BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for a rate increase by Tampa Electric Company
_____/

Docket No. 130040-EI

FILED: July 15, 2013

DIRECT TESTIMONY

OF

KEVIN W. O'DONNELL, CFA

ON BEHALF OF THE CITIZENS OF THE STATE OF FLORIDA

J. R. Kelly
Public Counsel

Patricia A. Christensen
Associate Public Counsel

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
(850) 488-9330

Attorneys for the Citizens

TABLE OF CONTENTS

LIST OF EXHIBITS

*(*Denotes Exhibit Short Titles)*

DIRECT TESTIMONY

OF

Kevin W. O'Donnell, CFA

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 130040-EI

INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Kevin W. O'Donnell. I am President of Nova Energy Consultants, Inc. My business address is 1350 Maynard Rd., Suite 101, Cary, North Carolina 27511.

Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS PROCEEDING?

A. I am testifying on behalf of the Florida Office of Public Counsel ("OPC"), which represents the interests of consumers in utility rate proceedings, before the Florida Public Service Commission ("PSC" or "Commission").

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND RELEVANT EMPLOYMENT EXPERIENCE.

A. I have a Bachelor of Science in Civil Engineering from North Carolina State University and a Master of Business Administration from the Florida State University. I earned the designation of Chartered Financial Analyst (CFA), which is a highly sought-after professional designation that measures a person's in-depth knowledge of portfolio finance and investment knowledge, in 1988. I have worked in utility regulation since September 1984, when I joined the Public Staff of the North Carolina Utilities Commission ("NCUC"). I left the NCUC Public Staff in 1991 and have worked continuously in utility consulting since that time, first with Booth & Associates, Inc. (until 1994), then as Director of Retail Rates for the North Carolina Electric Membership Corporation (1994-1995), and since then in my own consulting firm.

Q. HAVE YOU TESTIFIED AS AN EXPERT IN UTILITY MATTERS?

A. Yes, I have testified in utility matters as an expert witness on rate of return, cost of capital, capital structure, cost of service, and other regulatory issues in general rate cases, fuel cost proceedings, and other proceedings before the North Carolina Utilities Commission, the South Carolina Public Service Commission, the Virginia State Commerce Commission, the Minnesota Public Service Commission, and the Florida Public Service Commission. In 1996, I testified before the U.S. House of Representatives, Committee on Commerce and Subcommittee on Energy and Power,

concerning competition within the electric utility industry. Additional details regarding my education and work experience are set forth in Exhibit KWO-12 to my direct testimony.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to present to the Commission my findings as to the proper capital structure for use in this proceeding.

Q. HOW DOES YOUR TESTIMONY RELATE TO THE TESTIMONY OF OTHER OPC WITNESSES?

A. Based on the capital structure that I recommend, OPC witness Dr. Randall Woolridge will develop and quantify the return on equity capital that reflects the risk of an investment in Tampa Electric Company ("Tampa Electric" or "Company"), including the financial risk associated with my recommended capital structure. Since the cost of equity is directly linked to the capital structure, Dr. Woolridge will also quantify the reduced return on equity that should be associated with the much higher equity ratio Tampa Electric has requested. I will then evaluate the impact of OPC's recommended capital structure, return on equity, and all other OPC adjustments on the financial integrity of Tampa Electric as measured and perceived by the investment community.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS IN THIS CASE.

A. My conclusions and recommendations in this case are as follows:

- The proper capital structure to use in this proceeding is 50% common equity and 50% debt;
- The cost rate for long-term debt should be the Tampa Electric embedded cost of debt;
- The cost rate for short-term debt should be the Tampa Electric embedded cost of short-term debt;
- The overall rate of return that should be granted Tampa Electric in this case is 5.66%;
- The financial integrity of Tampa Electric is currently strong; and
- The OPC recommendations in this case will result in financial parameters that rating agencies associate with strong financial integrity.

Q. HOW IS YOUR TESTIMONY STRUCTURED?

A. My testimony is divided into sections as follows:

I. Economic and Legal Guidelines for a Fair Rate of Return

II. Capital Structure

III. Financial Integrity of OPC's Positions

IV. Summary

I. ECONOMIC AND LEGAL GUIDELINES FOR A FAIR RATE OF RETURN

Q. PLEASE BRIEFLY DESCRIBE THE ECONOMIC AND REGULATORY POLICY CONSIDERATIONS YOU HAVE TAKEN INTO ACCOUNT IN DEVELOPING YOUR RECOMMENDATION CONCERNING THE CAPITAL STRUCTURE THAT THE COMMISSION SHOULD EMPLOY FOR RATEMAKING PURPOSES IN THIS PROCEEDING.

A. The theory of utility regulation assumes that public utilities are natural monopolies. Historically, it was believed or assumed that it was more efficient for a single firm to provide a particular utility service in a specific geographic area rather than multiple firms. Even though deregulation for the procurement of natural gas and generation of electric power and energy is spreading, the delivery of these products to end-use customers will continue to be considered a natural monopoly for the foreseeable future. When a natural monopoly exists, the authorities will regulate the service areas of these utilities. For example, the regulatory authorities will assign exclusive franchised territories to the public utilities, or will determine territorial boundaries when disputes arise, which allows these utilities to provide service more efficiently and at the lowest possible cost. In exchange for the protection of its monopoly service area, the utility is obligated to provide adequate service at a fair, regulated price. Section 366.06(1), Florida Statutes, states in part, that ". . . the commission shall have the authority to determine and fix fair, just, and reasonable rates,. . ."

This naturally raises the question: What constitutes a fair price? The generally accepted answer is that a prudently managed utility should be allowed to charge prices that allow the utility the opportunity to recover the reasonable and prudent costs of providing utility service and the opportunity to earn a fair rate of return on invested capital. A fair rate of return on capital allows the prudently managed utility to provide adequate service and attract capital to meet future expansion needs in its service area. Obviously, since public utilities are capital-intensive businesses, the cost of capital is a crucial issue for utility companies, their customers, and regulators. If the allowed rate of return is set too high, then consumers are burdened with excessive costs, current investors receive a windfall, and the utility has an incentive to overinvest. If the return is set too low, adequate service is jeopardized because the utility will not be able to raise new capital on reasonable terms.

In the case of Federal Power Commission v. Hope Natural Gas Company, 320 U.S. 591 (1944), the U.S. Supreme Court recognized that utilities compete with other firms in the market for investor capital. Historically, this case has provided legal and policy guidance concerning the return which public utilities should be allowed to earn:

In the Hope case, the U.S. Supreme Court specifically stated that". . . the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to

assure confidence in the financial integrity of the enterprise so as to maintain its credit and to attract capital." Id. at p. 603.

Q. PLEASE EXPLAIN HOW THE ECONOMIC PRINCIPLES AND COURT PRONOUNCEMENTS THAT YOU HAVE DESCRIBED RELATE TO CAPITAL STRUCTURE?

A. Succinctly stated, the choice of capital structure affects the risk of the enterprise, and the appropriate rate of return is a function of that risk. Since every equity investor faces a risk-return tradeoff, the issue of risk is an important element in determining the fair rate of return for a utility.

As I will develop in greater detail below, the risks that a regulated utility faces can be broadly categorized as financial risk and business risk. Financial risk refers to the possibility that the utility may not be able to meet its debt obligations. As the amount of debt relative to equity capital increases, the amount of money necessary to pay the interest on debt increases, and financial risk increases. Similarly, as the amount of debt relative to equity capital decreases, financial risk decreases. This is another way of saying that the relative amounts of equity and debt in the total capital raised by the utility bear directly on the risk perceived by investors, and thus to the rate of return that is commensurate with that risk. One of the tasks of the utility is to employ prudent and reasonable levels of debt and equity. The related task of the regulator is to review the utility's capital structure and adjust, when necessary, the requested

levels of equity and debt for ratemaking purposes to prevent customers from paying rates that are unreasonably high.

Business risk is a measure of a company's ability to operate at a profit within its industry. Given that Tampa Electric operates in a monopoly industry with little-to-no competition, its business risk is relative

II. CAPITAL STRUCTURE

Q. WHAT IS A CAPITAL STRUCTURE AND HOW WILL IT IMPACT THE REVENUES THAT THE UTILITY IS SEEKING IN A RATE CASE?

A. The term "capital structure" refers to the relative percentage of debt, equity, and other financial components that are used to finance a company's investments.

Focusing first on obtaining financing from the capital market in the most simplistic terms, there are basically three financing methods. The first method is to finance an investment with common equity, which essentially represents ownership in a company and its investments. Common equity returns, which take the form of dividends to stockholders, are not tax deductible. This feature makes financing with equity about 40% more expensive than debt financing.

The second form of corporate financing is preferred stock, which is normally used to a much smaller degree in capital structures. Dividend payments associated with preferred stock also are not tax deductible.

Debt is the other major form of financing used by corporations. There are two basic types of corporate debt: long-term and short-term. Long-term debt is generally understood to be debt that matures in a period of more than one year. Short-term debt is debt that matures in less than one year. Both long- and short-term debt are liabilities on the company's books that must be repaid before common or preferred stockholders can receive a return on their investment.

Q. PLEASE DESCRIBE THE RELATIONSHIP BETWEEN A UTILITY'S CAPITAL STRUCTURE AND ITS TOTAL REVENUE REQUIREMENTS.

A. The overall rate of return that is applied to rate base to calculate revenue requirements is a function of the utility's capital structure. A utility's total return is developed by multiplying the percentage of each component of the capital structure relative to the total financing on the company's books, by the cost rates associated with each form of capital. For each component, the mathematical product is referred to as a weighted average. The sum of the components' weighted averages represents the weighted average overall cost of capital. When these percentage ratios are applied to the cost rates applicable to the respective components, a total after-tax rate of return is developed.

The regulatory rate setting process allows utilities the opportunity to recover all expenses, including interest and taxes. Rates will be set so that the utility has sufficient funds to pay its taxes as well as its common stock dividends. Therefore, the ratepayer pays additional costs for equity (higher capital cost rate and associated gross-up for taxes) than they do for debt (lower capital cost rate and a tax deduction).

Q. WHY SHOULD THE FLORIDA PUBLIC SERVICE COMMISSION BE CONCERNED ABOUT HOW TAMPA ELECTRIC FINANCES ITS RATE BASE INVESTMENT?

A. There are two reasons why the Commission should be concerned about how Tampa Electric finances its rate base investment. The first reason is that the cost of common equity is higher than the cost of long-term debt, so that a higher equity percentage will translate into higher costs to Tampa Electric's customers with no corresponding improvement in quality of service. Long-term debt is a contractual obligation of the company and is carried as a liability on the company's books. Common stock is ownership in the company. Due to the nature of equity investments, common stockholders require higher rates of return to compensate them for the extra risk involved in owning part of the company versus having a promissory note from the company.

The second reason why the Commission should be concerned about Tampa Electric's capital structure is related to the tax treatment of debt versus common equity. Public

corporations, such as TECO Energy, Inc. ("TECO Energy"), can write-off interest payments associated with debt financing. Corporations are not, however, allowed to deduct common stock dividend payments for tax purposes. All dividend payments must be made with after-tax funds. As a result, the revenue requirement set in utility rate cases must be high enough to allow the utility to pay all of its taxes before a dividend is paid to stockholders. If a utility is allowed to use a capital structure that is top-heavy in common stock for ratemaking purposes, customers will be forced to pay the higher associated income tax burden, while giving no added value to the customer. Setting rates through the use of capital structure that is top-heavy in common equity violates the fundamental principles of utility regulation that rates must be fair but only high enough to support the utility's provision of safe, adequate, and reliable service at a fair price.

