

Agenda Date: January 26, 2023

Item Numbers: A2, A3, A4, A5, A6, A7, and A8

Dockets: UE-220407 and UG-220408 – Puget Sound Energy
UG-220423 – Northwest Natural Gas Company d/b/a NW Natural
UG-220597 – PacifiCorp d/b/a Pacific Light and Gas Company
UE-220892 and UG-220893 – Avista Corporation d/b/a Avista Utilities
UG-220912 – Cascade Natural Gas Corporation

Staff: Natalie Roberts, Regulatory Analyst
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Recommendation

- (1) Issue an order in Dockets UE-220407 and UG-220408 granting, the Petitions filed by Puget Sound Energy, as revised on December 20, 2022, authorizing deferred accounting treatment for the increase in expenses associated with the Commission’s new regulatory fees.
- (2) Issue an order in Docket UG-220423 granting, subject to the condition within the order, the Petition filed by Northwest Natural Gas Company d/b/a NW Natural on June 9, 2022, authorizing deferred accounting treatment for the increase in expenses associated with the Commission’s new regulatory fees, with interest accruing at the actual cost of debt updated semi-annually.
- (3) Issue an order in Docket UG-220597 granting, subject to the condition within the order, the Petition filed by Pacific Light and Gas Company as revised on December 12, 2022, authorizing deferred accounting treatment for the increase in expenses associated with the Commission’s new regulatory fees, with interest accruing at the actual cost of debt updated semi-annually.
- (4) Issue an order in Dockets UE-220892 and UG-220893 granting, the Petitions filed by Avista Corporation d/b/a Avista Utilities, as revised January 4, 2023, authorizing deferred accounting treatment for the increase in expenses associated with the Commission’s new regulatory fees, with interest accruing at the actual cost of debt updated semi-annually.
- (5) Issue an order in Docket UG-220912 granting, subject to the condition within the order, the Petition filed by Cascade Natural Gas Corporation, as revised on December 12, 2022, authorizing deferred accounting treatment for the increase in expenses associated with the Commission’s new regulatory fees, with interest accruing at the actual cost of debt updated semi-annually.

Background

In 2022, the legislature enacted SB 5634 codified as RCW 80.24.010, which authorized the Commission to increase its the regulatory fee from 0.2 percent to 0.4 percent of each utility’s “gross operating revenue from intrastate operations for the preceding year.” While the new regulatory fee rate applies to revenues from calendar year 2022 forward, the new fees have yet to be incorporated into utility rates. As a result, all the Commission-regulated gas and electric

utilities have petitioned to defer the incremental expenses associated with the fee increase until such time as the new fees can be incorporated into customer rates.

Summary of Company Requests

Utility	FERC Account	Interest Rate	Updated
PSE	186	Actual cost of total debt	Semi annually
Avista	186	Actual cost of debt	Semi annually
PacifiCorp	186	FERC	Quarterly
Cascade	186	Actual cost of short term	Semi annually
NW Natural	186	FERC	Quarterly

PSE, Dockets UE-220407 and UG-220408

PSE filed its Petition on June 1, 2022. On December 20, 2022, PSE filed an Amended Petition which corrected an erroneous termination date for the deferral. In its Amended Petition, PSE clarifies that rates from the Company's most recent general rate case (GRC) in Dockets UE-220066 and UG-220067 did not incorporate this regulatory fee increase, and accordingly, the Company changed the end date for the deferral.

In its petition, PSE asks to track the costs of the updated regulatory fees in deferred Federal Energy Regulatory Commission (FERC) account 186 - and that interest accrue on the deferral at the Company's actual cost of total debt which will be updated semi-annually.

PSE will update the regulatory fee rate in tariff filings subsequent to the submission of this Amended Petition and PSE will only defer the incremental regulatory fee for the calendar years 2022 through the effective date of PSE's next GRC associated with revenues which have not been updated in subsequent tariff filings.

