)
1/28/15	Northern Indiana Public Service (IN)	--	--	--	6/14-YE	0.3 (LIR,23)
<b>2015</b>	<b>1ST QUARTER: AVERAGES/TOTAL OBSERVATIONS</b>	<b>6.41</b> <b>2</b>	<b>9.47</b> <b>3</b>	<b>50.41</b> <b>2</b>		<b>168.7</b> <b>9</b>
4/7/15	Delta Natural Gas (KY)	--	--	--	12/14-YE	1.3 (LIR,24)
4/9/15	Avista Corporation (OR)	7.52	9.50	51.00	12/15-A	5.3 (B)
5/11/15	Atmos Energy (TN)	7.73	9.80	53.13	5/16-A	0.7 (B)
5/13/15	Missouri Gas Energy (MO)	--	--	--	2/15-YE	2.8 (LIR,25)
5/20/15	Laclede Gas (MO)	--	--	--	2/15-YE	5.5 (LIR,25)
6/17/15	Central Hudson Gas & Electric (NY)	6.62	9.00	48.00	6/16-A	1.8 (B,26)
6/26/15	Liberty Utilities EnergyNorth (NH)	--	--	--	3/14	10.5 (I,B,27)
6/30/15	Louisville Gas & Electric (KY)	--	--	--	6/16	7.0 (B)
<b>2015</b>	<b>2ND QUARTER: AVERAGES/TOTAL OBSERVATIONS</b>	<b>7.29</b> <b>3</b>	<b>9.43</b> <b>3</b>	<b>50.71</b> <b>3</b>		<b>34.9</b> <b>8</b>
7/22/15	Indiana Gas (IN)	--	--	--	12/14-YE	5.5 (LIR,19)
7/22/15	Southern Indiana Gas & Electric (IN)	--	--	--	12/14-YE	3.2 (LIR,19)
7/28/15	Atmos Energy (TX)	--	--	--	12/14-YE	52.6 (I,B,28)
8/21/15	Columbia Gas of Virginia (VA)	7.35	9.75	42.01	12/13	25.2 (I,B)
8/25/15	CenterPoint Energy Resources (TX)	--	--	--	9/14	4.9 (B)
9/16/15	Liberty Utilities (Midstates N.G.) (MO)	--	--	--	5/15	0.3 (LIR,29)
9/23/15	Atmos Energy (KY)	--	--	--	9/16-YE	3.8 (LIR,24)
9/29/15	ENSTAR Natural Gas (AK)	--	--	--	12/14	8.4 (I,B,Z)
<b>2015</b>	<b>3RD QUARTER: AVERAGES/TOTAL OBSERVATIONS</b>	<b>7.35</b> <b>1</b>	<b>9.75</b> <b>1</b>	<b>42.01</b> <b>1</b>		<b>103.9</b> <b>8</b>

## GAS UTILITY DECISIONS (continued)

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. \$ Mil.
10/7/15	Bay State Gas (MA)	7.75	9.55	53.54	12/14-YE	32.8 (B,30)
10/13/15	Mountaneer Gas (WV)	7.96 (E)	9.75	45.50 (E)	9/14-A	7.7 (B,31)
10/15/15	Orange and Rockland Utilities (NY)	7.10	9.00	48.00	10/16-A	27.5 (B,32)
10/30/15	NSTAR Gas (MA)	7.72	9.80	52.10	12/13-YE	15.8
11/4/15	CenterPoint Energy Resources (OK)	8.64	--	49.86	12/14-YE	0.9 (33)
11/5/15	Kansas Gas Service (KS)	--	--	--	6/15-YE	2.5 (21)
11/19/15	Wisconsin Public Service (WI)	7.80	10.00	50.47	12/16-A	-6.2
12/1/15	Piedmont Natural Gas (NC)	--	--	--	9/15	16.5 (LIR,20)
12/3/15	Columbia Gas of Pennsylvania (PA)	--	--	--	12/16	28.0 (B)
12/3/15	Northern States Power-Wisconsin (WI)	7.81	10.00	52.49	12/16-A	4.2
12/9/15	Ameren Illinois (IL)	7.65 (B)	9.60 (B)	50.00 (B)	12/16-A	44.5
12/11/15	Michigan Gas Utilities (MI)	5.51	9.90	52.00	12/16	3.4 (B)
12/18/15	Avista Corp. (ID)	7.42	9.50	50.00	12/14-A	2.5 (B)
<b>2015</b>	<b>4TH QUARTER: AVERAGES/TOTAL OBSERVATIONS</b>	<b>7.54</b> <b>10</b>	<b>9.68</b> <b>9</b>	<b>50.40</b> <b>10</b>		<b>180.1</b> <b>13</b>
<b>2015</b>	<b>YEAR-TO-DATE: AVERAGES/TOTAL OBSERVATIONS</b>	<b>7.34</b> <b>16</b>	<b>9.60</b> <b>16</b>	<b>49.93</b> <b>16</b>		<b>487.6</b> <b>38</b>

## 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.

COC- Case involved only the determination of cost-of-capital parameters.