Q. MR. O'DONNELL, HAVE YOU REVIEWED THE CAPITAL STRUCTURE REQUESTED BY THE COMPANY IN THIS PROCEEDING?

A. Yes, I have.

Q. WHAT CAPITAL STRUCTURE IS TAMPA ELECTRIC SEEKING IN THIS CASE?

A. According to the testimony of Tampa Electric witness Callahan, when focusing solely on investor-provided sources of capital (debt and equity), the Company is seeking approval of a capital structure that consists of long-term and short-term debt of 45.8%

and common equity of 54.2%. The Company's requested capital structure also properly reflects additional non-investor sources of capital from deferred income taxes, investment tax credits, and customer deposits. When these items are taken into account and their associated cost rates are applied, the Company's requested overall rate of return is 6.74%. The Company's investor-supplied capital structure as proposed by Ms. Callahan and the final adjusted capital structure as requested by the Company can be found in Exhibit KWO-1.

Q. DO YOU BELIEVE THAT THE CAPITAL STRUCTURE BEING PROPOSED BY TAMPA ELECTRIC IN THIS CASE IS APPROPRIATE FOR RATEMAKING PURPOSES?

A. No. There are several flaws with Tampa Electric's requested capital structure. First, the capital structure is not indicative of the risk/return profile used by market investors in assessing the required rate of return and, as such, the cost of equity as requested by the Company in this proceeding is overstated. Tampa Electric is a subsidiary of TECO Energy. As such, an investor cannot buy stock in Tampa Electric but, instead, must buy stock in TECO Energy to have ownership in Tampa Electric. To truly match the risk/return profile as required in the marketplace, the TECO Energy capital structure should be used for setting rates. Secondly, the credit rating of Tampa Electric is inextricably linked to the credit rating of TECO Energy. Setting rates using a capital structure that is more equity-heavy than what the market uses as

the basis for its analyses is simply improper and unfair to consumers of Tampa Electric.

Q. HOW DOES TAMPA ELECTRIC'S REQUESTED CAPITAL STRUCTURE IN THIS CASE COMPARE TO THE CAPITAL STRUCTURE OF ITS PARENT COMPANY, TECO ENERGY?

A. The TECO Energy consolidated capital structure is much less reliant on common equity than is Tampa Electric's. To be specific, according to Schedules D-1a and D-2 of the MFRs filed in this case in 2012, the TECO Energy equity ratio is 43.59% as opposed to the Tampa Electric equity ratio of 53.78%. Exhibit KWO-2, provides a side-by-side comparison between the Tampa Electric capital structure and the TECO Energy consolidated capital structure.

Q. WHY IS THERE SUCH A LARGE DIFFERENCE IN THE COMMON EQUITY RATIOS BETWEEN TAMPA ELECTRIC AND ITS PARENT COMPANY, TECO ENERGY?

A. TECO Energy is a large company that operates an electric utility (Tampa Electric), a Florida gas utility (Peoples Gas), a coal mining business (TECO Coal), and recently acquired a New Mexico gas utility (New Mexico Gas Company). Both Tampa Electric and Peoples Gas are regulated businesses with monopoly service territories and little-to-no competition for the services they provide. On the other hand, TECO Coal operates in an unregulated market that is subject to market forces and

competition. Based on my analysis, it appears that TECO Energy is using the regulatory process in Florida to extract excess profits from its captive ratepayers to subsidize TECO Coal's unregulated operations.

Q. PLEASE EXPLAIN HOW TECO ENERGY IS USING THE REGULATORY PROCESS IN FLORIDA TO SUBSIDIZE ITS COAL MINING BUSINESS.

A. In my analysis of this case, I have found evidence that TECO Energy is using its holding company status to doubleleverage the capital structure of Tampa Electric, thereby creating excess profits at the expense of captive ratepayers in Florida.

Q. HOW ARE YOU USING THE TERM "LEVERAGE"?

A. I am using the term "leverage" in the context of the parent company, TECO energy, using the capital structure of its subsidiary, Tampa Electric, to extract excess profits.

Q. PLEASE EXPLAIN THE CONCEPT OF "DOUBLELEVERAGE" AND HOW TECO ENERGY CAN USE IT TO CREATE EXCESS PROFITS.

A. Tampa Electric is a wholly-owned subsidiary of TECO Energy. There are no market forces that influence the shape of the Tampa Electric capital structure. As a result, TECO Energy can issue long-term debt on its consolidated balance sheet and then invest the funds into Tampa Electric and treat this as common equity. Since the return on common equity for regulated utilities must be grossed up for taxes and the cost of equity is already twice the cost of debt, captive ratepayers in Florida are being

asked to pay higher rates to support a portion of Tampa Electric's common equity that is, effectively, comprised of lower cost debt.

In essence, TECO Energy is using the Commission's regulatory process to effectively transform a debt investment that it obtained at low cost into higher-paying equity returns. If allowed to continue in this case, the Company will be allowed to charge Florida consumers roughly 18% in pre-tax equity costs for debt costs that cost TECO Energy less than 4%. I believe that the Commission should reject and prohibit such manipulation of the regulatory process in this and all future proceedings.

Q. PLEASE ANALYTICALLY SHOW HOW TECO CAN MANIPULATE THE REGULATORY PROCESS BY TURNING A 4% INVESTMENT INTO AN 18% RETURN?

A. If TECO Energy were to issue debt today, the Company would pay roughly 4% in interest for a long-term bond. Since TECO Energy owns Tampa Electric, the Company could then invest its debt proceeds into its regulated subsidiary as common equity. In this case, TECO Energy pays the bondholder 4% interest, but it receives an 11.25% ROE (TECO's requested return in this case). In this example, TECO Energy can almost triple (4% to 11.25%) the return on its debt investment by essentially re-categorizing debt as equity. Even utilizing OPC's recommended 9.0% ROE would result in more than double the return on its debt investment (4% to 9%).

This debt-to-equity situation gets even more attractive to the utility when one considers that the revenue requirement for the utility must allow for taxes to be paid before the net income is determined. When these tax payments are included, the pre-tax rate of return on equity investments rises to approximately 18.4% using Tampa Electric's 11.25% ROE, or 14.7% using OPC's 9.0% ROE. Hence, in this example, TECO Energy can turn an investment costing 4% into a 15-19% return simply by turning the debt at the holding company level into common equity at the regulated subsidiary level. While using OPC's 9% ROE lessens the impact of double leveraging, it does not eliminate it.

Q. DO YOU HAVE ANY EVIDENCE THAT TECO ENERGY IS DOUBLELEVERAGING IT'S REGULATED ASSET INVESTMENTS, THEREBY CREATING EXCESS PROFITS AT THE EXPENSE OF CAPTIVE RATEPAYERS IN FLORIDA?

A. Yes. In Exhibit KWO-3, I have provided the December 31, 2012 balance of common equity for TECO Energy as well as that of TECO Energy's three business lines: Tampa Electric; Peoples Gas; and the Company's unregulated business.

As illustrated in Exhibit KWO-3, Tampa Electric, Peoples Gas, and TECO Energy's unregulated business have approximately $365 million more equity on their books than TECO Energy has on its books. This exhibit clearly demonstrates that TECO Energy is using its debt proceeds to infuse common equity into its regulated

subsidiaries. Thus, it can use the dividends from its holdings in the regulated utility's common equity to help subsidize its unregulated activities. Assuming that the average interest rate for this $365 million is 4% and the cost of common equity is 14.7% grossed-up for taxes; TECO Energy can use the regulatory process to create close to $39.1 million in excess profits from its captive customers of Tampa Electric and Peoples Gas.

Q. HOW HAS TAMPA ELECTRIC'S COMMON EQUITY RATIO CHANGED SINCE 2005 TO THE PRESENT?

A. In Exhibit KWO-4, I have provided the common equity ratio of Tampa Electric from 2005 through 2012. As can be seen in this exhibit, the Tampa Electric equity ratio has ranged from roughly 48% in 2006 and 2007 to its current high of 54%. Generally, the equity ratio of Tampa Electric has been trending upward over the past 8 years.

Q. PLEASE COMPARE THE EQUITY RATIO GRANTED IN THE 2008 RATE CASE, THE REQUESTED EQUITY RATIO IN THIS CASE VERSUS TAMPA ELECTRIC'S HISTORIC EQUITY RATIOS?

A. The equity ratio approved in Tampa Electric's 2008 rate case was 53.97% for the forecasted test year of 2009. Tampa Electric did not achieve the 53.97% equity ratio, but achieved an actual 2009 equity ratio of only 51%. In the current case, Tampa

Electric is requesting an equity ratio of 54.2%, even though the Company has not achieved an equity ratio close to that over the past 8 years.

One critical aspect of the graph found in Exhibit KO-4 is how Tampa Electric seems to ramp up its equity ratio in the year that the Company files a rate case. In 2006 and 2007, Tampa Electric's equity ratio was 48%. In 2008, Tampa Electric filed its last rate case and increased its equity ratio to 52%. Tampa Electric was then awarded an equity ratio of 53.97% in its 2008 rate case. In 2009, however, the Company's equity ratio fell to 51% and it remained there until 2012. The Company then ramped up its equity ratio to 54% in 2012 coinciding with its preparation for the current rate case.

I believe the mere fact that Tampa Electric's equity ratio changed from 51% in 2011 to 54% in 2012 is quite telling. When a utility files a petition for a rate increase, it is essentially claiming that its finances are getting weak and it needs to stabilize and/or reverse the financial downward movement. One would think that, in times of financial concern, a Company's equity ratio would not jump 3% in one year. However, such a jump is exactly what happened with Tampa Electric in the year 2012 before the Company filed the current rate case.

Q. WHY DO YOU BELIEVE THAT TAMPA ELECTRIC INCREASED ITS EQUITY RATIO FROM 51% TO 54% LAST YEAR?

A. I believe that management at TECO Energy knew that Tampa Electric would be filing a rate case in 2013, therefore, it increased the equity ratio in its utility subsidiary in order to use the regulatory process to generate excess profits from its captive ratepayers. A review of the Tampa Electric Federal Energy Regulatory Commission ("FERC") Form 1 for 2011 and 2012 shows the Company's equity balance increased by over $100 million from 2011 to 2012 as compared to an increase of only $53 million from 2008 through 2011.

Q. WHAT IS THE SIGNIFICANCE TO RATEPAYERS OF THIS INCREASE IN THE COMMON EQUITY RATIO OF TAMPA ELECTRIC?

A. In 2010, Tampa Electric's year-end common equity ratio was 50.5%. The Company's request in the current case is 54.2%. When this difference in equity ratios is applied to the rate base, the increase in annual revenue requirements in this case due to the higher common equity ratio of 2013 versus 2010 is $6.5 million.

In this case, Tampa Electric is seeking a rate increase of almost $135 million, which, according to Tampa Electric, equates to roughly a 10% rate increase to residential consumers and a 6% increase for commercial and industrial consumers. $13.5 million is approximately 10% of the requested $135 6 million rate increase. According to information obtained from the United States Energy Information Administration, the typical Tampa Electric customer spends $1,669 for electric service each year. A 10% rate increase would result in an extra $167 per year for

electric service from the Tampa Electric customers. Of that amount, $18 per year would be directly attributable to the request of Tampa Electric to impose a higher common equity ratio in 2013 than it carried on its books in 2010. Given that the Tampa area has many individuals on fixed incomes and the current economic malaise, I believe that the extra $18 charge for an artificial equity ratio would be burdensome for Florida residents.

Q. DO YOU HAVE ANY OTHER EVIDENCE TO SHOW THAT TECO ENERGY IS USING THE FLORIDA REGULATORY PROCESS TO BENEFIT ITS STOCKHOLDERS AT THE EXPENSE OF RATEPAYERS?

