July 1 through September 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/news/rate--regulatory-summary/

Rate Case Data for this Period	
Orders Issued	**8**
Average Approved ROE	**9.56%**
Trends and Analysis	

The average authorized ROE for gas utilities was 9.56% in the third quarter of 2020 compared to 9.63% in the second 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 23 determined ROEs, versus 32 total determined ROEs in 2019.

Requested and authorized ROEs have generally trended downward over the past several years. For cases that are currently pending Commission action, the average requested ROE was 10.14% for gas companies versus 12.4% in 2000.

The highest ROE requested in a pending gas utility base rate case is 10.75%, sought by Peoples Gas System in Florida. In their application for new rates, Peoples stated numerous reasons for its ROE request, such as increased O&M, increased healthcare costs, its commitment to customer service, and safety upgrades.

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.

Upcoming Regulatory Commission Elections

In Arizona, three of the five Arizona Corporation Commission seats will be on the ballot. Current Chairman Robert Burns is ineligible to seek reelection due to term limits, which presents an opportunity for a new face to join the commission.

Additionally, an Arizona State Supreme Court ruling deemed that Commissioner Boyd Dunn was ineligible to run for reelection. The court upheld a prior Maricopa County Superior Court ruling that Dunn failed to obtain enough valid signatures to qualify for the Republican primary ballot this year, effectively preventing him from running for an additional term of office. The rulings disallowed hundreds of signatures that were falsified by a petitioner or were otherwise deemed invalid. With Burns being ineligible to run and Dunn being sidelined, the commission's political composition could potentially change in 2021.

The Democrats running in the Arizona races are William Mundell, Shea Stanfield, and Ana Tovar. The Republicans running are incumbent Lea Marquez Peterson, James O'Connor, Eric Sloan, and Patrick Finerd. Christina Gibson is also on the ballot as a third-party candidate

In Louisiana, a primary election will be held Nov. 3rd. Louisiana operates under a nonpartisan blanket primary, or a "jungle primary," meaning that the candidates all run regardless of political affiliation and voters cast ballots in one primary; the two candidates with the most votes then move to the general election if a candidate does not get at least 50% of the votes. If a candidate receives more than 50% of the votes, they are declared the winner and a run-off election for that position is not necessary. The run-off general election is to Dec. 5.

There are two positions up for election on the Louisiana Public Service Commission, with both incumbent commissioners, Eric Skrmetta and Foster Campbell, seeking reelection for their respective districts.

Also running in the Louisiana election are Democrats Allen Borne Jr., Republicans John Mason, Kevin Pearson, Richard Sanderson III, and Shane Smiley, and third-party candidates William Boartfield Jr. and John Schwegmann.

In Georgia, incumbent Jason Shaw faces Democrat Robert Bryant and third-party candidate Elizabeth Melton. Fellow incumbent Bubba McDonald faces Democrat Daniel Blackman and third-party candidate Nathan Wilson.

In Nebraska, Commissioner Crystal Rhoades (D) is on the ballot to retain her seat against Republican Tim Davis.

Three positions on the Montana Public Service Commission will be up for election this year. Two of the three current commissioners, Roger Koopman and Bob Lake, are ineligible to seek reelection due to term limits. Commissioner Tony O'Donnell narrowly defeated challengers Kirk Bushman and Daniel Zolnikov during the Republican primary and will be facing Democrat Valerie McMurtry in the general election.

New Mexico Public Regulation Commission member Valerie Espinoza is ineligible to run for reelection due to being term-limited. Democrat Joseph Maestas and Republican Chris Luchini are both vying for her seat. Meanwhile, a second position will be on the ballot, where incumbent Commissioner Cynthia Hall will be facing Republican challenger Janice Arnold-Jones.

In North Dakota, Republican Commissioner Brian Kroshus faces Democrat Casey Buchmann.

No Democrats filed to run for the Oklahoma Corporation Commission position currently held by Todd Hiett. Commissioner Hiett will be facing Libertarian Todd Hagopian during the general election.

In South Dakota, Commissioner Gary Hanson (R) faces Democrat Remi Bald Eagle and third-party candidate Devin Saxon.

In Texas, a seat on the Railroad Commission of Texas will be on the ballot. Incumbent Ryan Sitton failed to win the Republican primary to retain his seat. The winner, James Wright, will face Democrat Chrysta Castaneda, Green Party candidate Katija Gruene and Libertarian party candidate Matt Sterett.