CWIP- Construction work in progress

D- Applies to electric delivery only

DCt Date certain rate base valuation

E- Estimated

F- Return on fair value rate base

Hy- Hypothetical capital structure utilized

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

LIR Limited-issue rider proceeding

M- "Make-whole" rate change based on return on equity or overall return authorized in previous case.

R- Revised

Te- Temporary rates implemented prior to the issuance of final order.

U- Double leverage capital structure utilized.

W- Case withdrawn

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) Consolidated rate proceeding for Monongahela Power and Potomac Edison, whose rate schedules were combined.

(2) Increase authorized through a surcharge, Rider W, which reflects in rates the investment in the Warren County Power Station.

(3) This proceeding determines the revenue requirement for Rider B, which is the mechanism through which the company recovers costs associated with its plan to convert the Altavista, Hopewell, and Southampton Power Stations to burn biomass fuels.

(4) Represents rate increase associated with the company's Rider R proceeding, which is the mechanism through which the company recovers the investment in the Bear Garden generating facility.

(5) This proceeding determines the revenue requirement for Rider S, which recognizes in rates the company's investment in the Virginia City Hybrid Energy Center.

**FOOTNOTES (continued)**

- (6) This proceeding determines the revenue requirement for Rider BW, which recognizes in rates the company's investment in the Brunswick Generating Station. A \$10.1 million increase became effective Sept. 1, 2015, and an incremental \$50.5 million is to be implemented May 1, 2016.
- (7) Indicated rate increase is for base rates and reflects the transfer to base rates of \$30.1 million that was being collected through the company's interim transmission cost of service adjustment mechanism. The net overall rate increase is \$0.8 million.
- (8) The approved final Joint Proposal provides for the company to implement a \$15.3 million electric rate increase, effective July 1, 2015, based on a 9% return on equity (48% of capital) and a 6.62% overall return, a \$16 million increase on July 1, 2016, based on the same return parameters, and a \$14.1 million increase on July 1, 2017, that reflects a 9% return on equity (48% of capital) and a 6.58% overall return.
- (9) Joint Proposal adopted that extends the company's existing rate plan by one year through 12/31/16. Rates were not changed.
- (10) On 7/7/15, the PSC issued an order on remand directing the company to cease collecting CWIP-related rate increases effective 7/20/15, and to submit a refund plan. This PSC action is the result of a 2/12/15 Mississippi Supreme Court decision that reversed and remanded the PSC's 3/5/13 decision in the proceeding that had authorized the company a two-step \$156 million rate increase related to the Kemper generation plant.
- (11) Case dismissed at company request.
- (12) Approved settlements did not address rate-of-return issues.
- (13) Case involves company's request for a cash return on incremental V.C. Summer Units 2 and 3 CWIP and incorporates the 11% ROE that was initially authorized in 2009 for use in Summer CWIP-related proceedings.