A. Yes. In Exhibit KWO-5, I have presented the common equity ratios of Tampa Electric, Peoples Gas, and TECO's unregulated entities. As can be seen in this chart, the equity ratio of TECO's unregulated subsidiaries is 27.52%, which is significantly less than the equity ratio of both Tampa Electric and Peoples Gas. The fact that the more risky unregulated entities has significantly more financial risk while also having a much higher business risk than the regulated utilities is simply nonsensical.

Q. WHY DO YOU SAY THAT THE LOWER EQUITY RATIO FOR TECO'S UNREGULATED AFFILATES IS NONSENSICAL?

A. The unregulated affiliates of TECO Energy operate in non-regulated businesses such as coal mining without traditional monopoly markets. These entities face competition for market share and do not enjoy automatic cost recovery clauses or the ability to

seek additional revenues through filed rate cases. The earnings of these unregulated affiliates are typically more volatile than those of regulated utilities. These businesses are therefore considered to be riskier than a regulated utility.

Q. IF THE UNREGULATED SUBSIDIARIES OF TECO ENERGY, INC. ARE RISKIER THAN TAMPA ELECTRIC, WHY ARE THEIR EQUITY/DEBT RATIOS THE INVERSE OF WHAT ONE WOULD EXPECT TO SEE, BASED ON CONSIDERATIONS OF RELATIVE RISK?

A. The parent holding company has an incentive to maximize the amount of its equity investment in the less risky utility, with the knowledge that the returns on that investment will be relatively safer and more certain. The parent can then use dividends from its equity investment in the utility to fund its unregulated ventures. While the reversal of the expected equity–to-debt relationship may make sense from the perspective of a profit-maximizing holding company perspective, it is irrational from the ratemaking standpoint that should appropriately correlating the risk of the utility to the return that will be paid by TECO's customers.

Q. HOW DO CREDIT RATING AGENCIES ADDRESS THE DIFFERENCES BETWEEN CAPITAL STRUCTURES OF THE PARENT HOLDING COMPANY AND ITS REGULATED SUBSIDIARIES?

A. Standard & Poors (S&P) is the pre-eminent bond rating agency in the world. Two years ago, S&P made the following statement in regard to the credit ratings of a utility subsidiary and its parent company:

> Utility subsidiaries' ratings are linked to the consolidated group's credit quality because of the financial linkage of the parent to the subsidiary and the likelihood that, in times of stress or bankruptcy, the parent will consider the utility subsidiary as a resource to be used. Accordingly, our base-case financial analysis primarily focuses on the performance, cash flow, and balance sheet of the consolidated group.
>
> Methodology: Differentiating The Issuer Credit Ratings Of A Regulated Utility Subsidiary And Its Parent, **Standard & Poors**, March 11, 2010 at p. 2.

Based on this statement from S&P, it is clear that the credit rating of Tampa Electric is inextricably linked to the capital structure of TECO Energy. Since ratepayers are already being subjected to incrementally higher interest costs due to the capital structure of TECO Energy as opposed to that of Tampa Electric, it is appropriate and fair for Tampa Electric consumers to receive some of the benefit of the lower equity ratio associated with the TECO Energy common equity ratio.

Q. PLEASE EXPLAIN HOW TECO ENERGY CAN USE THE RESOURCES OF TAMPA ELECTRIC TO SUSTAIN THE CONSOLIDATED GROUP DURING ROUGH ECONOMIC TIMES.

A. The most direct way in which TECO Energy can lean on the resources of Tampa Electric is to increase its cash withdrawals from the utility. As this Commission is aware, 2008 was the start of a significant economic recession in Florida as well as throughout the United States. TECO Energy did, in fact, lean on its subsidiary Tampa Electric to help sustain its operations in its non-regulated businesses. In Exhibit KWO-6 is a graph that shows the cash withdrawals TECO has made from

Tampa Electric over the past 10 years. I point to the rather large withdrawals TECO made from Tampa Electric from 2008 through 2010.

Q. WHAT HAPPENS TO A SUBSIDIARY'S CAPITAL STRUCTURE WHEN THE PARENT COMPANY MAKES WITHDRAWALS FROM THE SUBSIDIARY COMPANY?

A. The financial resources of the subsidiary weaken, which is the concern cited by S&P in the above quotation. The doubleleveraging process occurs when a parent holding company uses the regulatory process to effectively force ratepayers to subsidize the operations of non-regulated companies, thereby creating a perverse incentive to withdraw capital from the regulated utility even though it weakens the utility's financial resources.

Q. ARE YOU AWARE OF ANY OTHER STATE PUBLIC SERVICE COMMISSION THAT HAS MADE A DOUBLELEVERAGE ADJUSTMENT?

A. Yes, the Iowa Utilities Board. In its Final Decision and Order, issued January 10, 2011, in Docket No. RPU-2010-0001, at page 95, the Iowa Utilities Board stated the following:

> In looking at a rate-regulated utility's capital structure, the Board traditionally considers the capital structure of the utility company, which includes debt, or the first layer of leverage, as well as any debt at the parent holding company level that could be used for a capital infusion into the utility, which is the second layer of leverage. Without the double leverage adjustment, a subsidiary utility company could

> manipulate its debt levels at the parent and subsidiary levels to support a higher overall rate of return, as affected by the capital structure, than any utility company that is not in such a position, i.e., that does not have a parent company. (Emphasis added)

In several cases, the Iowa Utilities Board has implemented adjustments to prevent double leveraging, including Docket Nos. RPU-02-3, RPU-02-8, and ARU-02-1 in 2003. However, the Board in those cases decided that it would not apply double leverage mechanically in each case, but rather would examine the particular facts and circumstances in each case where the adjustment is proposed.

Q. WHAT IS THE AVERAGE COMMON EQUITY RATIO GRANTED BY OTHER STATE REGULATORS SINCE 2010?

A. As can be seen in Exhibit KWO-7, from 2010 through 2012, the average common equity ratio granted by state regulators was 49.19%. Exhibit KWO-8 provides the authorized common equity ratio, which is 49.64%, granted in 2013 to-date by state regulators.

Q. HOW IS THE COMMON EQUITY RATIO OF A COMPANY RELATED TO THE INVESTOR REQUIRED RETURN ON EQUITY?

A. The common equity ratio of a company is a measure of its financial risk. Simply put, the higher the common equity ratio, the less risk and the corresponding lower required rate of return needed for the company. Hence, the common equity ratio to be set in

this proceeding is directly linked to the allowed return on equity set by this Commission.

Q. WHAT IS THE AVERAGE RETURN ON EQUITY GRANTED BY STATE REGULATORS IN 2012 AND TO-DATE IN 2013?

A. As can also be seen in Exhibit KWO-8 the average return on equity allowed by state regulators across the country to-date in 2013 has been 9.77%. It is important to note that I excluded the allowed returns on equity set in Virginia, which were set by the Legislature only for their revenue adjustment clauses and not in general rate cases where the ROE could be re-set.

Q. IN TERMS OF A RETURN ON EQUITY, WHAT IS THE PREMIUM FOR TAMPA ELECTRIC BY SETTING ITS COMMON EQUITY RATIO AT ITS REQUESTED 54.2% AS OPPOSED TO THE 49.19% AVERAGE EQUITY RATIO GRANTED BY STATE REGULATORS OVER THE PAST 3 YEARS?

A. The revenue requirement difference in this case between a 54.2% equity ratio and a 49.19% equity ratio is $21 million. The corresponding post-tax return on equity difference is 50 basis points. In essence, granting 9.0% return on equity with a 54.2% common equity ratio is equivalent to granting a 9.5% return on equity with a 49.19% common equity ratio.

Q. WHAT CAPITAL STRUCTURE DO YOU RECOMMEND FOR RATEMAKING PURPOSES IN THIS CASE?

A. I believe that the Company's requested capital structure is unreasonable and unnecessarily burdensome on ratepayers which equates to $16.7 million in higher revenue requirements to support Tampa Electric's requested common equity ratio. Thus, I recommend that the Commission find the middle ground between the Company's requested capital structure and the TECO Energy capital structure, upon which the assets of this case were financed. To be specific, I recommend that the Commission employ a capital structure of 50% common equity, 49.21% long-term debt, and 0.79% short-term debt. I will also accept the cost rates of long-term debt and short-term debt as proposed by the Company.

The 50% common equity ratio that I am recommending is reasonable for the following reasons: 1) it is slightly higher than the average common equity ratio granted by state regulators; 2) it is much higher than the common equity ratio in the TECO Energy capital structure: and 3) it is roughly halfway between Tampa Electric's request in this case and the TECO Energy capital structure. My recommended capital structure as well as the ROE recommended by OPC witness Woolridge can be seen in Exhibit KWO-9.

Q. WHAT IS THE REVENUE REQUIREMENT IMPACT ON THIS CASE IF THE COMMISSION ACCEPTS YOUR RECOMMENDATION TO EMPLOY

A CAPITAL STRUCTURE CONSISTING OF 50% EQUITY AND 50% DEBT IN THIS PROCEEDING?

A. If the Commission accepts my recommendation in this case and sets the ROE at 9.0%, as recommended by OPC witness Woolridge, the revenue requirement for Tampa Electric will be $13.2 million lower than it would be if the Commission accepts the Company's requested capital structure.

III. FINANCIAL INTEGRITY

Q. PLEASE DESCRIBE THE CONCEPT OF FINANCIAL INTEGRITY AND WHY IT IS AN IMPORTANT PART OF THE REGULATORY PROCESS.

A. Financial integrity is a measure of the ability of the company to make its financial payments and earn the market required rate of return. Utility regulation gives utilities the opportunity to earn a fair rate of return and recover its reasonable operating costs, including debt payments. As a result, financial integrity is central to utility regulation. However, it is important to note that financial integrity in the context of this general rate case must consider how Tampa Electric operates on its own as well as its interaction with its parent holding company and its sister companies.

Q. HAVE YOU REVIEWED TAMPA ELECTRIC'S CURRENT BOND RATINGS AND THE POSITIONS THAT THE CREDIT RATING AGENCIES HAVE ON THE COMPANY?

A. Yes, I have.

Q. WHAT ARE THE CURRENT RATINGS FOR TAMPA ELECTRIC?

A. The current S&P rating for Tampa Electric is BBB+ and the outlook is stable. The Moody's credit rating for Tampa Electric is Baa2.

Q. AS AN EXPERT, DO YOU RELY ON THE CREDIT AGENCIES' ANALYSES OF COMPANIES SUCH AS TAMPA ELECTRIC AS PART OF YOUR DETERMINATIONS REGARDING THE FINANCIAL INTERGRITY OF THOSE COMPANIES?

A. Yes, I do.

Q. ARE YOU FAMILIAR WITH THE PROCESSES THE CREDIT AGENCIES USE TO EVALUATE THE CREDIT RISK OF A COMPANY?

A. Yes, I am. I have worked in the area of utility regulation field for almost 30 years, and have worked as an investment analyst for the same amount of time. I have witnessed firsthand the changes that have occurred within the credit rating agencies, particularly after 2008.

Q. PLEASE DESCRIBE HOW CREDIT AGENCIES ANALYZE THE CREDITWORTHINESS OF MAJOR COMPANIES SUCH AS TAMPA ELECTRIC.

A. S&P, Moody's, and other rating agencies consider financial risk as well as business risk when analyzing the creditworthiness of companies. S&P and Moody's

specifically develop guidelines to help the ratings analyst assess the credit position of the Company in question. However, it is important to note that the rating guidelines are general statements that are not strictly enforced.

