



STATE OF WASHINGTON

## UTILITIES AND TRANSPORTATION COMMISSION

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September 28, 2023

Kathy Hunter, Acting Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

RE: *Avista Corporation, Cascade Natural Gas Company, Pacific Power & Light Company, Puget Sound Energy, Northwest Natural Gas Company, Dockets UE-220892 & UG-220893; UG-220912; UE-220597; UE-220407 & UG-220408; UG-220423*

Dear Kathy Hunter:

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, between June and December of 2022, Avista Corporation (Avista), Cascade Natural Gas Company (Cascade), Pacific Power & Light Company (PacifiCorp) Puget Sound Energy (PSE), and Northwest Natural Gas Company (NW Natural) petitioned to defer the incremental expenses associated with the fee increase until such time as the new fees can be incorporated into customer rates.

Because the petitions were similar, Commission Staff (Staff) met with the companies to recommend consistency among them. Staff recommended that the utilities propose to accrue interest at each company's actual cost of debt. The companies agreed and refiled their petitions as necessary to reflect the change. At the Open Meeting on January 26, 2023, there was discussion about how the actual cost of debt would be calculated. The Commissioners asked the companies to work with Staff to reach consensus on a consistent methodology. After the Open Meeting, the Commission issued orders in dockets UE-220892 & UG-220893; UG-220912; UE-220597; UE-220407 & UG-220408; UG-220423, granting each company's petition for deferred accounting treatment at each company's actual cost of debt updated semiannually. In the following months, Staff continued to meet with the

Kathy Hunter  
September 28, 2023  
Page 2

companies to reach consensus on a methodology for calculating the actual cost of debt. Each Company agreed to use a weighted average of long-term and short-term debt costs (including fees) at a point in time using month-end data for the biannual update. Staff asked each Company to file this methodology in their respective dockets to demonstrate consistency and for Staff's future reference when the Company's file for cost recovery.

As of September 27, 2023, all five companies have submitted their methodology. Staff has reviewed each filing and believes that the methodologies the Companies have each presented for calculating actual cost of debt are reasonable and consistent.

Sincerely,

Alex Tellez  
Section Manager, Energy Rates and Services