- (14) The approved Joint settlement provides for a \$9.3 million electric rate increase on 11/1/15, and an \$8.8 million increase on 11/1/16. The approved rate changes incorporate a 9% return on equity (48% of capital) and overall returns of 7.1% (in rate year one) and 7.06% (in rate year two).
- (15) Proceeding reviewed earnings levels for the 2013-2014 biennium versus the 10% ROE authorized in the previous review. By law, no prospective rate change was permissible in this case. The Commission calculated the company had earned a 10.89% ROE, and ordered \$19.7 million of refunds.
- (16) A \$14.7 million base rate reduction became effective 1/1/16. An \$85.1 million base rate increase is to be implemented in mid-2016, provided the Carty generation station achieves commercial operation by 7/31/16.
- (17) Case represents recovery of a cash return on 2016 CWIP and a preliminary true-up of the cash return on 2015 CWIP for Plant Vogtle Units 3 and 4 under the company's legislatively-enabled nuclear construction cost recovery tariff.
- (18) Limited-issue proceeding to reflect updated net power costs.
- (19) Proceeding to establish the rates to be charged to customers under the company's "compliance and system improvement adjustment" mechanism.
- (20) Case involves the company's Integrity Management Rider.
- (21) Case involves the company's gas system reliability surcharge rider.
- (22) Case represents the company's first filing under its Gas Utility Infrastructure Cost Rider.
- (23) This is the initial proceeding to establish the rates to be charged to customers under the company's transmission, distribution, and storage system improvement charge rate adjustment mechanism.
- (24) Case represents an annual update to the company's pipe replacement program rider.
- (25) Case represents an update to the company's semi-annual infrastructure system replacement surcharge rider.
- (26) The approved final Joint Proposal provides for the company to implement a \$1.8 million gas rate increase, effective July 1, 2015, based on a 9% return on equity (48% of capital) and a 6.62% overall return, a \$4.6 million increase on July 1, 2016, based on the same return parameters, and a \$4.4 million increase on July 1, 2017, that reflects a 9% return on equity (48% of capital) and a 6.58% overall return.
- (27) Indicated \$10.5 million rate increase excludes a \$1.9 million "step" increase for capital additions that was effective July 1, 2015.
- (28) Rate change ratified by cities in Atmos' Mid-Tex Division.
- (29) Case represents annual update to company's infrastructure system replacement surcharge rider.
- (30) Two step rate increase authorized. A \$32.8 million first-step increase was implemented on 11/1/15, and an incremental second-step incremental increase of up to \$3.6 million to become effective on 11/1/16.
- (31) Settlement did not specify the equity ratio or ROR; in a demonstration filing, the PSC Staff calculated a 45.5% equity ratio and 7.96% ROR.
- (32) The approved settlement provides for a three-year gas rate plan under which gas rates are to increase \$27.5 million effective 11/1/15, \$4.4 million effective Nov. 1, 2016, and \$6.7 million effective Nov. 1, 2017. The approved rate changes incorporate a 9% return on equity (48% of capital) and overall returns of 7.1% (in rate year one) and 7.06% (in rate years two and three).
- (33) Case involves the company's performance based ratemaking mechanism



