

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

<p>In the Matter of the Petition of</p> <p>NORTHWEST NATURAL GAS COMPANY d/b/a NW NATURAL</p> <p>Petitioner,</p> <p>For An Accounting Order Authorizing Deferred Accounting Treatment for Increase in Regulatory Fee Costs</p>	<p>DOCKET UG-220423</p> <p>ORDER 01</p> <p>GRANTING PETITION FOR ACCOUNTING ORDER SUBJECT TO CONDITION</p>
--	--

BACKGROUND

- 1 On June 9, 2022, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition (Petition) seeking an accounting order under WAC 480-07-370 authorizing NW Natural to utilize deferred accounting treatment for NW Natural’s increase in regulatory fee costs.
- 2 Senate Bill 5634, codified as RCW 80.24.010, was signed into law on March 24, 2022, by Governor Jay Inslee, and became effective on June 9, 2022. This law raised the Commission’s regulatory fee from 0.2 percent to 0.4 percent of “gross operating revenue from intrastate operations for the preceding calendar year.” These amounts are payable to the Commission in May 2023. This increase in fees is not accounted for in current rates.
- 3 In its Petition, NW Natural requests approval to track the costs of the updated regulatory fees in deferred Federal Energy Regulatory Commission (FERC) account 186 and to accrue interest at the published FERC rate. The Company will track these costs and file for recovery during its next general rate case.
- 4 The threshold for granting accounting petitions is a demonstration of extraordinary circumstances. NW Natural contends that the regulatory fee bill is an extraordinary circumstance because it is beyond the Company’s control, and the cost is material.
- 5 Commission staff (Staff) recommends that the Commission grant the Petition, subject to the condition that the deferral of increased regulatory fees accrue interest at the Company’s actual cost of debt, updated semi-annually. Staff believes that actual cost of

debt best compensates the Company for its cost of money, and that the Company should be compensated for the actual cost of acquiring money. Staff recommends that the interest rate be updated semi-annually, on July 1 and January 1, to give the utility a more accurate and current cost of debt and to lower the administrative burden of updating every quarter.

DISCUSSION

6 We agree with Staff's recommendation and therefore grant NW Natural's Petition subject to the condition that Staff recommends. As a threshold matter, we agree that this regulatory fee increase is an extraordinary circumstance because it creates a cost beyond the Company's control, and that tracking this cost in FERC account 186 is appropriate.

7 Regarding appropriate interest rate, NW Natural argues that the FERC rate has been used previously to calculate interest on deferrals, is straightforward to implement, allows for interest to accrue at a consistent percentage across utilities, and is updated quarterly. However, as Staff asserts, the FERC rate does not represent any one utility's actual cost of money. We agree with Staff that the actual cost of debt, updated semi-annually, more accurately reflects the utility's cost of money for this specific deferral, and does not apply to other deferrals. Therefore, we adopt Staff's recommendation and condition NW Natural's deferral of increased regulatory fees on interest accruing at the actual cost of debt, updated semi-annually on July 1 and January 1.

FINDINGS AND CONCLUSIONS

- 8 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including natural gas companies.
- 9 (2) NW Natural is a public service company regulated by the Commission, providing service as a natural gas company.
- 10 (3) The Commission has jurisdiction over the subject matter of this proceeding and over NW Natural.
- 11 (4) WAC 480-07-370(3) allows companies to file petitions including that for which NW Natural seeks approval.

- 12 (5) Staff has reviewed the Petition in Docket UG-220423 including related work papers.
- 13 (6) Staff recommends the Commission grant NW Natural's Petition subject to condition discussed in the body of this Order.
- 14 (7) This matter came before the Commission at its regularly scheduled meeting on January 26, 2023.
- 15 (8) After reviewing NW Natural's Petition filed in Docket UG-220423 on June 9, 2022, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition is consistent with the public interest and should be granted subject to the condition outlined in this Order.

ORDER

THE COMMISSION ORDERS:

- 16 (1) Northwest Natural Gas Company d/b/a NW Natural's Petition for an Accounting Order Authorizing Deferred Accounting Treatment for NW Natural's Increase in Regulatory Fee Costs is granted, subject to the condition detailed in paragraph 7.
- 17 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 18 (3) The Commission retains jurisdiction over the subject matter and Northwest Natural Gas Company d/b/a NW Natural to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective January 26, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner