April 1 through June 30, 2020

Rate & Regulatory Update

A Summary of State Rate & Regulatory Activity

A Publication for AGA Members

This document is intended to provide AGA members with a summary of information relative to state rate and regulatory proceedings and other related matters on a timely basis. Additional information and archived versions of the Rate & Regulatory Update can be found at the following web link: https://www.aga.org/rate-alerts

Rate Case Data for this Period	
Orders Issued	**4**
Average Approved ROE	**9.63%**

Trends and Analysis

The average authorized ROE for gas utilities was 9.63% in the second quarter of 2020 compared to 9.50% in the first quarter of 2020. The average authorized ROE for gas utilities was 9.71% in cases decided during 2019, above the 9.59% in full-year 2018. In 2020 AGA has tracked 15 determined ROEs, versus 32 total determined ROEs in 2019.

Requested and authorized ROEs have generally trended downward over the past several years. For all cases that are pending thus far in 2020, the average requested ROE was 10.25% for gas companies versus 12.4% in 2000.

The highest ROE requested in a pending gas utility base rate case is 10.95%, sought by UGI Corp. subsidiary UGI Utilities Inc and NiSource Inc. subsidiaries Columbia Gas of Maryland Inc. and Columbia Gas of Pennsylvania Inc.

UGI’s proposed 10.95% ROE includes a 20-basis point upward adjustment “to reflect superior management performance” for efforts pertaining to infrastructure and safety investments, excellent customer service, IT modernization, environmental and social governance, and community engagement. In Maryland, Columbia Gas indicated that a 10.95% ROE, which is the ROE midpoint of the witness’ recommendations, is appropriate due to the company’s “exemplary performance” in customer satisfaction as well as its performance with respect to its planned pipeline replacement rates under its Strategic Infrastructure Development and Enhancement Program.

The lowest ROE requested in a gas base rate case is 9.5% for New York State Electric & Gas Corp., or NYSEG, and Rochester Gas and Electric Corp., or RG&E, in New York, and Puget Sound Energy Inc., or PSE, in Washington. The staff of the New York PSC recommended an 8.2% ROE for RG&E and NYSEG’s electric and gas operations; however, settlement discussions have been ongoing. NYSEG and RG&E are part of Avangrid Inc.

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Rate & Regulatory Activity Experiences Decline Amid Pandemic

The second quarter of 2020 was dominated by the emergence and substantial impact of COVID-19. Many procedural timelines, both rate and non-rate case, were postponed indefinitely as regulators shifted their focus to responding to the pressing pandemic. The regulatory response to the pandemic widely varied, but several trends emerged.

Disconnection Moratoriums

As natural gas utility customers began to feel the pressures brought on by the COVID-19 pandemic, regulators and natural gas utilities worked together to help bring some relief to the customers. One method of assisting customers amidst the pandemic was the issuance of utility disconnection moratoriums, designed to alleviate customer concerns during the height of the pandemic.

The first disconnection moratorium tracked by AGA was issued by Connecticut's PURA, which was ordered in mid-March. Following this order, 28 fellow regulatory bodies adopted mandatory disconnection moratoriums across April and May.

Disconnection moratoriums are now beginning to expire or ordered to end. As of July 27, AGA recorded 18 active commission ordered disconnection moratoriums. A majority of these orders are set to expire by the end of Summer 2020; however, some jurisdictions ordered moratoriums that will stretch past this summer, such as the CPUC's, which extends to April 2021.

COVID-19 Accounting Orders

As the effects of the COVID-19 pandemic took hold across the U.S., utilities responded to the pandemic by investing in resources needed to ensure safe and reliable gas service. While utilities were absorbing the unforeseen costs brought on by the pandemic, many forecasted increases in bad debts stemming from the pandemic. To tackle these rising costs, a common solution agreed upon by utilities and regulators were accounting orders that would track these rising costs. Later, these costs could be addressed in future rate proceedings as potentially recoverable costs.

The total number of commission-approved COVID-19 accounting orders tracked by AGA staff as of July 27 was 24, and the majority of these commission-approved accounting orders are "blanket" orders, meaning they allow for utilities to track the wide array of COVID-19 related incremental costs.

In some jurisdictions, such as Indiana and Michigan, regulators issued orders specifying which COVID-19 incremental costs can be tracked by utilities – even go so far as denying requests by utilities to track certain costs in Indiana. AGA will continue to track and these regulatory decisions as the pandemic continues.