Other Regulatory Developments

Commission Changes & Updates

NM: Members of the PRC recently voted to remove former Commissioner Theresa Becenti-Aguilar and replaced her with Commissioner Stephen Fischmann

SC: The South Carolina Legislature on Sept. 23rd elected four new commissioners to the state PSC, filling the seats of members whose terms had expired earlier this year. House and Senate legislators elected Carolyn "Carolee" Williams, Mike Caston, Headen Thomas and Delton Powers Jr. to the PSC. The terms will expire June 30th, 2024.

TX: Members of the RRC elected Commissioner Christi Craddick to serve as chairman of the commission on Sept. 22nd, effective immediately. Craddick is serving a commissioner term that extends to December 2024.

COVID Regulatory Actions

CT: In Connecticut, where the moratorium provisions vary by customer class, the Connecticut Public Utilities Regulatory Authority's moratorium for commercial customers expired Aug. 1st, and the moratorium for non-hardship residential customers expired Oct st1. For residential customers who apply for a financial hardship exemption, the moratorium expires Nov. 1st. However, on Sept. 23, the PURA extended the moratorium through Nov. 1st, for non-residential customers that qualify for relief due to COVID-19 related financial hardship.

MD: The Maryland PSC adopted an emergency order extending the disconnection moratorium to Nov. 15th.

ME: The PUC on Sept. 17th, issued an order ending the emergency moratorium on utility disconnection activities implemented due to the coronavirus pandemic as of Nov. 1st. However, under the winter disconnection rules, electric and gas utilities are prohibited from disconnecting customers between each Nov. 15th and April 15th of the following year without consent from the commission.

PA: The Pennsylvania PUC voted to lift the state's disconnection moratorium, which will terminate on Nov. 9th.

VT: Vermont regulators voted to lift the state's disconnection moratorium effective Oct. 15th.

WA: The Washington UTC voted to extend its disconnection moratorium to April 2021

M&A Activity

MA: State regulators adopted the settlement finalizing the purchase of former NiSource subsidiary Bay State Gas Co. by Eversource for $1.1 billion

MA: A settlement was filed before regulators on July 15th regarding Liberty Utilities seeking approval to acquire Blackstone Gas Co. for $5.5 million

Rate Case Decisions	
July 8th, 2020	
Company	Puget Sound Energy, Inc.
State	WA
Docket Number	D-UG-190530
Approved Rate Change Amount	42,930,734
Approved ROE	9.40%
Intervenors	The Energy Project
Case Summary	

PSE filed a request with the WUTC on June 20nd, 2019, seeking to implement a $65.5 million gas base rate increase. The rate increases were premised upon a 9.8% return on equity (48.5% of hypothetical capital structure) and a 7.62% return on year-end gas rate base valued at $2.113 billion for a calendar 2018 test year. The rate increase included an "attrition adjustment," based on a regression analysis of revenue and cost growth factors, to address the limitations of ratemaking with historical test years.

WUTC staff and the Public Counsel Unit of the Washington Attorney General's Office filed testimony Nov. 22nd, with the commission staff recommending a total rate increase of $38.4 million. The recommendation was premised upon a 9.2% return on equity (48.5% of capital) and a 7.33% return on year-end electric and gas rate bases valued at $2.071 billion for a calendar 2018 test year, updated for certain known and measurable changes.

The public counsel recommended that the WUTC authorize PSE an overall rate decrease of $5.8 million. The recommended rate change is premised upon an 8.75% return on equity (48.5% of capital) and a 7.07% return valued at $2.018 billion, respectively for a calendar 2018 test year updated for known and measurable changes.

On Jan. 15th, 2020, PSE filed testimony supporting revised rate increase of $65.5 million. The increase is premised on a 9.5% return on equity (48.5% of capital) and a 7.48% overall rate of return.

The Commission issued a final order in the rate case on July 8th, authorizing the company an increase of $36.5 million effective July 20th. The authorized rate increase is premised upon a 9.4% return on equity (48.5% of a hypothetical capital structure) and a 7.39% return valued at $2.089 billion for a calendar 2018 test year, updated for certain known and measurable changes.

Following the issuance of the final order, the UTC issued a clarification/correction for the final order on July 31st, which changed the authorized rate increase to $42.9 million from the previous $36.5 million. The largest adjustment was $6.5 million to correct the protected-plus excess deferred income tax.