**PUC DOCKET NO. 45570  
SOAH DOCKET NO. 473-16-2873.WS**

**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-16: Reference Schedule PRM-9, M&M formula. Provide the following:**

- a. Explanation how "ku" is solved for prior to the execution of the formula. (Line 1 has the term "ku" solved without executing the formula); and
- b. Provide this formula with all the "ku" terms on one side of the equal sign.

**RESPONSE:** In Schedule PRM-9, the solution for "ku" is shown in cell "B54." There the value for "ku" is the result 9.00% for "ke" that consists of 3.00% dividend yield plus 6.00% growth rate less 1.09% for having a 31.71% debt ratio measured at market value, which Microsoft Excel has rounded to 7.92%.

Prepared by: Paul R. Moul  
Sponsored by: Paul R. Moul

**PUC DOCKET NO. 45570  
SOAH DOCKET NO. 473-16-2873.WS**

**MONARCH'S RESPONSES TO STAFF'S THIRD REQUESTS FOR INFORMATION**

**STAFF RFI 3-17: Provide the connection count for each meter size for each public water system and wastewater system affected by the rate increase in Docket 45570. Provide your response in Excel format.**

**RESPONSE:** Please see Attachment Staff 3-17.

Prepared by: George Freitag/Patricia DeMay  
Sponsored by: George Freitag

RFI Staff 3-17 Billing Data as of 06/2015

WATER SYSTEMS AND CONNECTIONS BY METER

			# of Installation Numbers	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	8"	# of Installation Numbers	# of Installation Numbers	Result
AAVA	SUBDIVISION/SERVICE AREA	PUBLIC WATER SYSTEM												
AASH	AURORA VISTA	AURORA VISTA	123	8										142
BDES	ARROWHEAD SHORES	OAK TRAIL SHORES	414											415
BDHR	BEACHWOOD ESTATES	BEACHWOOD ESTATES	442	2				3						455
BKHS	BRIARWOOD HARBOR	BRIARWOOD HARBOR	31											31
BWCV	BENBROOK HILLS	BENBROOK HILLS	11											11
CALE	BLUE WATER COVE	BLUE WATER COVE	30											31
CESH	CALLENDER LAKE	CALLENDER LAKE	640	1				1						650
CGTE	CHEROKEE SHORES	CHEROKEE SHORES	654	3										651
CHPO	COLDSPRING TERRACE	COLDSPRING TERRACE	114	0										116
CLSP	COMANCHE HARBOR/PORTS O CALL	COMANCHE HARBOR/PORTS O CALL	451	2										455
CNES	CRYSTAL SPRINGS	CRYSTAL SPRINGS	81											84
COCV	CAROLYNN ESTATES	CAROLYNN ESTATES	719	5			1	3						734
CROW	COMANCHE COVE	COMANCHE COVE	416	3										430
CRVY	CROWLEY	CROWLEY	522	1				1						554
CSGN	CEDAR VALLEY	CEDAR VALLEY	55											58
CSWD	CHAMPIONS GLEN	DECKER HILLS	45											46
CYWD	CHESSWOOD	CHESSWOOD	31											30
DGES	CAMELOT FOREST	CAMELOT FOREST	86	1										82
DHIC	COUNTRYWOOD	COUNTRYWOOD	35											35
FCAD	DENTON CREEK ESTATES	DENTON CREEK ESTATES	111	0				1						111
GNAC	DECKER HILLS/WEBERNESS CROSSING/PARK	DECKER HILLS	1,133	2										1,151
GNAS	FALCON CREST ADDITION	FALCON CREST ADDITION	61											62
GSPT	GREEN ACRES	GREEN ACRES	34											33
GYAC	GARDEN ACRES	GARDEN ACRES	67											67
HAWR	GOVERNOR'S POINT	GOVERNOR'S POINT	154											153
HRES	GRANBURY ACRES	GRANBURY ACRES	80											80
HNCV	HIGHSAW WATER	HIGHSAW	534	2			3	6						548
HNLH	HIDEWAY BAY ESTATES	HIDEWAY BAY ESTATES	73											73
HPRPT	HIDDEN COVE	HOLIDAY VILLAGES OF LIVINGSTON	137											138
HVOF	HULON LAKES	HULON LAKES	139											145
HVOM	HARBOR POINT	HARBOR POINT	274	1										268
HYSS	HOLIDAY VILLAGES OF FORK	HOLIDAY VILLAGES OF FORK	268	6										311
IHRH	HOLIDAY VILLAGES OF LIVINGSTON	HOLIDAY VILLAGES OF LIVINGSTON	419	2										449
LMSH	HOLIDAY VILLAGES OF MEDINA	LAKE MEDINA SHORES	147	3										167
LNVP	HOLIDAY SHORES	HOLIDAY SHORES	139											141
LOLP	INDIAN HILLS HARBOR	INDIAN HILLS HARBOR	91											94
LYHR	LAKE MEDINA SHORES	LAKE MEDINA SHORES	504	3				1						519
MBES	LONGHORN VALLEY	LONGHORN VALLEY	34											35
MRES	LOLLIPOP	LOLLIPOP	72											75
MSCV	LAKEMAY HARBOR	LAKEMAY HARBOR	285											289
MWHS	MONTEGO BAY ESTATES	MONTEGO BAY ESTATES	122											121
MRES	MARKUM RANCH ESTATES	MARKUM RANCH ESTATES	38											51
NRES	MICHAEL'S COVE	CAROLYNN ESTATES	73											74
	METROPLEX HOMESTEADS	METROPLEX HOMESTEADS	1,068	3										1,090
	NOLAN RIVER ESTATES	NOLAN RIVER ESTATES	94											98