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COVID-19 Cost Recovery & General Inquiry Dockets

In 2020 Q2, AGA began to track dockets and investigations opened by regulators to examine the holistic impacts of COVID-19 on utilities and ratepayers, and how utilities can play a role in assisting their communities recover from the terrible pandemic. As of the end of the previous quarter, the majority of these investigations were in their initial phases – gathering information from utilities, stakeholders, and ratepayers.

AGA anticipates that regulators will continue to initiate investigations in jurisdictions that have not already done so. With the recent success of the adoption of the Special Purpose Rider in Illinois, AGA believes that such a proceeding and mechanism development will become a trend as 2020 continues.

Below is a list of active dockets opened by regulators to address COVID-19 cost recovery and/or general inquiries.

AZ: AU-00000A-20-0050

AR: 20-012-A

CT: 20-03-15

DE: 20-0286

DC: 202-01-M

IL: 20-0309

IN: 45377; 45380

IA: SPU-2020-0003

KY: 2020-00085

ME: 2020-00136

MD: 9639

MA: DPU 20-58

MN: M-20-427

NY: 20-M-0266

PA: M-2020-3019775

RI: 5022

SC: 2020-106-A

SD: GE20-002

UT: 20-035-17

VA: PUR-2020-00049

WA: UG-200264; UG-200408; UG-200479

WY: 30013-365-GA-20

Other Regulatory Developments

Commission Changes & Updates

CA: The Commission announced that the State Senate yesterday confirmed the appointment of Marybel Batjer as Commissioner of the CPUC. Governor Gavin Newsom announced her appointment as President of the CPUC on July 12, 2019.

HI: The Hawaii Senate approved the reappointment of Leodoloff Asuncion Jr. on May 14 to the Hawaii Public Utilities Commission for a new full term as commissioner that extends to June 2026. Gov. David Ige, a Democrat, reappointed Asuncion in January.

SC: At its June 3 business meeting, the PSC elected Commissioner Justin T. Williams as Chairman and Commissioner Florence P. Belser as Vice Chair.

FERC: President Trump nominated Republican Virginia SCC Commissioner Mark C. Christie and Democrat Allison Clements to vacant FERC positions.

Other Noteworthy Regulatory Action

CT: PURA staff opened a proceeding to “analyze alternative ratemaking methodologies used in other jurisdictions and consider which, if any, may be utilized under the existing statutory framework for utility cost recovery and are in the public interest.”

MD: The PSC opened a targeted proceeding, Case No. 9646, with BG&E to develop rules for the implementation of multiyear rate plans and performance-based ratemaking.

MO: PSC staff proposed an “optional, shortened ratemaking procedure” that could be used by the state’s electric, natural gas and water utilities. The staff’s proposed rule includes certain minimum filing requirements the utilities would need to adhere to if they were to choose to file an “expedited” rate change request. There is consensus among the utilities that a shortened ratemaking process could be a worthwhile endeavor.

NM: Regulators are faced with a pending proceeding which intends to simplify and increase the “transparency” of rate cases by reducing the number of issues litigated in rate cases and to provide a “more level playing field among intervenors and PRC staff on the one hand and the utilities on the other.

M&A Activity

MD: Regulators approved the acquisition of Elkton Gas by Chesapeake Utilities Corp. from South Jersey Industries Inc.

Rate Case Decisions	
April 21, 2020	
Company	Atmos Energy Corp.
State	Texas
Docket Number	D-GUD-10900
Approved Rate Change Amount	$(300,000)
Approved ROE	9.80%
Intervenors	RRC Staff, West Texas Cities

Case Summary

Atmos Energy filed with the Texas RRC on September 27, 2019 its intent to establish cost-based rates for the Triangle Distribution System in West Texas. The Company currently charges a fixed "postage stamp" rate in this area. The cost-based rates proposed by Atmos would provide an $8,248,080 million annual revenue requirement, which represented a $300,000 revenue requirement increase versus currently effective rates.

Filings were tendered to the cities in the area as well. Appeals of the cities' rulings were filed with the RRC under Docket No. GUD 10915, which was later consolidated with GUD 10900.

Atmos and the Staff reached a unanimous settlement calling for a revenue requirement of $7,681,934, representing a $300,000 reduction, premised upon a 9.8% return on equity (60.12% of capital) and a 7.71% return on rate base, the values of which was not specified.