August 4th, 2020	
Company	Texas Gas Service Co., Inc.
State	TX
Docket Number	D-GUD-10928
Approved Rate Change Amount	10,300,000
Approved ROE	9.50%
Intervenors	RRC Staff, TGS-CTSA Cities, Gulf Coast Service Area Steering Committee

Case Summary

Texas Gas Service Co., Inc., or TGS, filed on Dec. 20th, 2019, with the cities in its Central Texas and Gulf Coast divisions and with the Texas Railroad Commission, or RRC, for the environs associated with those service areas for a $17 million, or 15.6%, system-wide increase in non-gas revenues as part of a proposal to consolidate the two divisions for ratemaking purposes. About $1.5 million of the proposed revenue requirement was associated with the environs over which the RRC has original jurisdiction and $15.5 million was associated with the incorporated areas that were subject to the cities' original jurisdiction.

The requested increase was premised upon a 10% return on equity (62.12% of capital) and a 7.93% return on a year-end rate base valued at $473.5 million for a test year ended June 30th, 2019, with updates for known and measurable changes through Dec. 31st, 2019.

On August 4th, the RRC adopted a settlement authorizing the utility a $10.3 million systemwide gas distribution base rate increase. Separate from the settlement, the RRC approved a move to consolidate the company's Central Texas and Gulf Coast Service divisions; the new rates apply to the consolidated service area, which will prospectively be known as the Central-Gulf Service Area, or CGSA.

The settlement and RRC order specify a 9.5% return on equity (59% of a hypothetical capital structure) and a 7.46% overall return. The agreement and order do not specify the approved rate base value, but state that plant investment through Dec. 31st, 2019, with a net value of $543.4 million is prudent. According to the settlement and order, this represents a net plant disallowance of $205,691.

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August 20th, 2020	
Company	DTE Gas Co.
State	MI
Docket Number	U-20642
Approved Rate Change Amount	110,000,000
Approved ROE	9.90%
Intervenors	Detroit Thermal LLC, Michigan Department of Attorney General, MPSC Staff, Energy Michigan Inc., Retail Energy Supply Association, Residential Consumer Group, Verso Corporation, Citizens Utility Board of Michigan, North Bay Energy LLC

Case Summary

This case was initiated Nov. 25th, 2019 when DTE applied for a $203.8 million base rate increase, including $59 million related to incorporating Infrastructure Recovery Mechanism, or IRM, capital investments made through 2020 into base rates. The increase was premised upon a 10.5% return on equity (39.76% of regulatory capital structure) and a 5.78% return on an average rate base valued at $5.15 billion for a test year ending Sept. 30th, 2021. The rate application also included a proposed new IRM surcharge, similar to that approved in DTE's last gas rate case, which would begin in 2021. Settling parties agreed to a continuance of the IRM.

DTE subsequently lowered its requested revenue increase twice. On May 27th, it filed an initial brief supporting a $196.1 million increase, and on June 17, it filed a reply brief supporting a $188.5 million increase.

The request is primarily driven by DTE's continued infrastructure investment. The plan will support DTE's increased investment in its natural gas infrastructure across the state of Michigan, including the continued modernization of its natural gas distribution system. These upgrades also support DTE's goal to reduce methane emissions 80% by 2040 and include implementing recommendations from the PSC's 2019 Statewide Energy Assessment report.

DTE indicated that while its cost-control efforts over the past decade have contributed to a 30% decrease in natural gas bills, a gas rate increase is necessary to maintain safe and reliable service.

On Aug. 20th, the PSC approved a settlement authorizing a $110 million increase in gas base rates, which took effect Oct. 1st.

The agreement reflects an authorized return on common equity of 9.9% and common equity ratio of 52%, although it did not provide the authorized common equity ratio in a regulatory capital structure, which includes other forms of capital such as short-term debt or deferred income taxes.

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Under the settlement, DTE agreed to an incremental $20 million accumulated deferred income tax amortization of its 2017 Tax Cuts and Jobs Act non-plant regulatory liability and to a revised amortization schedule that accelerates the full return of the non-plant regulatory liability to customers through 2026 instead of 2031.

Rate & Regulatory Update

August 21st, 2020	
Company	Questar Gas Co.
State	WY
Docket Number	15837
Approved Rate Change Amount	1,520,666
Approved ROE	9.35%
Intervenors	Wyoming Office of Consumer Advocate

Case Summary

On Nov. 1st, 2019, Questar requested a $3.5 million rate increase premised on an ROE of 10.5% and an overall rate of return of 7.46% on a rate base of $62 million.

