



**STATE OF WASHINGTON**  
**UTILITIES AND TRANSPORTATION COMMISSION**  
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March 21, 2018

**NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS**  
**(By 5 p.m. on Tuesday, April 30, 2019)**

RE: Notice of Inquiry into the Adequacy of the Current Regulatory Framework  
Employed by the Commission in Addressing Developing Industry Trends, New  
Technologies, and Public Policy Affecting the Utility Sector  
Docket U-180907

**TO ALL INTERESTED PERSONS:**

On November 7, 2018, the Washington Utilities and Transportation Commission (Commission) opened Docket U-180907 regarding the adequacy of traditional rate-base, rate-of-return regulation and the potential use of alternative frameworks, such as performance-based regulation, multi-year rate plans, or other flexible regulatory mechanisms. On November 9, 2018, the Commission issued a Notice of Workshop to assist the Commission in determining whether to open a rulemaking or issue a policy statement on this matter. In response to the Notice of Workshop, the Commission received written comments from Pacific Power & Light Company and the Coalition of Eastside Neighborhoods for Sensible Energy. On December 10, 2018, the Commission held a workshop to discuss current conditions, potential alternatives, and preferred process. On December 17, 2018, the Commission requested utilities and stakeholders to provide written comments identifying problem statements, principles, and priorities for this inquiry. The Commission now invites written comments concerning expedited rate filings (ERFs).

**REQUEST FOR COMMENT**

The Commission requests that utilities and stakeholders provide the following information.

In its testimony supporting the all-party settlement in Puget Sound Energy's expedited rate filing (ERF) in Dockets UE-180899 and UG-180900, Commission staff (Staff) noted the lack of a policy framework for ERFs and recommended the Commission develop policy guidance for such a mechanism.<sup>1</sup> In Order 05 in those dockets, the Commission concurred with Staff that the Commission's Inquiry into the Adequacy of the Current Regulatory Framework in Docket U-180907 is the appropriate forum to address the parameters of ERFs, and the Commission committed to soliciting comments on ERFs in this docket.<sup>2</sup>

The issues Staff raised regarding ERFs fall under four distinct categories, and this opportunity for comments is organized accordingly:

1. Policy Issues
2. Threshold Criteria
3. Methodology
4. General Considerations

We ask that stakeholders comment on these four categories. The Commission provides the following questions to aid parties in developing comments. However, parties should feel free to: 1) address other questions they believe are important for the Commission to consider when establishing ERF guidance and 2) answer only a subset of the questions, if desired.

### **Policy Issues**

1. Regulatory lag
  - a. Are ERFs an important tool to address regulatory lag?
  - b. Do ERFs effectively and efficiently remedy regulatory lag?
  - c. Are there other non-ERF solutions that would more effectively or efficiently resolve regulatory lag?
  - d. If regulatory lag is cited as a reason for serial general rate cases, and ERFs alleviate regulatory lag, to what extent should the filing of an ERF be tied to the commitment to file fewer rate cases?
2. Responsiveness to change
  - a. Are companies, ratepayers, and the Commission responding fast enough to the changing energy landscape?<sup>3</sup> If not, how can ERFs be used to help companies, ratepayers, and the Commission respond?
3. Other policy issues

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<sup>1</sup> McGuire, Exh. CRM-1T at 19:17-21.

<sup>2</sup> *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-180899 & UG-180900, Order 05 at ¶41 (February 21, 2019).

<sup>3</sup> *Id.*

- a. Are there other policy issues that ERFs could address?
- b. How do ERFs effectively and efficiently address these additional policy issues?
- c. Are there non-ERF solutions that would more effectively or efficiently resolve these policy issues?

### **Threshold Criteria**

1. Under what circumstances is an ERF appropriate?
2. What should be the standard to demonstrate the need for expedited rate relief?
3. In the context of an ERF, what is the appropriate basis for determining whether a company's current rates are or are not fair, just, reasonable, and sufficient? Is the basis different than the standard for a general rate case (GRC)?

### **Methodology**

1. What is the appropriate conceptual framework for an ERF?
2. Should an ERF use a new test year or should an ERF use the test year from a recently completed general rate case and merely extend the pro forma period? If the pro forma period is extended, should an ERF only include those capital additions that were not included in pro forma adjustments of the last GRC?
3. Should an ERF include all new plant in service, or just major investments? Should it exclude revenue-producing plant?
4. How should plant additions be treated in an ERF if parties do not have the time to perform a thorough prudence review? Should ERF rates be subject to refund if prudence determinations for investments cannot be completed?
5. How should expenses be handled in an ERF? Should expenses update to actuals or should they remain tied to the previous GRC?

### **General Considerations**

1. What are the benefits and drawbacks of an ERF relative to a GRC?
2. In what ways does an ERF create or relieve administrative or process burdens for responding parties?

Please note that, after receiving responses to this Notice, the Commission will provide an opportunity for parties to respond to all previously filed comments in this docket.

### **WRITTEN COMMENTS**

Written comments in response to this Notice and the questions listed above must be filed with the Commission no later than **5 p.m., Tuesday, April 30, 2019**. The Commission requests that comments be provided in electronic format to enhance public access, for ease of providing comments, to reduce the need for paper copies, and to facilitate quotations from the comments. Comments may be submitted via the Commission's web

portal at [www.utc.wa.gov/e-filing](http://www.utc.wa.gov/e-filing) or by electronic mail to the Commission's Records Center at [records@utc.wa.gov](mailto:records@utc.wa.gov). Please include:

- The docket number of this proceeding (U-180907).
- The commenting party's name.
- The title and date of the comment or comments.

Alternatively, comments may be filed by mailing or delivering an electronic copy to the Commission's Records Center in .pdf Adobe Acrobat format or in Word 97 or later format on a flash drive or CD. Include all of the information requested above. The Commission will post on its website all comments that are provided in electronic format. The website is located at the following URL address: <http://www.utc.wa.gov/180907>.

Questions may be directed to Mark Vasconi, Director of Regulatory Services, at (360) 664-1308 or [mark.vasconi@utc.wa.gov](mailto:mark.vasconi@utc.wa.gov).

### NOTICE

**If you do not want to comment now, but do want to receive future information about this rulemaking, please notify the Commission's Records Center and ask to be included on the mailing list for Docket U-180907. If you do not do this, you might not receive further information about this rulemaking.**

MARK L. JOHNSON  
Executive Director and Secretary