Q. PLEASE DESCRIBE HOW THE RATING AGENCIES ASSESS THE BUSINESS RISKS OF THE COMPANIES BEING RATED.

A. Business risk measures the ability of a company to make a profit in day-to-day operations. Credit agencies such as S&P and Moody's will analyze issues such as 1) the country in which the rated company operates; 2) the relative risk of the industry in which it operates; 3) unique business situations involving the rated company, and 4) the profitability of the company relative to its peers. When analyzing utilities, the regulatory atmosphere in which the company operates is also a material factor in the rating process. The Commission is rated as "above average" by Regulatory Research Associates (RRA), which focuses on utility regulation around the country. An "above average" rating by RRA translates into low regulatory risk for utilities operating under the jurisdiction of the Florida Public Service Commission. However, Tampa Electric is a subsidiary of TECO Energy and, as noted previously in this testimony, credit rating agencies link parent holding companies and utility subsidiaries when performing credit analyses.

Q. WHAT IS THE BUSINESS RISK OF TAMPA ELECTRIC?

A. Given that Tampa Electric has a monopoly in the provision of electric service, which is a basic necessity in its service territory, and the Florida Public Service Commission is considered to be credit supportive, the utility would generally be considered to have low business risk. However, since Tampa Electric is owned by TECO Energy, which has riskier assets, the overall business risk must also be considered in light of its more risky unregulated subsidiaries. On May 6, 2009, S&P upgraded the credit rating of TECO Energy and Tampa Electric from BBB- to BBB and stated the following about business risk:

> Continued exposure to elevated business risk in ventures outside of Florida, including coal-mining operations in Appalachia and electric distribution and generation overseas, detract from credit quality. TECO's business profile is in the low end of the "excellent" range of Standard & Poor's corporate ratings matrix, and the financial profile is considered to be "aggressive".

On May 27, 2011, TECO Energy and its subsidiaries, including Tampa Electric, enjoyed another ratings upgrade by S&P when the ratings were raised from BBB to BBB+. In its report on this date, S&P again noted the company's business risk when it stated:

> The ratings on TECO Energy Inc. reflect the company's ongoing commitment to improving its credit quality by shedding some of its unregulated businesses, . . .

The fact that Tampa Electric's sister companies are involved in unregulated activities is clearly a detriment to sustaining a higher credit rating for the utility.

Q. PLEASE EXPLAIN WHY CREDIT AGENCIES EXAMINE SISTER COMPANY OPERATIONS WHEN CONSIDERING THE CREDIT RISK OF TAMPA ELECTRIC.

A. The May 27, 2011, S&P report on the upgrade of TECO Energy and Tampa Electric notes that 80% of the credit profile of TECO Energy consists of Tampa Electric. The ability of TECO Energy to generate cash from its regulated subsidiary, Tampa Electric, makes it such that one cannot examine the credit standing of Tampa Electric without also looking at the credit of the parent company, TECO Energy. The credit agencies understand that, if one of the unregulated subsidiaries got into financial trouble, TECO Energy would be free to draw down cash from Tampa Electric, thereby putting the utility at financial risk as well.

Q. PLEASE DESCRIBE HOW RATING AGENCIES DETERMINE FINANCIAL RISK.

A. Assessing financial risk involves a more analytical process than determining business risk. Credit agencies will examine issues such as liquidity, debt coverage ratios, cash flow, financial policy, and accounting policy.

Liquidity is measured by examining the cash flow of a company. A company cannot make its debt payments (principal and interest) without having sufficient cash and earnings to cover the payments. Analyzing the cash flow of a company allows the

credit analyst to determine the ability of the company to meet its debt service obligations.

Debt coverage ratios stem, in part, from the cash flow analysis of a company. In essence, the debt coverage ratio provides a measure of how much earnings and cash the company has relative to its debt payments.

Capital structure is really another debt leverage measure. The more debt the company has in its capital structure, the more financial risk the company will carry. Of course, in utility regulation, capital structure should be analyzed in the context of not only the stand-alone utility, but also its parent holding company and sister subsidiaries, particularly its unregulated sister companies.

Financial policy relates to the amount of debt the company wishes to take on as well as issues such as how the parent company wishes to invest its own debt and equity into subsidiary companies.

Q. PLEASE PROVIDE SOME OF THE SPECIFIC ANALYTICAL CALCULATIONS USED BY THE CREDIT AGENCIES TO ANALYZE FINANCIAL RISK.

A. To measure liquidity and financial risk, S&P and Moody's use similar financial ratio analyses. For example, both rating agencies measure cash flow from operations

relative to the debt outstanding. For S&P, this ratio as known as the Funds from Operations to Debt (FFO/Debt). Moody's calls this ratio the CFO/Debt ratio, which stands for Cash Flow from Operations relative to Debt.

Both credit rating agencies also examine pre-tax interest coverage ratios, which is a measure of the ability of the company to make debt payments. Moody's definition of pre-tax interest coverage is the sum of Cash Flow from Operations (CFO) and interest divided by interest expense.

Both rating agencies look at debt leverage by examining the total amount of debt in a capital structure relative to the total amount of capital employed by the company. This ratio is defined as Debt/Capital.

In Exhibit KWO-10 shows a summary of the above-stated financial metrics and the associated credit ratings.

To the extent that Tampa Electric's credit rating is lower than it would be if Tampa Electric were a stand-alone company, the utility's ratepayers are overpaying in interest costs due to the association with TECO Energy and its subsidiaries.

Q. HAVE YOU PERFORMED A FINANCIAL ANALYSIS OF TAMPA ELECTRIC TO DETERMINE HOW THE COMPANY FITS INTO THE ABOVE S&P CREDIT RATING MATRIX?

A. Yes. Based on the OPC's recommendations in this case, I have determined the following financial ratios: the FFO/Debt is 27.78%; the debt to total capital is 50%: and the interest coverage ratio, as measured by CFO/Interest, is 5.27. My calculations for these ratios can be seen in Exhibit KWO-11.

Q. WHAT IS YOUR CONCLUSION AS TO HOW OPC'S RECOMMENDATIONS IN THIS CASE WILL AFFECT THE PARAMETERS VIEWED BY RATING AGENCIES?

A. My analysis shows that the OPC's recommendations in this case would produce metrics that would place Tampa Electric at the border of a single A/Baa bond rating. As a result, I believe that the OPC's recommendations in this case will allow Tampa Electric to maintain its current credit ratings.

Q. HOW DO YOU BELIEVE THE CREDIT AGENCIES WILL REACT TO YOUR RECOMMENDATION OF USING A CAPITAL STRUCTURE CONSISTING OF 50% COMMON EQUITY AND 50% DEBT?

A. The credit agencies are most concerned with the actual capital structures of TECO Energy and Tampa Electric. As I have demonstrated above, TECO Energy has the

ability to change the capital structure of Tampa Electric as it so chooses. I have no doubt that the credit agencies noticed the drop in Tampa Electric's ratio right after the issuance of the final order in the 2008 rate case. Similarly, I have no doubt that the credit agencies understand that the Company's current equity ratio of 54% is abnormally high relative to its equity ratio of the past eight years. Thus, I do not believe that my recommendation of employing a capital structure consisting of 50% equity and 50% debt will have any impact on how the credit agencies view Tampa Electric.

IV. SUMMARY

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. My analysis has revealed that Tampa Electric's requested capital structure unnecessarily burdens Florida ratepayers with an excessive amount of common equity. The cost of common equity is significantly more expensive than the cost of long-term debt. Moreover, the regulatory process in Florida allows utilities to recover their prudently incurred operating expenses. However, based on my analysis of the MFRs and Company responses in this case, I have found that TECO Energy is using debt proceeds to finance equity infusions into Tampa Electric and then is asking ratepayers to pay roughly $16.7 million in higher revenue requirements to support a common equity ratio that provides them little-to-no benefits.

In the capital markets, the cost of common equity is tied directly to the financial integrity of the company which, in part, is measured by the common equity ratio. One cannot buy stock in Tampa Electric. Instead, an investor interested in Tampa Electric must buy stock in TECO Energy. Hence, the price of common stock in TECO Energy is directly tied to the common equity ratio in the consolidated company. This equity ratio was 43.59% at year-end 2012. In this case, Tampa Electric is seeking approval of a hypothetical equity ratio of 54.2%. In my opinion, the Company's request in this case should be rejected. My recommendation is that the Commission split the difference between the heavily leveraged TECO Energy capital structure and the Tampa Electric capital structure and approve a capital structure that consists of 50% common equity and 50% debt.

My analysis reveals that Tampa Electric's financial integrity is inter-related to the integrity of TECO Energy and its subsidiaries. My review of the credit rating reports of TECO Energy and Tampa Electric reveal a concern regarding the unregulated activities of TECO Energy. To the extent that TECO Energy's unregulated activities are detracting from the possibility of Tampa Electric obtaining a higher stand-alone credit rating, TECO Energy's unregulated activities are causing ratepayers of Tampa Electric to pay higher interest costs today.

In reviewing the financial integrity of OPC's recommendations in this case, I have concluded, based on a review of business risk and financial risk parameters, that

OPC's recommendations in this case will allow Tampa Electric to retain its currently solid financial ratings.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of Kevin W. O'Donnell has been furnished by electronic mail to the following parties on this 15th day of July, 2013:

James D. Beasley
Ausley Law Firm
P.O. Box 391
Tallahassee, FL 32302
Phone: 850-224-9115
FAX: (850) 222-7560

Martha Brown
Martha Barrera
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Gordon L. Gillette, President
Paula K. Brown, Manager
Tampa Electric Company
P. O. Box 111
Tampa, FL 33601-0111

Jon C. Moyle, Jr.
Moyle Law Firm, P.A.
The Perkins House
118 North Gadsden Street
Tallahassee, FL 32301

Robert Scheffel Wright
Gardner, Bist, Wiener, et at., P.A.
Florida Retail Federation
1300 Thomaswood Drive
Tallahassee, FL 32308

Federal Executive Agencies
c/o Lt Col Gregory J. Fike
AFLOA/JACL-ULFSC
139 Barnes Drive, Suite 1
Tyndall Air Force Base, Fl 32403

WCF Hospital Utility Alliance
c/o Andrew Kurth LLP
Kenneth L. Wiseman
1350 I Street NW, Suite 1100
Washington, DC 20005

Patricia A. Christensen
Associate Public Counsel

Tampa Electric Requested Adjusted Capital Structure and Cost Rates

Capital Structure Components	Jurisdictional Capital Structure Per Company	Ratio
Long Term Debt	$1,525,392	35.15%
Short Term Debt	24,646	0.57%
Preferred Stock	-	0.00%
Common Equity	1,833,899	42.26%
Customer Deposits	112,864	2.60%
Deferred Taxes	835,173	19.24%
Investment Tax Credits	7,999	0.18%
Total	$4,339,973	100.00%

Tampa Electric Requested Investor-Supplied Capital Structure and Cost Rates

Capital Structure Components	Jurisdictional Investor Capital Structure Per Company	Ratio
Long Term Debt	$1,525,392	45.08%
Short Term Debt	24,646	0.73%
Common Equity	1,833,899	54.19%
Total	$3,383,937	100.00%