The Wyoming Office of Consumer Advocate, or OCA, recommended an increase of $1.3 million premised on an ROE of 8.95% and an overall rate of return of 6.89% on a rate base of $60.5 million.

The Wyoming Public Service Commission, or PSC, approved an increase of $1.5 million premised on an ROE of 9.35% and an overall rate of return of 7.11% on a rate base of $60.5 million

Rate & Regulatory Update

September 10th, 2020	
Company	Consumers Energy Co.
State	MI
Docket Number	U-20650
Approved Rate Change Amount	144,000,000
Approved ROE	9.90%
Intervenors	Michigan Department of Attorney General, Energy Michigan Inc., Residential Consumer Group, ABATE, PSC Staff, Michigan State University, Midland Cogeneration Venture LP, Citizens Utility Board of Michigan, Lansing Board of Water and Light
Case Summary	

On Dec. 16th, 2019, Consumers filed for a $244.7 million increase in base rates, premised upon a 10.5% return on equity (42.6% of a regulatory capital structure) and a 6.08% return on an average rate base valued at $7.377 billion for a test year ending Sept. 30th, 2021.

Consumers indicated the additional revenues are needed for ongoing investments in gas utility assets to provide safe, reliable and efficient service; to enhance technology to improve operational efficiencies and increase customer satisfaction; for increased operation and maintenance expenses necessary to support long-term investments; for increased financing costs; and to cover increased costs related to manufactured gas plant environmental response activities.

Consumer's 10-year investment plan for its gas transmission assets entails improving inspections, reducing risk and increasing remediation pace for critical assets. To achieve its objectives, the company will move forward with its asset relocation transmission program including gas transmission infrastructure replacement projects which are required due to civic improvement activities initiated by federal, state or local governmental units where pipeline location or depth of cover requires relocation of existing pipes to prevent damage, eliminate conflicts and ensure safe operation.

The company subsequently supported a $229.3 million base rate increase premised upon a 10.5% return on equity (42.61% of a regulatory capital structure) and a 6.09% return on a $7.606 billion rate base.

The PSC voted Sept. 10th approving a settlement authorizing Consumers to increase gas base rates by $144 million, based on a 9.9% return on equity. New rates are effective Oct. 1 under the settlement.

Other key terms of the approved settlement require Consumers Energy, or CE, to make a one-time $2 million contribution to the Heat and Warmth Fund, which provides assistance to households needing help with energy bills. And CE will continue its increased spending of $100 million for 2020 and $150 million starting in 2021 on its Enhanced Infrastructure Replacement Program, which replaces aging pipe with newer materials. The settlement also provides for a continuation of CE's revenue decoupling mechanism, which protects customers and the company from the variability of revenues attributable to factors that are, in general, largely driven by factors beyond CE's control, such as changes in weather.

Parties agreed to the acceleration of the amortization of the remaining balance of the gas utility's portion of the unprotected, non-property component of the deferred tax liability attributable to Federal tax reform and the remaining balance of the deferred tax liability associated with pre-1993 book/tax timing differences associated with gas utility plant. This additional amortization will occur between Oct. 1st, 2021, and Sept. 30th, 2022, and is forecast to be about $84.5 million.

September 14th, 2020	
Company	Chattanooga Gas Co.
State	TN
Docket Number	2000049
Approved Rate Change Amount	4,758,576
Approved ROE	N/A
Intervenors	Tennessee Attorney General's Office

Case Summary

Chattanooga Gas proposed a rate increase of $5.2 million under its annual review mechanism. The total reflects the company's proposal, which is subject to commission approval, to accelerate the return of tax-related benefits (stemming from the 2017 federal tax overhaul) to customers ordered by the PUC in previous dockets (18-00017 and 18-00035). Under the company's proposal, those benefits would all be returned in 2020 instead of over the three-year period as decided a separate tax case. Without the inclusion of those benefits, which total approximately $3.4 million, the rate change needed to meet Chattanooga Gas' required ROE would be approximately $7.9 million.

The commission on Sept. 14th, 2020, authorized an increase of approximately $4.8 million, which includes acceleration of the return of $3.4 million in tax savings as determined in the company's 2018 tax docket and rate case.

