

Share the Risk

Projected versus Historical Test Year

48TH FINANCIAL FORUM

SURFA 2016 FORUM

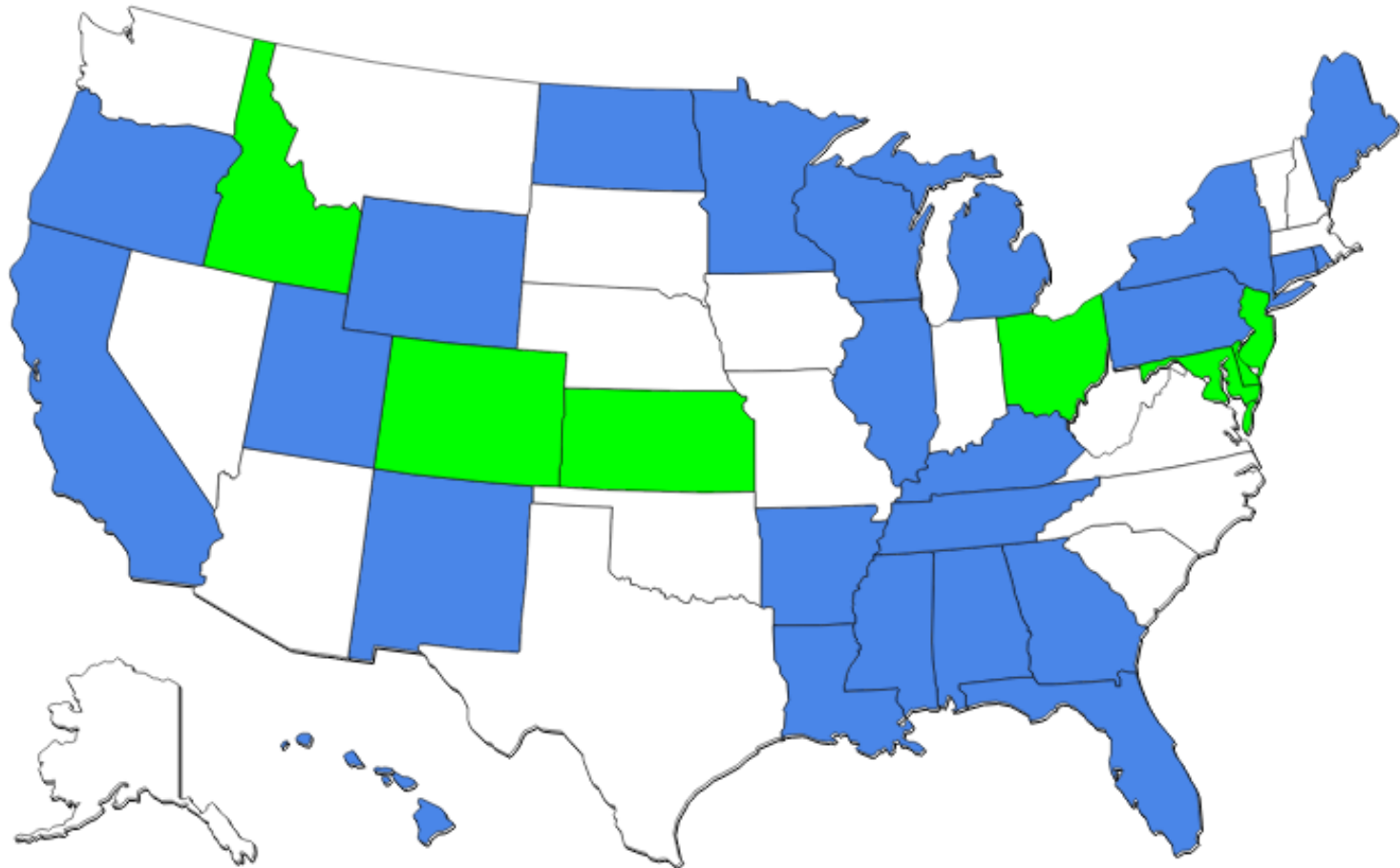
Bente Villadsen



April 28 & 29, 2016



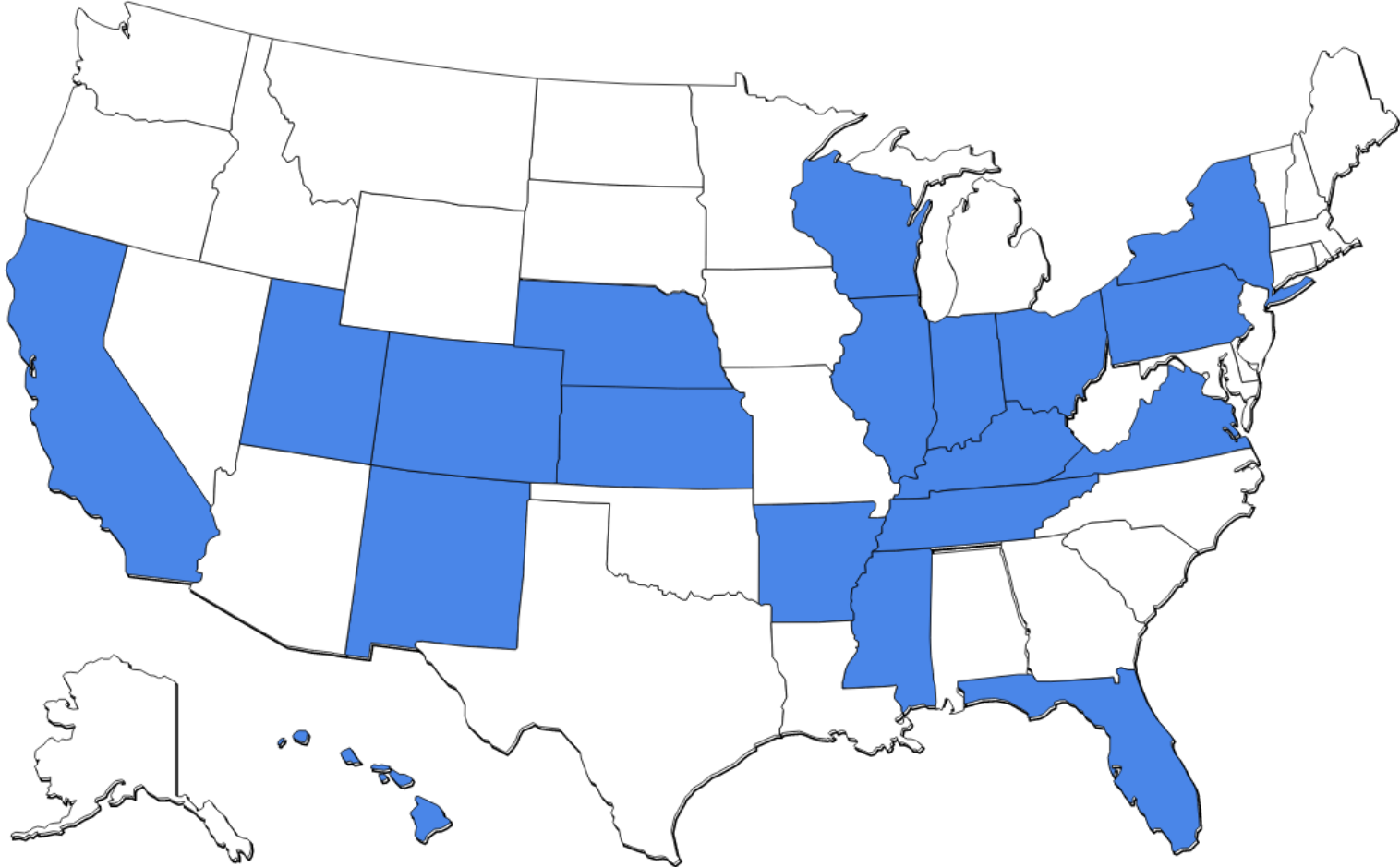
THE **Brattle** GROUP

States with Future Test Years for Electric and Gas Companies



-  States with Hybrid or Transitional Test Years
-  States with a Forward Test Years

States with Future Test Years for Water Companies



States with Future Test Years

Other Regulators

FERC: Formula rates are forecast for the impending year.

Canadian Regulators: Generally forecast; some are subject to cost of service and some are subject to PBR.

Australian Regulators: Forecast and generally subject to PBR

European Regulators: Mostly forecast and subject to PBR – not cost of service

Recent Developments

Indiana- Legislation has allowed future test years but none of have been implemented as of April 2016

Massachusetts Proposal to move to forward test year as part of the 2013 grid modernization. Rejected in 2014.

Missouri- The Missouri Energy Development Association proposed future test years be adopted in the state's energy plan in 2015.

West Virginia: West Virginia American Water and Mountaineer Gas have asked the PSC to base rate calculations on a future test year.

Texas: Southwestern Public Service requested Post-test year investments to be included in its recent rate case as the investments were “known, fixed in time, and measurable,” but were denied.

Sources

- SNL, “State Regulatory Reviews.”
- Mark N. Lowry, Matthew Makos, Gretchen Waschbusch, “Alternative Regulation for Emerging Utility Challenges: 2015 Update,” Prepared for *Edison Electric Institute*, November 2015.
- Ken Costello, “Future Test Years: Are they in the Public Interest?” Prepared for *NARUC Subcommittee on Gas*, July 2013
- Joe Wharton, Bente Villadsen and Heidi Bishop, “Alternative Regulation and Ratemaking Approaches for Water Companies,” Prepared for the *National Association of Water Companies*, October 2013.
- *Brattle Research*