Under the settlement, the parties agree that capital investment made in the system through March 31, 2019, is prudent, used and useful, and just and reasonable.
This case will establish a baseline for future interim rate adjustment (“IRA”) filings made pursuant to GURA Section 104.301 (Interim Adjustment for Changes in Investment).
Under the Settlement, the parties agree that any IRA filing for the Triangle Distribution System pursuant to this statute shall use the stipulated return parameters and a system-wide rate base value of $46,252,340.

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May 19, 2020	
Company	Black Hills Energy Corp.
State	Colorado
Docket Number	19AL-0075G
Approved Rate Change Amount	$(2,283,610)
Approved ROE	9.20%
Intervenors	Colorado Office of Consumer Counsel, CPUC Staff, AM Gas Transfer Co., Bachelor Gulch Village Association, Energy Outreach Colorado

On February 1, 2019, Black Hills filed for a rate increase of $3.46 million. The company filed updated testimony on April 24, 2019 correcting certain errors made in the initial rate filing and specifying a revised $3.5 million revenue requirement deficiency premised upon a 10.3% return on equity (50.15% of capital) and a 7.32% return on a $265.3 million rate base. However, the company continued to seek its initially filed rate increase "to avoid the cost and confusion of providing additional individual customer notice regarding the potential impact of the corrections to the Company's initial filing."

The staff's June 28, 2019 filing opposes the company's request to consolidate its rates and included three separate revenue requirement recommendations that are aggregated in the table above. The three separate recommendations are: a $4.1 million rate reduction incorporating a $142.3 million rate base; a $2 million rate increase incorporating a $44.1 million rate base; and a $374,572 rate reduction incorporating a $79 million rate base.

On November 4, 2019 the company stated that the PUC should use its April 24 rate hike proposal as the starting point to develop the revenue requirement that the company will ultimately be accorded in the proceeding. The filing also stated the company supported a 10.15% equity return, but it did quantify the revenue requirement impact of incorporating the reduced ROE.

The ALJ issued a recommended decision on December 27. The filing does not specify a recommended rate change amount, but it contends that the company should be accorded a 9.5% return on equity (50.15% of capital) and a 6.91% overall return.

On February 21, the PUC issued an order extending the suspension period in the case for 60 days and requiring the company to submit certain cost of service filings.

The PUC issued its order May 29, and it reflects a $3.3 million aggregate rate reduction premised upon a 9.2% return on equity (50.15% of capital) and a 6.76% return on aggregate rate base valued at $231.3 million, based on tariffs submitted by the company in February, but reduced to reflect the lower rate of return authorized by the PUC.
The company submitted compliance filings on June 11 that specified an aggregate rate reduction of $2.3 million premised upon a 9.2% return on equity (50.15% of capital) and an aggregate rate base valued at $231.3 million.

On July 8, Commissioners denied Black Hills application for reconsideration.

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June 16, 2020	
Company	CenterPoint Energy Resources Corp.
State	Texas
Docket Number	D-GUD-10920
Approved Rate Change Amount	$4,000,000
Approved ROE	9.65%
Intervenors	East Texas Coalition of Cities, RRC Staff, Alliance of CenterPoint Municipalities

Case Summary

On November 19, 2019 CenterPoint filed a rate adjustment with the RRC for its Beaumont/East Texas service territory. The November 19 request included an increase of $6.8 million accompanied by a 10.40% ROE. The company also proposed a capital structure that included 58% equity and 42% debt, and the stipulated cost of debt of 5.21%. In addition to the above rate change the company is to return $2.2 million to ratepayers via an excess accumulated deferred income tax rider associated with the 2017 federal tax overhaul. The rider is to be in place for three years.

In its June 16 decision, the RRC approved an increase of $4 million with a 9.65% ROE.

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June 24, 2020	
Company	NIPSCO
State	Indiana
Docket Number	44403-TDSIC-11
Approved Rate Change Amount	$4,486,203
Approved ROE	9.85%
Intervenors	NIPSCO Industrial Group
Case Summary	
This was the eleventh proceeding to establish the rates to be charged to customers under the company's transmission, distribution and storage system improvement charge, or TDSIC, rate adjustment mechanism, and reflects investments made through Dec. 31, 2019. The requested rate change was calculated using a 9.85% return on equity (47.96% of a regulatory capital structure) and a 6.47% overall return; as required by statute, the equity return is that authorized by the Indiana Utility Regulatory Commission in the company's most recent gas base rate proceeding, Cause No. 44988, prior to completion of this case. The new rates are to be effective from July 2020 through December 2020.	