RFI Staff 3-17 Billing Data as of 06/2015

WATER SYSTEMS AND CONNECTIONS BY METER

	SUBDIVISION/SERVICE AREA		# of Installation Numbers	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	8"	# of Installation Numbers	WHOLESALE	# of Installation Numbers	Result
OKWO	OAK WOOD	PUBLIC WATER SYSTEM	50		0	0	0	0	0	0	0	0		49	
OTSH	OAK TRAIL SHORES	OAK TRAIL SHORES	1,008		2									1,010	
PAAD	PONDEROSA ADDITION	PONDEROSA ADDITION			0									45	
PHPS	PINWAH PINES	PINWAH PINES	58		0									58	
PHR	PINE HARBOR	PINE HARBOR	301		0									291	
PMPK	PINNACLE CLUB	CAROLYNN ESTATES	270		5									281	
PSAS	PLUM CREEK	PLUM CREEK	1,188		1	14	0	3	0	0	0	1		1,218	
PTSH	PHILLIPS ACRES	PHILLIPS ACRES	20		0									19	
REJN	PINE TRAIL SHORES	PINE TRAIL SHORES	266		0									251	
ROBS	RIDGECREST ESTATES - JOHNSON	RIDGECREST ESTATES - JOHNSON	140		0									139	
ROOK	RANCHO BRAZOS	RANCHO BRAZOS	125		0									131	
RORH	ACTON (ROYAL OAKS)	ACTON (ROYAL OAKS)	71		0									69	
RPEA	RIVER OAKS RANCH	RIVER OAKS RANCH	104		0									107	
RPEB	ROCKY POINT ESTATES 'A'	ROCKY POINT ESTATES 'A&B'	68		1									73	
RTGC	ROCKY POINT ESTATES 'B'	ROCKY POINT ESTATES 'A&B'	38		0									40	
RYWD	RIDGECREST GRAYSON COUNTY	RIDGECREST GRAYSON COUNTY	484		1	8	2	2	2	2	2	2		489	
SDCE	RAYWOOD	RAYWOOD	84		0									84	
SDSH	SUNDANCE	SUNDANCE	258		0									253	
SHE'S	SHERWOOD SHORES	SHERWOOD SHORES	578		1									573	
SNAS	SHEPHERD HILL ESTATES	SHEPHERD HILL ESTATES	19		0									20	
SPES	SOUTHERN ACRES	SOUTHERN ACRES	9		0									8	
SRSE	SPANISH PARK ESTATES	SPANISH PARK ESTATES	31		0									32	
SITES	SILVER SADDLE	SILVER SADDLE	15		3									18	
SWPL	STONECREST ESTATES	STONECREST ESTATES	126		0									119	
TCAD	SERENITY WOODS/PINE LOCH	SERENITY WOODS	137		0									140	
TGWD	TWIN CREEKS ADDITION	TWIN CREEKS ADDITION	245		1									235	
THES	TANGLEWOOD	TANGLEWOOD	1,162		10	14	6	1	1	1	1	1		1,211	
TRFE	TRIPLE H ESTATES	TRIPLE H ESTATES	22		0									21	
TRTE	TEX-RIDES FIFTH	TEX-RIDES FIFTH	16		0									16	
WDBH	TOWER TERRACE	TOWER TERRACE	238		1									240	
WDBN	WESTWOOD BEACH	WESTWOOD BEACH	599		2									592	
WHHR	WYNNWOOD HAVEN	WYNNWOOD HAVEN	127		22									147	
WLES	WESTERN HILL HARBOR	WESTERN HILL HARBOR	381		0									361	
WMSD	WESTERN LAKE ESTATES	WESTERN LAKE ESTATES	553		1									562	
WPKV	WEST MEADOWS	WEST MEADOWS	26		0									25	
WSDI	WEST PARK VILLAGE	WEST PARK VILLAGE	25		0									24	
WVHP	WESTSIDE	WESTSIDE	273		1									264	
WVPC	WOODCREEK VALLEY/HILLTOP	HULON LAKES	104		0									104	
	WESTVIEW - PARKER COUNTY	WESTVIEW - PARKER COUNTY	45		1	120	20	37	1	1	0			47	
			20,380	49	120	20	37	1	1	1	0			20,736	

NOTE Plum Creek does not include customers within the Cities of Kyle and Buda

WASTEWATER SYSTEMS AND CONNECTIONS BY WATER METER SIZE

District/Pipe Size	SUBDIVISION/SERVICE AREA	# of Installation Numbers # (sewer only)	5/8"		3/4"		1"		1 1/2"		2"		4"		Installation Wholesale	Installation Result
			Installation	Wholesale	Installation	Wholesale	Installation	Wholesale	Installation	Wholesale	Installation	Wholesale	Installation	Wholesale		
BDES	WASTEWATER SYSTEM															
BWCV	BEACHWOOD ESTATES	15	368	2	3											389
CESH	BLUE WATER COVE		28													28
CSGN	CHEROKEE SHORES	115	507	2												624
DHIC	CHAMPIONS GLEN		45													45
HRPT	DECKER HILLS/INVERNESS CROSSING/PARK	3	938	2												945
HVOF	HARBOR POINT	4	224		1											228
HVOL	HOLIDAY VILLAGES OF FORK	2	258	6	5											271
HVOM	HOLIDAY VILLAGES OF LIVINGSTON	9	372	1	3											386
PINP	HOLIDAY VILLAGES OF MEDINA	2	128	3	2											135
TGWD	PINNACLE CLUB	1	256	5	3											266
TRTE	TANGLEWOOD	1	55		2											66
	CITY OF POTTSBORO	1	217	1	1											220
	TOWER TERRACE	152	3,394	22	19											3,604



**OVERSIZED DOCUMENT**

**CD ATTACHED**

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DOCUMENT PLEASE CONTACT  
CENTRAL RECORDS  
512-936-7180**