2012 Capital Structures

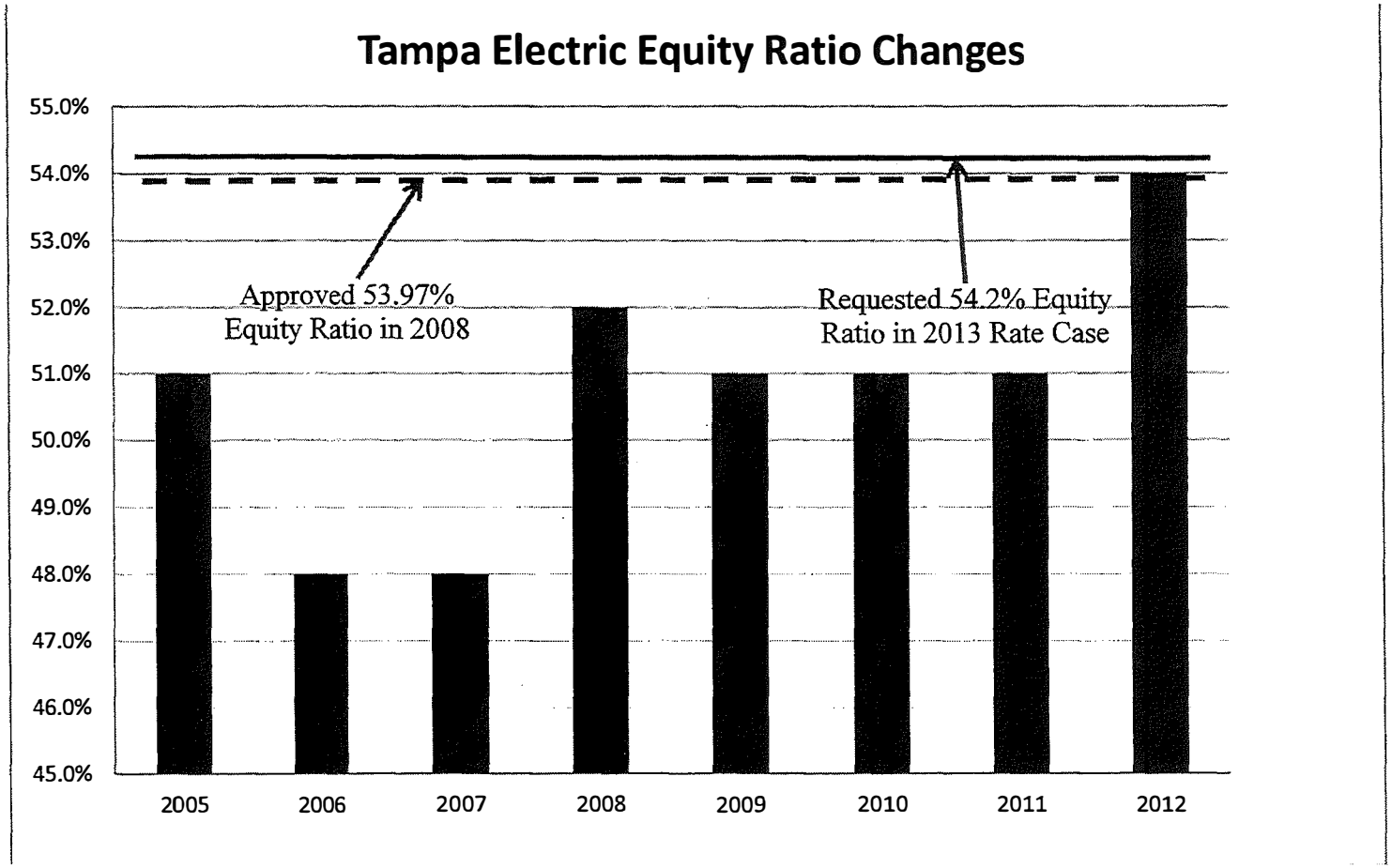
Component	TECO	Tampa Electric
Long-term Debt	56.41%	46.22%
Common Equity	43.59%	53.78%
Total Capitalization	100.00%	100.00%

Source: MFR, Schdule D-2, p. 1 and 2

Common Equity of TECO Energy and its Subsidiaries

	Common Equity as of 12-31-12 (000's)
Tampa Electric	$1,979,457
Peoples Gas	$286,813
Non-Regulated Operations	$394,907
Total Capitalization	$2,661,177
TECO Common Equity	$2,296,613
Double-Leveraged Equity	$364,564

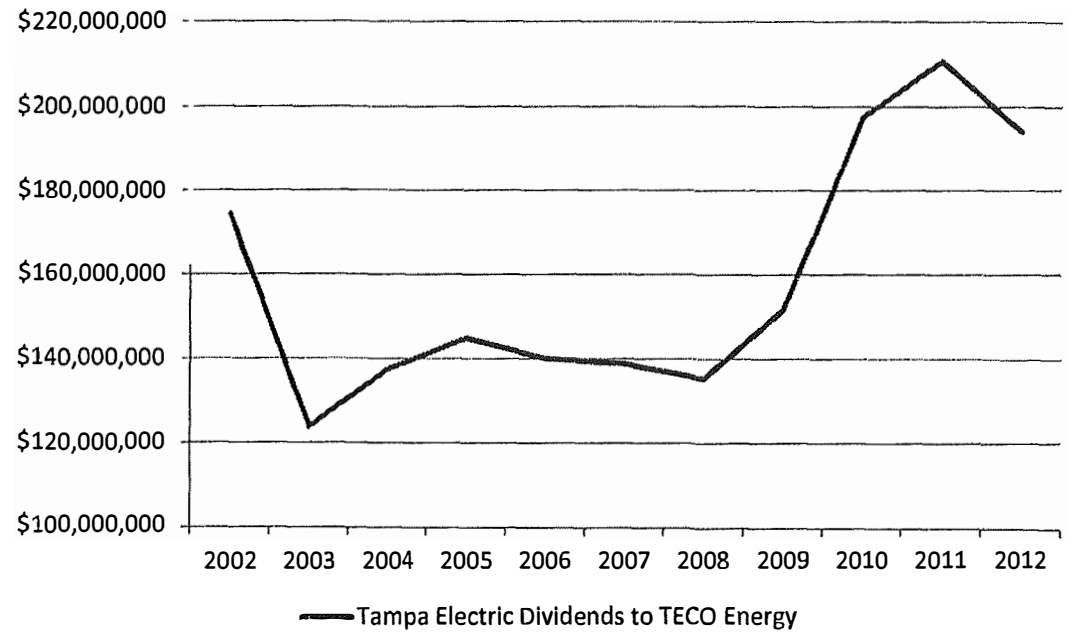
Source: MFR, Schedule D-2, p. 1 and 2.


Tampa Electric Equity Ratio Changes
55.0%
54.0%
53.0%
52.0%
51.0%
50.0%
49.0%
48.0%
47.0%
46.0%
45.0%
Approved 53.97%
Equity Ratio in 2008
Requested 54.2% Equity
Ratio in 2013 Rate Case
2005
2006
2007
2008
2009
2010
2011
2012

2012 Capital Structures

Component	TECO Energy	Tampa Electric	Peoples Gas	Unregulated Operations
Long-term Debt	56.41%	46.22%	44.65%	72.48%
Common Equity	43.59%	53.78%	55.35%	27.52%
Total Capitalizatio	100.00%	100.00%	100.00%	100.00%

Source: MFR, Schdule D-2, p. 1


Tampa Electric Dividends to TECO Energy
$220,000,000
$200,000,000
$180,000,000
$160,000,000
$140,000,000
$120,000,000
$100,000,000
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Tampa Electric Dividends to TECO Energy

Rate Case History

Past Rate Cases

State	Company	Parent Company Ticker	Case Identification	Service	Increase Authorized Date	Increase Authorized Common Equity /Total Cap
Iowa	Interstate Power & Light Co.	LNT	D-RPU-2009-0002	Electric	1/4/2010	49.52
South Dakota	Northern States Power Co. - MN	XEL	D-EL09-009	Electric	1/5/2010	NA
Michigan	DTE Electric Co.	DTE	C-U-15768	Electric	1/11/2010	39.48
Oregon	Portland General Electric Co.	POR	D- UE 204	Electric	1/22/2010	NA
Oregon	PacifiCorp	BRK.A	D-UE-210	Electric	1/26/2010	51.00
Kansas	Kansas Gas and Electric Co.	WR	D-09-WSEE-925-RTS (KG&E)	Electric	1/27/2010	50.13
Kansas	Westar Energy Inc.	WR	D-09-WSEE-925-RTS (WR)	Electric	1/27/2010	50.13
South Carolina	Duke Energy Carolinas LLC	DUK	D-2009-226-E	Electric	1/27/2010	53.00
Rhode Island	Narragansett Electric Co.	-	D-4065	Electric	2/9/2010	48.78
Utah	PacifiCorp	BRK.A	D-09-035-23	Electric	2/18/2010	51.00
Oregon	Idaho Power Co.	IDA	D-UE-213	Electric	2/24/2010	49.80
District of Columbia	Potomac Electric Power Co.	POM	F.C. 1076	Electric	3/2/2010	46.18
Virginia	Kentucky Utilities Co.	PPL	C-PUE-2009-00029	Electric	3/4/2010	53.62
Florida	Duke Energy Florida Inc.	DUK	D-090079-EI	Electric	3/5/2010	46.74
Virginia	Virginia Electric & Power Co.	D	C-PUE-2009-00019	Electric	3/11/2010	NA
Virginia	Virginia Electric & Power Co.	D	C-PUE-2009-00011 (Rider S)	Electric	3/11/2010	47.71
Virginia	Virginia Electric & Power Co.	D	C-PUE-2009-00017(Rider R)	Electric	3/11/2010	47.41
Florida	Florida Power & Light Co.	NEE	D-080677-EI	Electric	3/17/2010	47.00
New York	Consolidated Edison Co. of NY	ED	C-09-E-0428	Electric	3/25/2010	48.00
Washington	Puget Sound Energy Inc.	-	D-UE-090704	Electric	4/2/2010	46.00
Texas	Southwestern Electric Power Co	AEP	D-37364	Electric	4/16/2010	NA
Wyoming	MDU Resources Group Inc.	MDU	D-20004-81-ER-09	Electric	4/27/2010	49.77
Illinois	Ameren Illinois	AEE	D-09-0306 (CILCO)	Electric	4/29/2010	43.61
Illinois	Ameren Illinois	AEE	D-09-0308 (IP)	Electric	4/29/2010	43.55
Illinois	Ameren Illinois	AEE	D-09-0307 (CIPS)	Electric	4/29/2010	48.67
New Jersey	Atlantic City Electric Co.	POM	D-ER-09080664	Electric	5/12/2010	49.10
New Jersey	Rockland Electric Company	ED	D-ER-09080668	Electric	5/12/2010	49.85
Wyoming	PacifiCorp	BRK.A	D-20000-352-ER-09	Electric	5/14/2010	NA
Arkansas	Entergy Arkansas Inc.	ETR	D-09-084-U	Electric	5/28/2010	29.32
Missouri	Union Electric Co.	AEE	C-ER-2010-0036	Electric	5/28/2010	51.26
New Jersey	Public Service Electric Gas	PEG	D-GR09050422 (EL)	Electric	6/7/2010	51.20
Utah	PacifiCorp	BRK.A	D-10-035-13	Electric	6/15/2010	NA
New York	Central Hudson Gas & Electric	CHG	C-09-E-0588	Electric	6/16/2010	48.00
Kansas	Empire District Electric Co.	EDE	D-10-EPDE-314-RTS	Electric	6/23/2010	NA
West Virginia	Monongahela Power Co.	FE	C-09-1352-E-42T	Electric	6/25/2010	NA
Kentucky	Kentucky Power Co.	AEP	C-2009-00459	Electric	6/28/2010	NA
New Hampshire	Public Service Co. of NH	NU	D-DE-09-035	Electric	6/28/2010	52.40
Connecticut	Connecticut Light & Power Co.	NU	D-09-12-05	Electric	6/30/2010	49.20
Michigan	Wisconsin Electric Power Co.	WEC	C-U-15981	Electric	7/1/2010	47.61
South Dakota	Black Hills Power Inc.	BKH	D-EL09-018	Electric	7/7/2010	NA
South Carolina	South Carolina Electric & Gas	SCG	D-2009-489-E	Electric	7/15/2010	52.96
Virginia	Appalachian Power Co.	AEP	C-PUE-2009-00030	Electric	7/15/2010	41.53
Hawaii	Maui Electric Company Ltd	HE	D-2006-0387	Electric	7/30/2010	54.89
Kentucky	Kentucky Utilities Co.	PPL	C-2009-00548	Electric	7/30/2010	NA
Kentucky	Louisville Gas & Electric Co.	PPL	C-2009-00549 (elec.)	Electric	7/30/2010	NA
Texas	El Paso Electric Co.	EE	D-37690	Electric	7/30/2010	NA
Colorado	Black Hills Colorado Electric	BKH	D-10AL-008E	Electric	8/4/2010	52.00
Maryland	Potomac Electric Power Co.	POM	C-9217	Electric	8/6/2010	48.87
Missouri	Empire District Electric Co.	EDE	C-ER-2010-0130	Electric	8/18/2010	NA
Indiana	Northern IN Public Svc Co.	NI	Ca-43526	Electric	8/25/2010	49.95
California	PacifiCorp	BRK.A	A-09-11-015	Electric	9/3/2010	52.20