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September 23rd, 2020	
Company	South Jersey Gas Co.
State	NJ
Docket Number	GR20030243
Approved Rate Change Amount	39,500,000
Approved ROE	9.60%
Intervenors	BPU Division of Rate Counsel, Calpine Corp.

Case Summary

This proceeding was initiated on March 13th, when the company filed for a $75.3 million base rate increase that reflected a 10.4% return on equity (54.18% of capital) and a 7.344% return on a year-end rate base valued at $2.184 billion; the filing is premised upon a partially forecast test year ending June 30th, 2020, reflecting six months of actual and six months of forecast test year data, as well as adjustments for capital additions through Dec. 31st, 2020, and updates to certain operation and maintenance expense items through March 31st, 2021.

After the transfer to base rates of net amounts being recovered through various riders, including the Accelerated Infrastructure Replacement Rider, the Storm Hardening and Reliability Program rider and the conservation incentive program, the company is proposing a $69.5 million overall net gas rate increase.

As reasons for the filing, the company, or SJG, cited increased infrastructure spending, including $341 million of net plant additions since Feb. 28th, 2018 — the rates approved in SJG's prior rate case, decided in 2017 reflected adjustments through that date; and incremental plant-in-service of $238 million expected to come online by year-end.

SJG also cited the need to recover greater depreciation expense as well as increases to operation and maintenance costs incurred since the 2017 base rate case. According to the company, without "appropriate rate relief," SJG would earn a 6.26% ROE for the test year, as compared to the 9.6% ROE approved in the prior case.

The company filed an update May 15th, in which it supported a $75.7 million rate increase based on a 10.4% return on equity (54.18% of capital) and a 7.38% return on a $2.216 billion rate base; the update reflected nine months of actual and three months of forecast test year data, as well as the post-test-year adjustments mentioned above.

The company's final pre-settlement position was provided in testimony filed on Aug. 13th, and reflected 12 months of actual results for the test year along with the post-test-year adjustments mentioned above.

On Sept. 23rd, the BPU adopted a settlement authorizing SJG. a $39.5 million, or 7.2%, gas base rate increase. The approved increase is premised upon a 9.6% return on equity (54% of capital) and a 6.9% return on a year-end rate base valued at $2.134 billion for a test period ended June 30th.

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September 25th, 2020	
Company	Southwest Gas Corp.
State	NV
Docket Number	20-02023
Approved Rate Change Amount	22,725,569
Approved ROE	9.25%
Intervenors	BCP, Nevada Cogeneration Associates, Saguaro Power Co., NPC, Nevada Gold Mines

Case Summary

On Feb. 28th, Southwest Gas filed for an aggregate rate increase of $38.3 million. The proposal included a $35.2 million rate increase for the utility's southern district premised upon a 10% return on equity (50.03% of capital) and a 6.98% return on a $1.315 billion rate base. For Southwest Gas' northern district, the company sought a $3.1 million rate increase premised upon a 10% return on equity (50.03% of capital) and a 7.22% return on $158.8 million rate base. The test period in the case is the 12-months-ended Nov. 30, 2019, updated for certain known and measurable changes, and the revenue requirements reflect a year-end rate base methodology.

Southwest Gas said the proposed rate hike was driven primarily by increased capital costs and incremental operations and maintenance expenses.

Southwest Gas subsequently supported an aggregate increase of $38.5 million, as specified in a June 26th certification filing. The $35.8 million southern district increase was premised upon a 10% return on equity (49.26% of capital) and a 6.89% return on a $1.353 billion rate base. The proposed northern district increase of $2.7 million was premised upon a 10% return on equity (49.26% of capital) and a 7.12% return on a rate base valued $156.5 million.

The PUC staff filed testimony July 24th recommending an aggregate rate increase of $21.6 million. For the utility's southern district, the staff recommended a $21.1 million rate increase premised upon a 9.25% return on equity (49.26% of capital) and a 6.52% return on a $1.314 billion rate base. For the northern district, the staff recommended a modest $542,947 rate increase premised upon a 9.25% return on equity (49.26% of capital) and a 6.75% return on a $153.9 million rate base.

On Sep. 25th, the PUC issued an order authorizing the company a 9.25% return on equity (49.26% of capital). In its order, the commission essentially adopted the position proposed by staff in the proceeding, finding it to be "the most supported" and the "most reflective of current market conditions." The commission stated that the authorized equity return level is sufficient to allow Southwest Gas to attract capital and noted that its previous authorization of a 9.25% ROE for the utility did not adversely impact the company's credit ratings.

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