Avista, Dockets UE-220892 and UG-220893

Avista filed its initial Petition on December 2, 2022. On January 4, 2023, Avista filed an Amended Petition which amended the interest rate from weighted average cost of debt to actual costs of debt. In its Petition, Avista asks to track the costs of the updated regulatory fees in deferred FERC account 186 - and that interest accrue on the deferral at the Company's actual cost of debt. The deferral will end after rates from Avista's next GRC goes into effect, at which time Avista will also seek recovery of this deferral.

Cascade, Docket UG-220912

Cascade filed its initial Petition on December 2, 2022. On December 22, 2022, Cascade filed an Amended Petition asking to defer to FERC account 186 rather than 182.3 and to accrue interest at the Company's short-term cost of debt, rather than at its weighted average cost of debt. The deferral will end after rates from Cascade's next GRC go into effect, at which time Cascade will also seek recovery of this

deferral.

PacifiCorp, Docket UG-220579

PacifiCorp filed its initial Petition on August 9, 2022. On December 22, 2022, PacifiCorp filed an Amended Petition requesting to track the costs of the updated regulatory fees in FERC account 186 instead of 182.3. The Company maintained its request to accrue interest on the deferral balance at the quarterly rate published by FERC. The Company will track these costs and file for recovery during their next GRC. The deferral will end after rates from PacifiCorp's next rate case go into effect, at which time the Company will also seek recovery of this deferral.

Northwest Natural, Docket UG-220423

NW Natural filed its Petition on June 9, 2022. In its petition, NW Natural asks to defer the costs of the updated regulatory fees to the FERC Account 186 and to accrue interest on the deferral balance at the FERC rate. The Company will track these costs and file for recovery during their next GRC.

Discussion

FERC Accounts

Commission staff (Staff) met with several utilities to recommend consistency by the utilities using FERC account 186 – Miscellaneous Deferred Debits for the deferral period. PSE, Cascade, and PacifiCorp have amended their Petitions to FERC account 186.

Interest

Due to the nature of these filings where all energy utilities have filed similar petitions, Staff has worked with the utilities to make the filings consistent. The purpose of allowing utilities to accrue interest on these specific deferral balances are to fairly compensate each utility for the cost of increased capital requirements, so it is appropriate to use a rate that is specific to each utility. Staff recommend to the utilities to accrue interest at each company's actual cost of debt consistent with how actual cost of debt was calculated in its most recent Commission Basis Report and that the semi-annual update occur on July 1 and January 1. Staff argues that actual cost of debt best compensates the Company for its cost of money, and the Company should be compensated for what the actual cost of acquiring the money was for the Company.

FERC Rate

Both NW Natural and PacifiCorp argue that the FERC rate should be used to calculate interest rates for this because it has been used previously and is straightforward to implement. The companies also argue that using the FERC rate allows for interest to accrue at a consistent percentage across utilities and is updated quarterly so it reasonably reflects current debt market condition. Although Staff sees merit in this argument, the FERC rate does not represent any one

utility's actual cost of money.

Short Term Debt

In Cascade's amended petition, the utility requests to record interest at its actual cost of short-term debt, updated semi-annually. Short term debt is an appropriate rate when deferrals are recovered in a year, and since rate recovery of these particular deferrals likely will not occur until after each utility's next GRC, it is likely to be on the Company's books for longer than a year. Therefore, the short-term cost of debt is not the best rate to use in this specific deferral.

Interested Parties

Staff has not received any customer comments.

Conclusion

Staff believes the utilities should accrue interest at each company's actual cost of debt and should be compensated for what the actual cost of acquiring the money was for the Company. Staff recommends the Commission grant the orders PSE's and Avista's Petitions for Deferred Accounting of Regulatory Fee Increases. Staff also recommends the Commission grant, subject to the condition within the orders: Cascade, NW Natural, and PacifiCorp's Petitions for Deferred Accounting of Regulatory Fee Increase.