Rate Case History

Past Rate Cases

State	Company	Parent Company Ticker	Case Identification	Service	Increase Authorized Date	Increase Authorized Common Equity /Total Cap
Hawaii	Hawaiian Electric Co.	HE	D-2006-0386	Electric	9/14/2010	55.10
New York	NY State Electric & Gas Corp.	-	C-09-E-0715	Electric	9/16/2010	48.00
New York	Rochester Gas & Electric Corp.	-	C-09-E-0717	Electric	9/16/2010	48.00
Idaho	Avista Corp.	AVA	C-AVU-E-10-01	Electric	9/21/2010	NA
Arizona	UNS Electric Inc.	UNS	D-E-04204A-09-0206	Electric	9/30/2010	45.76
South Carolina	South Carolina Electric & Gas	SCG	D-2010-157-E	Electric	9/30/2010	53.52
Michigan	Indiana Michigan Power Co.	AEP	C-U-16180	Electric	10/14/2010	44.14
Hawaii	Hawaii Electric Light Co	HE	D-2005-0315	Electric	10/28/2010	51.19
Minnesota	ALLETE (Minnesota Power)	ALE	D-E-015/GR-09-1151	Electric	11/2/2010	54.29
Michigan	Consumers Energy Co.	CMS	C-U-16191	Electric	11/4/2010	41.59
Washington	Avista Corp.	AVA	D-UE-100467	Electric	11/19/2010	46.50
Kansas	Kansas City Power & Light	GXP	D-10-KCPE-415-RTS	Electric	11/22/2010	49.66
Texas	Entergy Texas Inc.	ETR	D-37744	Electric	12/1/2010	NA
Maryland	Baltimore Gas and Electric Co.	EXC	C-9230 (elec)	Electric	12/6/2010	51.93
Montana	NorthWestern Corp.	NWE	D-D2009.9.129 (elec)	Electric	12/9/2010	48.00
North Carolina	Virginia Electric & Power Co.	D	D-E-22, Sub 459	Electric	12/13/2010	51.00
Oregon	PacifiCorp	BRK.A	D-UE-217	Electric	12/14/2010	51.00
Iowa	Interstate Power & Light Co.	LNT	D-RPU-2010-0001	Electric	12/15/2010	44.24
Pennsylvania	PECO Energy Co.	EXC	D-R-2010-2161575	Electric	12/16/2010	NA
Pennsylvania	PPL Electric Utilities Corp.	PPL	D-R-2010-2161694	Electric	12/16/2010	NA
Oregon	Portland General Electric Co.	POR	D-UE 215	Electric	12/17/2010	50.00
Nevada	Sierra Pacific Power Co.	NVE	D-10-06001	Electric	12/20/2010	44.11
Michigan	Upper Peninsula Power Co.	TEG	C-U-16166	Electric	12/21/2010	50.42
Utah	PacifiCorp	BRK.A	D-10-035-89	Electric	12/21/2010	NA
Idaho	PacifiCorp	BRK.A	C-PAC-E-10-07	Electric	12/27/2010	52.10
Georgia	Georgia Power Co.	SO	D-31958	Electric	12/29/2010	NA
Georgia	Georgia Power Co.	SO	D-32539	Electric	12/30/2010	NA
Oklahoma	Public Service Co. of OK	AEP	Ca-PUD201000050	Electric	1/5/2011	45.84
Wisconsin	Madison Gas and Electric Co.	MGEE	D-3270-UR-117 (elec)	Electric	1/12/2011	58.06
Wisconsin	Wisconsin Public Service Corp.	TEG	D-6690-UR-120 (elec)	Electric	1/13/2011	51.65
Delaware	Delmarva Power & Light Co.	POM	D-09-414	Electric	1/18/2011	47.52
New York	Niagara Mohawk Power Corp.	-	C-10-E-0050	Electric	1/20/2011	48.00
Texas	Texas-New Mexico Power Co.	PNM	D-38480	Electric	1/20/2011	45.00
Massachusetts	Western Massachusetts Electric	NU	DPU 10-70	Electric	1/31/2011	50.70
Texas	CenterPoint Energy Houston	CNP	D-38339	Electric	2/3/2011	45.00
Pennsylvania	Duquesne Light Co.	DQE	D-R-2010-2179522	Electric	2/24/2011	NA
Hawaii	Hawaiian Electric Co.	HE	D-2008-0083	Electric	2/25/2011	55.81
Virginia	Virginia Electric & Power Co.	D	C-PUE-2010-00055(Rider R)	Electric	3/22/2011	49.37
Virginia	Virginia Electric & Power Co.	D	C-PUE-2010-00054(Rider S)	Electric	3/22/2011	49.37
Texas	Southwestern Public Service Co	XEL	D-38147	Electric	3/25/2011	NA
Washington	PacifiCorp	BRK.A	D-UE-100749	Electric	3/25/2011	49.10
West Virginia	Appalachian Power Co.	AEP	C-10-0699-E-42T	Electric	3/30/2011	42.20
Missouri	Kansas City Power & Light	GXP	C-ER-2010-0355	Electric	4/12/2011	46.30
Minnesota	Otter Tail Power Co.	OTTR	D-E-017/GR-10-239	Electric	4/25/2011	51.70
New Hampshire	Unitil Energy Systems Inc.	UTL	D-DE 10-055	Electric	4/26/2011	45.45
Indiana	Southern Indiana Gas & Elec Co	VVC	Ca-43839	Electric	4/27/2011	43.46
Missouri	KCP&L Greater Missouri Op Co	GXP	C-ER-2010-0356 (MPS)	Electric	5/4/2011	46.58
Missouri	KCP&L Greater Missouri Op Co	GXP	C-ER-2010-0356 (L&P)	Electric	5/4/2011	46.58
California	Pacific Gas and Electric Co.	PCG	AP-09-12-020 (elec)	Electric	5/13/2011	NA
Illinois	Commonwealth Edison Co.	EXC	D-10-0467	Electric	5/24/2011	47.28
Missouri	Empire District Electric Co.	EDE	C-ER-2011-0004	Electric	6/1/2011	NA
North Dakota	MDU Resources Group Inc.	MDU	C-PU-10-124	Electric	6/8/2011	53.34
New York	Orange & Rockland Utlts Inc.	ED	C-10-E-0362	Electric	6/16/2011	48.00

Rate Case History

Past Rate Cases

State	Company	Parent Company Ticker	Case Identification	Service	Increase Authorized Date	Increase Authorized Common Equity /Total Cap
Arkansas	Oklahoma Gas and Electric Co.	OGE	D-10-067-U	Electric	6/17/2011	34.90
Maryland	Delmarva Power & Light Co.	POM	C-9249	Electric	7/8/2011	NA
Missouri	Union Electric Co.	AEE	C-ER-2011-0028	Electric	7/13/2011	52.24
Massachusetts	Fitchburg Gas & Electric Light	UTL	DPU 11-01	Electric	8/1/2011	42.88
Montana	MDU Resources Group Inc.	MDU	D-D2010.8.82	Electric	8/2/2011	NA
New Mexico	Public Service Co. of NM	PNM	C-10-00086-UT	Electric	8/8/2011	51.28
Utah	PacifiCorp	BRK.A	D-10-035-124	Electric	8/11/2011	51.90
Minnesota	Interstate Power & Light Co.	LNT	D-E-001/GR-10-276	Electric	8/12/2011	47.74
Texas	Oncor Electric Delivery Co.	-	D-38929	Electric	8/19/2011	40.00
Alaska	Alaska Electric Light Power	-	D-U-10-029	Electric	9/2/2011	53.80
Wyoming	PacifiCorp	BRK.A	D-20000-384-ER-10	Electric	9/22/2011	52.30
Idaho	Avista Corp.	AVA	C-AVU-E-11-01	Electric	9/30/2011	NA
South Carolina	South Carolina Electric & Gas	SCG	D-2011-207-E	Electric	9/30/2011	54.67
Wisconsin	Wisconsin Electric Power Co.	WEC	D-5-UR-105 (WEP-EL)	Electric	10/6/2011	NA
Virginia	Kentucky Utilities Co.	PPL	PUE-2011-00013	Electric	10/12/2011	53.37
Michigan	DTE Electric Co.	DTE	C-U-16472	Electric	10/20/2011	40.26
Virginia	Appalachian Power Co.	AEP	C-PUE-2011-00037	Electric	11/30/2011	42.69
Virginia	Virginia Electric & Power Co.	D	C-PUE-2011-00027	Electric	11/30/2011	NA
Ohio	Columbus Southern Power Co.	AEP	C-11-0351-EL-AIR	Electric	12/14/2011	50.64
Ohio	Ohio Power Co.	AEP	C-11-0352-EL-AIR	Electric	12/14/2011	53.79
Washington	Avista Corp.	AVA	D-UE-110876	Electric	12/16/2011	NA
Michigan	Upper Peninsula Power Co.	TEG	C-U-16417	Electric	12/20/2011	45.74
Indiana	Northern IN Public Svc Co.	NI	Ca-43969	Electric	12/21/2011	46.53
Texas	Southwestern Electric Power Co	AEP	D-39708	Electric	12/21/2011	NA
Colorado	Black Hills Colorado Electric	BKH	D-11AL-387E	Electric	12/22/2011	49.10
Wisconsin	Northern States Power Co - WI	XEL	D-4220-UR-117 (elec)	Electric	12/22/2011	52.59
Nevada	Nevada Power Co.	NVE	D-11-06006	Electric	12/23/2011	44.38
Georgia	Georgia Power Co.	SO	D-32539 (2012 Update)	Electric	12/28/2011	NA
New Mexico	Southwestern Public Service Co	XEL	C-10-00395-UT	Electric	12/28/2011	NA
Idaho	Idaho Power Co.	IDA	C-IPC-E-11-08	Electric	12/30/2011	NA
Virginia	Appalachian Power Co.	AEP	C-PUE-2011-00036(G-RAC)	Electric	1/3/2012	NA
Illinois	Ameren Illinois	AEE	D-11-0279 (elec)	Electric	1/5/2012	NA
Idaho	PacifiCorp	BRK.A	C-PAC-E-11-12	Electric	1/10/2012	NA
South Carolina	Duke Energy Carolinas LLC	DUK	D-2011-271-E	Electric	1/25/2012	53.00
North Carolina	Duke Energy Carolinas LLC	DUK	D-E-7, Sub 989	Electric	1/27/2012	53.00
Virginia	Virginia Electric & Power Co.	D	C-PUE-2011-00042(Rider W)	Electric	2/2/2012	53.25
Michigan	Indiana Michigan Power Co.	AEP	C-U-16801	Electric	2/15/2012	42.07
Florida	Duke Energy Florida Inc.	DUK	D-120022-EI	Electric	2/22/2012	NA
Oregon	Idaho Power Co.	IDA	D-UE-233	Electric	2/23/2012	49.90
Florida	Gulf Power Co.	SO	D-110138-EI	Electric	2/27/2012	38.50
North Dakota	Northern States Power Co. - MN	XEL	C-PU-10-657	Electric	2/29/2012	NA
Virginia	Virginia Electric & Power Co.	D	C-PUE-2011-00073 (Rider B)	Electric	3/16/2012	53.25
Virginia	Virginia Electric & Power Co.	D	C-PUE-2011-00066(Rider R)	Electric	3/20/2012	53.25
Montana	NorthWestern Corp.	NWE	D-D2008.8.95	Electric	3/21/2012	NA
Virginia	Virginia Electric & Power Co.	D	C-PUE-2011-00067(Rider S)	Electric	3/23/2012	53.25
Minnesota	Northern States Power Co. - MN	XEL	D-E-002/GR-10-971	Electric	3/29/2012	52.56
Washington	PacifiCorp	BRK.A	D-UE-111190	Electric	3/30/2012	NA
Hawaii	Hawaii Electric Light Co	HE	D-2009-0164	Electric	4/4/2012	55.91
Kansas	Westar Energy Inc.	WR	D-12-WSEE-112-RTS	Electric	4/18/2012	NA
Colorado	Public Service Co. of CO	XEL	D-11AL-947E	Electric	4/26/2012	56.00

Rate Case History

Past Rate Cases

State	Company	Parent Company Ticker	Case Identification	Service	Increase Authorized Date	Increase Authorized Common Equity /Total Cap
Hawaii	Maui Electric Company Ltd	HE	D-2009-0163	Electric	5/2/2012	56.86
Washington	Puget Sound Energy Inc.	-	D-UE-111048	Electric	5/7/2012	48.00
Arizona	Arizona Public Service Co.	PNW	D-E-01345A-11-0224	Electric	5/15/2012	53.94
Texas	El Paso Electric Co.	EE	D-40094	Electric	5/18/2012	NA
Illinois	Commonwealth Edison Co.	EXC	D-11-0721	Electric	5/29/2012	46.17
Michigan	Consumers Energy Co.	CMS	C-U-16794	Electric	6/7/2012	42.07
New York	Orange & Rockland Utlts Inc.	ED	C-11-E-0408	Electric	6/14/2012	48.00
Wisconsin	Wisconsin Power and Light Co	LNT	D-6680-UR-118 (elec)	Electric	6/15/2012	49.31
Wyoming	Cheyenne Light Fuel Power Co.	BKH	D-20003-114-ER-11 (elec)	Electric	6/18/2012	54.00
South Dakota	Northern States Power Co. - MN	XEL	D-EL11-019	Electric	6/19/2012	53.04
Mississippi	Mississippi Power Co.	SO	D-2011-UN-0135	Electric	6/22/2012	NA
Michigan	Wisconsin Electric Power Co.	WEC	C-U-16830	Electric	6/26/2012	43.51
Hawaii	Hawaiian Electric Co.	HE	D-2010-0080	Electric	6/29/2012	56.29
Idaho	Idaho Power Co.	IDA	C-IPC-E-12-14	Electric	6/29/2012	NA
Oklahoma	Oklahoma Gas and Electric Co.	OGE	Ca-PUD201100087	Electric	7/9/2012	NA
Wyoming	PacifiCorp	BRK.A	D-20000-405-ER-11	Electric	7/16/2012	52.10
Maryland	Delmarva Power & Light Co.	POM	C-9285	Electric	7/20/2012	50.06
Maryland	Potomac Electric Power Co.	POM	C-9286	Electric	7/20/2012	50.13
Texas	Entergy Texas Inc.	ETR	D-39896	Electric	9/13/2012	49.92
Illinois	Ameren Illinois	AEE	D-12-0001	Electric	9/19/2012	51.49
Utah	PacifiCorp	BRK.A	D-11-035-200	Electric	9/19/2012	52.10
Oregon	Idaho Power Co.	IDA	D-UE-248	Electric	9/20/2012	NA
District of Columbia	Potomac Electric Power Co.	POM	FC-1087	Electric	9/26/2012	49.23
South Carolina	South Carolina Electric & Gas	SCG	D-2012-186-E	Electric	9/26/2012	54.28
Texas	Lone Star Transmission LLC	NEE	D-40020	Electric	10/12/2012	40.00
New Jersey	Atlantic City Electric Co.	POM	D-ER-11080469	Electric	10/23/2012	48.33
Wisconsin	Wisconsin Public Service Corp.	TEG	D-6690-UR-121 (Elec)	Electric	10/24/2012	51.61
Wisconsin	Madison Gas and Electric Co.	MGEE	D-3270-UR-118 (elec)	Electric	11/9/2012	59.09
Wisconsin	Wisconsin Electric Power Co.	WEC	D-05-UR-106 (WEP-Elec)	Electric	11/28/2012	52.09
California	California Pacific Electric Co	AQN	A-12-02-014	Electric	11/29/2012	51.50
California	Southern California Edison Co.	EIX	AP-10-11-015	Electric	11/29/2012	NA
Delaware	Delmarva Power & Light Co.	POM	D-11-528	Electric	11/29/2012	49.61
Illinois	Ameren Illinois	AEE	D-12-0293	Electric	12/5/2012	51.00
Pennsylvania	PPL Electric Utilities Corp.	PPL	D-R-2012-2290597	Electric	12/5/2012	50.78
Missouri	Union Electric Co.	AEE	C-ER-2012-0166	Electric	12/12/2012	52.30
Virginia	Appalachian Power Co.	AEP	PUE-2011-00035 (E-RAC)	Electric	12/12/2012	NA
Florida	Florida Power & Light Co.	NEE	D-120015-EI	Electric	12/13/2012	NA
Kansas	Kansas City Power & Light	GXP	D-12-KCPE-764-RTS	Electric	12/13/2012	51.82
Wisconsin	Northern States Power Co - WI	XEL	D-4220-UR-118 (elec)	Electric	12/14/2012	52.37
Illinois	Commonwealth Edison Co.	EXC	D-12-0321	Electric	12/19/2012	42.55
South Carolina	South Carolina Electric & Gas	SCG	D-2012-218-E	Electric	12/19/2012	52.18
California	Pacific Gas and Electric Co.	PCG	Ap-12-04-018 (Elec)	Electric	12/20/2012	52.00
California	San Diego Gas & Electric Co.	SRE	Ap-12-04-016 (Elec)	Electric	12/20/2012	52.00
California	Southern California Edison Co.	EIX	Ap-12-04-015	Electric	12/20/2012	48.00
Georgia	Georgia Power Co.	SO	D-32539 (2013 Update)	Electric	12/20/2012	NA
Kentucky	Kentucky Utilities Co.	PPL	C-2012-00221	Electric	12/20/2012	NA
Kentucky	Louisville Gas & Electric Co.	PPL	C-2012-00222 (elec.)	Electric	12/20/2012	NA
Oregon	PacifiCorp	BRK.A	D-UE-246	Electric	12/20/2012	50.00
Rhode Island	Narragansett Electric Co.	-	D-4323 (electric)	Electric	12/20/2012	49.14
Virginia	Appalachian Power Co.	AEP	PUE-2012-00036 (G-RAC)	Electric	12/20/2012	NA
North Carolina	Virginia Electric & Power Co.	D	D-E-22, Sub 479	Electric	12/21/2012	51.00

Rate Case History

Past Rate Cases

State	Company	Parent Company Ticker	Case Identification	Service	Date	Increase Authorized Common Equity /Total Cap
Washington	Avista Corp.	AVA	D-UE-120436	Electric	12/26/2012	47.00
				Average 2010 - 2012		**49.19**

Rate Case History

Past Rate Cases

					Increase Authorized		
State	Company	Parent Company Ticker	Case Identification	Service	Date	Equity /Total Cap (%)	Return on Equity (%)
Missouri	Kansas City Power & Light	GXP	C-ER-2012-0174	Electric	1/9/2013	52 30	9 70
Missouri	KCP&L Greater Missouri Op Co	GXP	C-ER-2012-0175 (L&P)	Electric	1/9/2013	52 30	9 70
Missouri	KCP&L Greater Missouri Op Co	GXP	C-ER-2012-0175 (MPS)	Electric	1/9/2013	52 30	9 70
Texas	Cross Texas	-	D-40604	Electric	1/16/2013	40 00	9 60
Texas	Wind Energy Transmission Texas	-	D-40606	Electric	1/16/2013	40 00	9 60
Indiana	Indiana Michigan Power Co	AEP	Ca-44075	Electric	2/13/2013	42 67	10 20
Virginia	Virginia Electric & Power Co	D	PUE-2012-00068 (Rider R)	Electric	2/19/2013	52 81	NA
Virginia	Virginia Electric & Power Co	D	PUE-2012-00067(Rider W)	Electric	2/19/2013	52 81	NA
Maryland	Baltimore Gas and Electric Co	EXC	C-9299 (elec)	Electric	2/22/2013	48 40	9 75
Louisiana	Southwestern Electric Power Co	AEP	D-U-32220	Electric	2/27/2013	NA	10 00
Missouri	Empire District Electric Co	EDE	C-ER-2012-0345	Electric	2/27/2013	NA	NA
Mississippi	Mississippi Power Co	SO	D-2013-UN-0014	Electric	3/5/2013	NA	9 70
Virginia	Virginia Electric & Power Co	D	PUE-2012-00071(Rider S)	Electric	3/12/2013	52 81	NA
New York	Niagara Mohawk Power Corp	-	D-12-E-0201	Electric	3/14/2013	48 00	9 30
Hawaii	Hawaii Electric Light Co	HE	D-2012-0099	Electric	3/19/2013	NA	NA
Virginia	Virginia Electric & Power Co	D	PUE-2012-00072 (Rider B)	Electric	3/22/2013	52 81	NA
Idaho	Avista Corp	AVA	C-AVU-E-12-08	Electric	3/27/2013	50.00	9 80
South Dakota	Northern States Power Co - MN	XEL	D-EL12-046	Electric	4/18/2013	NA	NA
Ohio	Duke Energy Ohio Inc	DUK	C-12-1682-EL-AIR	Electric	5/1/2013	53.30	9.84
California	San Diego Gas & Electric Co	SRE	AP-10-12-005 (elec)	Electric	5/9/2013	NA	NA
Michigan	Consumers Energy Co	CMS	C-U-17087	Electric	5/15/2013	NA	10 30
North Carolina	Duke Energy Progress Inc	DUK	D-E-2. Sub 1023	Electric	5/30/2013	53 00	10 20
Hawaii	Maui Electric Company Ltd	HE	D-2011-0092	Electric	5/31/2013	56.86	9.00
Texas	Southwestern Public Service Co	XEL	D-40824	Electric	6/6/2013	NA	NA
Arizona	Tucson Electric Power Co	UNS	D-E-01933A-12-0291	Electric	6/11/2013	43 50	10 00
			Average to-Date in 2013			49.64	
			Average to-Date in 2013 w/o Virginia				9.77

Investor-Supplied
OPC Recommended Capital Structure

Component	Capital Structure Ratio (%)	Cost Rate (%)	Wgtd. Cost Rate (%)
Long-Term Debt	49.21%	5.40%	2.66%
Short-Term Debt	0.79%	1.47%	0.01%
Common Equity	50.00%	9.00%	4.50%
Total Capitalization	100.00%		7.17%

Regulatory OPC
Recommended Capital Structure

Component	Capital Structure Ratio (%)	Cost Rate (%)	Wgtd. Cost Rate (%)
Long-Term Debt	38.37%	5.40%	2.07%
Short-Term Debt	0.62%	1.47%	0.01%
Common Equity	38.99%	9.00%	3.51%
Customer Deposits	2.60%	2.20%	0.06%
Deferred Taxes	19.24%	0.00%	0.00%
Investment Tax Credi	0.18%	7.17%	0.01%
Total Capitalization	100.00%		5.66%

Moodys Financial Metrics

Criteria	Single "A"	Baa
CFO/Debt	22% - 30%	13% - 22%
CFO/Interest	4.5x - 6.0x	2.7x - 4.5x
Debt/Capitalization	35% - 45%	45% - 55%

Source: Moodys Rating Methodology,
Regulated Electric and Gas Utilities, August, 2009

Standard & Poor's Financial Metrics

Criteria	Intermediate	Significant
FFO/Debt (%)	30% - 45%	20% - 30%
Debt/EBITDA	2x - 3x	3x - 4x
Debt/Capitalization	35% - 45%	45% - 50%

Source: S&P Ratings Direct, May 27, 2009

OPC Recommendation Compared to S&P Metrics

Criteria	OPC Recommendation	Intermediate	Significant
FFO/Debt (%)	27.78%	30% - 45%	20% - 30%
Debt/EBITDA	2.99	2x - 3x	3x - 4x
Debt/Capitalization	50.00%	35% - 45%	45% - 50%

OPC Recommendation Compared to Moodys Metrics

Criteria	OPC Recommendation	Single "A"	Baa
CFO/Debt	27.78%	22% - 30%	13% - 22%
CFO/Interest	5.27	4.5x - 6.0x	2.7x - 4.5x
Debt/Capitalization	50.00%	35% - 45%	45% - 55%

Kevin W. O'Donnell, CFA
President
Nova Energy Consultants, Inc.
1350 SE Maynard Rd.
Suite 101
Cary, NC 27511

Education

I received a B.S. degree in Civil Engineering - Construction Option from North Carolina State University in May of 1982 and a Masters of Business Administration in Finance from Florida State University in August of 1984.

Professional Certification

I am a Chartered Financial Analyst (CFA) and a member of the Association of Investment Management and Research.

Work Experience

In September of 1984, I joined the Public Staff of the North Carolina Utilities Commission as a Public Utilities Engineer in the Natural Gas Division. In December of 1984, I transferred to the Public Staff's Economic Research Division and held the position of Public Utility Financial Analyst. In September of 1991, I joined Booth & Associates, Inc., a Raleigh, North Carolina, based electrical engineering firm, as a Senior Financial Analyst. I stayed in this position until June 1994, when I accepted employment as the Director of Retail Rates for the North Carolina Electric Membership Corporation. In January 1995, I formed Nova Utility Services, Inc., an energy consulting firm. In May of 1999, I changed the name of Nova Utility Services, Inc. to Nova Energy Consultants, Inc. Since 1988 I have also served as a Senior Financial Analyst for MAKROD Investment Associates, which is a private money-management firm, located in Verona, NJ.

Publications

I have also published the following articles: Municipal Aggregation: The Future is Today, *Public Utilities Fortnightly*, October 1, 1995; Small Town, Big Price Cuts, *Energy Buyers Guide*, January 1, 1997; and Worth the Wait, But Still at Risk, *Public Utilities Fortnightly*, May 1, 2000. All of these articles dealt with my firm's experience in working with small towns that purchase their power supplies in the open wholesale power markets.

Regulatory Cases of Kevin W. O'Donnell, CFA
Nova Energy Consultants, Inc.

Year	Name of Applicant	State Jurisdiction	Docket No.	Client/ Employer	Case Issues
1985	Public Service Company of NC	NC	G-5, Sub 200	Public Staff of NCUC	Return on equity, capital structure
1985	Piedmont Natural Gas Company	NC	G-9, Sub 251	Public Staff of NCUC	Return on equity, capital structure
1986	General Telephone of the South	NC	P-19, Sub 207	Public Staff of NCUC	Return on equity, capital structure
1987	Public Service Company of NC	NC	G-5, Sub 207	Public Staff of NCUC	Return on equity, capital structure
1988	Piedmont Natural Gas Company	NC	G-9, Sub 278	Public Staff of NCUC	Return on equity, capital structure
1989	Public Service Company of NC	NC	G-5, Sub 246	Public Staff of NCUC	Return on equity, capital structure
1990	North Carolina Power	NC	E-22, Sub 314	Public Staff of NCUC	Return on equity, capital structure
1991	Duke Energy	NC	E-7, Sub 487	Public Staff of NCUC	Return on equity, capital structure
1992	North Carolina Natural Gas	NC	G-21, Sub 306	Public Staff of NCUC	Natural gas expansion fund
1992	North Carolina Natural Gas	NC	G-21, Sub 307	Public Staff of NCUC	Natural gas expansion fund
1995	Pennsylvania & Southern Gas Company	NC	G-3, Sub 186	Public Staff of NCUC	Return on equity, capital structure
1995	North Carolina Natural Gas	NC	G-21, Sub 334	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1995	Carolina Power & Light Company	NC	E-2, Sub 680	Carolina Utility Customers Assoc.	Fuel adjustment proceeding
1995	Duke Power	NC	E-7, Sub 559	Carolina Utility Customers Assoc.	Fuel adjustment proceeding
1996	Piedmont Natural Gas Company	NC	G-9, Sub 378	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1996	Piedmont Natural Gas Company	NC	G-9, Sub 382	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1996	Public Service Company of NC	NC	G-5, Sub 356	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1996	Cardinal Extension Company	NC	G-39, Sub 0	Carolina Utility Customers Assoc.	Capital structure, cost of capital
1997	Public Service Company of NC	NC	G-5, Sub 327	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1998	Public Service Company of NC	NC	G-5, Sub 386	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1998	Public Service Company of NC	NC	G-5, Sub 386	Carolina Utility Customers Assoc.	Natural gas transporation rates
1999	Public Service Company of NC/SCANA C	NC	G-5, Sub 400	Carolina Utility Customers Assoc.	Merger case
1999	Public Service Company of NC/SCANA C	NC	G-43	Carolina Utility Customers Assoc.	Merger Case
1999	Carolina Power & Light Company	NC	E-2, Sub 753	Carolina Utility Customers Assoc.	Holding company application
1999	Carolina Power & Light Company	NC	G-21, Sub 387	Carolina Utility Customers Assoc.	Holding company application
1999	Carolina Power & Light Company	NC	P-708, Sub 5	Carolina Utility Customers Assoc.	Holding company application
2000	Piedmont Natural Gas Company	NC	G-9, Sub 428	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
2000	NUI Corporation	NC	G-3, Sub 224	Carolina Utility Customers Assoc.	Holding company application
2000	NUI Corporation/Virginia Gas Company	NC	G-3, Sub 232	Carolina Utility Customers Assoc.	Merger application
2001	Duke Power	NC	E-7, Sub 685	Carolina Utility Customers Assoc.	Emission allowances and environmental compliance costs
2001	NUI Corporation	NC	G-3, Sub 235	Carolina Utility Customers Assoc.	Tariff change request
2001	Carolina Power & Light Company/Progres	NC	E-2, Sub 778	Carolina Utility Customers Assoc.	Asset transfer case
2001	Duke Power	NC	E-7, Sub 694	Carolina Utility Customers Assoc.	Restructuring application
2002	Piedmont Natural Gas Company	NC	G-9, Sub 461	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
2002	Cardinal Pipeline Company	NC	G-39, Sub 4	Carolina Utility Customers Assoc.	Cost of capital, capital structure
2002	South Carolina Public Service Commissio	SC	2002-63-G	South Carolina Energy Users Committee	Rate of return, accounting, rate design, cost of service
2003	Piedmont Natural Gas/North Carolina Nat	NC	G-9, Sub 470	Carolina Utility Customers Assoc.	Merger application
2003	Piedmont Natural Gas/North Carolina Nat	NC	G-9, Sub 430	Carolina Utility Customers Assoc.	Merger application
2003	Piedmont Natural Gas/North Carolina Nat	NC	E-2, Sub 825	Carolina Utility Customers Assoc.	Merger application
2003	Carolina Power & Light Company	NC	E-2, Sub 833	Carolina Utility Customers Assoc.	Fuel case
2004	South Carolina Electric & Gas	SC	2004-178-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
2005	Carolina Power & Light Company	NC	E-2, Sub 868	Carolina Utility Customers Assoc.	Fuel case
2005	Piedmont Natural Gas Company	NC	G-9, Sub 499	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
2005	South Carolina Electric & Gas	SC	2005-2-E	South Carolina Energy Users Committee	Fuel application
2005	Carolina Power & Light Company	SC	2006-1-E	South Carolina Energy Users Committee	Fuel applicatioo
2006	IRP in North Carolina	NC	E-100, Sub 103	Carolina Utility Customers Assoc.	Submitted rebuttal testimony in investigation of IRP in NC.
2006	Piedmont Natural Gas Company	NC	G-9, Sub 519	Carolina Utility Customers Assoc.	Creditworthiness issue
2006	Public Service Company of NC	NC	G-5, Sub 481	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service

Regulatory Cases of Kevin W. O'Donnell, CFA
Nova Energy Consultants, Inc.

Year	Name of Applicant	State Jusrisdiction	Docket No.	Client/ Employer	Case Issues
2006	Duke Power	NC	E-7, 751	Carolina Utility Customers Assoc.	Application to share net revenues from certain wholesale power transactions
2006	South Carolina Electric & Gas	SC	2006-192-E	South Carolina Energy Users Committee	Fuel application
2007	Duke Power	NC	E-7, Sub 790	Carolina Utility Customers Assoc.	Application to construct generation
2007	South Carolina Electric & Gas	SC	2007-229-E	South Carolina Energy Users Committee	Rate of return, accounting, rate design, cost of service
2008	South Carolina Electric & Gas	SC	2008-196-E	South Carolina Energy Users Committee	Base load review act proceeding
2009	Western Carolina University	NC	E-35, Sub 37	Western Carolina University	Rate of return, accounting, rate design, cost of service
2009	Duke Power	NC	E-7, Sub 909	Carolina Utility Customers Assoc.	Cost of service, rate design, return on equity, capital structure
2009	South Carolina Electric & Gas	SC	2009-261-E	South Carolina Energy Users Committee	DSM/EE rate filing
2009	Duke Power	SC	2009-226-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
2009	Tampa Electric	FL	080317-EI	Florida Retail Federation	Return on equity, capital structure
2010	Duke Power	SC	2010-3-E	South Carolina Energy Users Committee	Fuel application - assisted in settlement
2010	South Carolina Electric & Gas	SC	2009-489-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
2010	Virginia Power	VA	PUE-2010-00006	Mead Westvaco	Rate design
2011	Duke Energy	SC	2011-20-E	South Carolina Energy Users Committee	Nuclear construction financing
2011	Northern States Power	MN	E002/GR-10-971	Xcel Large Industrials	Return on equity, capital structure
2011	Virginia Power	VA	PUE-2011-0027	Mead Westvaco	Capital structure, revenue requirement
2011	Duke Energy	NC	E-7, Sub 989	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, return on equity, capital structure
2011	Duke Energy	SC	2011-271-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, return on equity, capital structure
2011	Dominion Virginia Power	VA	PUE-2011-00073	Mead Westvaco	Rate design
2012	Town of Smithfield/Partners Equity Group	NC	ES-160, Sub 0	Partners Equity Group	Rate design, asset valuation
2012	Florida Power & Light	FL	120015-EI	Florida Office of Public Counsel	Capital structure
2012	South Carolina Electric & Gas	SC	2012-218-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, return on equity, capital structure
2013	Progress Energy Carolinas	NC	E-2, Sub 1023	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, return on equity, capital structure
2013	Duke Energy Carolinas	NC	E-7, Sub 1026	Carolina Utility Customers Assoc.	Rate design
2013	Jersey Central Power & Light	NJ	BPU ER12111052	Gerdau Ameristeel	Return on equity, capital structure
2013	Duke Energy Carolinas	SC	2013-59-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, return on equity, capital structure