

BEFORE THE WASHINGTON UTILITIES &
TRANSPORTATION COMMISSION

DOCKET NO. UG-99_____

Exhibit No. 56
Witness: Tara L. Knox, Avista Corp.

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|-------------------------------------|--------------------------|--------------------------|
| WUTC | | |
| DOCKET NO. <u>UE-991606</u> | | |
| EXHIBIT # <u>468</u> | | |
| ADMIT | W/D | REJECT |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Accepted Methodology Source Analysis
Washington Natural Gas Company Cost of Service
From Docket No. UG-940814
Excludes Production, Transmission & Underground Storage Costs

| Account | Functionalization Basis | Classification Basis | Allocation Basis | Source | Excerpt Reference |
|-------------------------------------|---------------------------------------|-----------------------------------|---|--|-------------------|
| Distribution Plant | | | | | |
| 374 Land | fixed distribution | accounts 376-385 | accounts 376-385 | Staff & Company | |
| 375 Structures | fixed distribution | accounts 376-385 | accounts 376-385 | Staff & Company | |
| 376(L) Large Mains | fixed distribution | Peak & Average | throughput, peak (all) Direct per Study(Dem),throughput excl direct | Staff Staff Classification, Company | 1 2 |
| 376(S) Small Mains | fixed distribution | Peak & Average | assignment,peak excl direct assignment | Direct Assignment | |
| 378 M&R Gen | fixed distribution | Peak & Average | throughput, peak (all) direct per Study,weighted average excl direct | Staff & Company | |
| 380 Services | fixed distribution | customer | assignment | Company | 3 |
| 381 Meters | fixed distribution | customer | weighted average meter cost | Company | |
| 382 Meter Installations | fixed distribution | customer | weighted average installations cost | Company | |
| 383 House Regulators | fixed distribution | customer | weighted average meter cost | Company | |
| 384 House Reg Installations | fixed distribution | customer | weighted average meter cost | Company | |
| 385 Industrial M&R | fixed distribution | customer | direct per Study,weighted average excl direct assignment | Company | |
| 387 Other | fixed distribution | accounts 376-385 | accounts 376-385 | Staff ,Company, & Public Counsel | |
| General Plant | | | | | |
| 389-399 All General Plant | All Plant except General & Intangible | Other Plant | Other plant | Staff ,Company, & Public Counsel | |
| Intangible Plant | | | | | |
| 301 Organization | All Plant except General & Intangible | Other Plant | Other Plant | Staff & Company | |
| 302 Franchises & Consents | Transmission & Distribution Plant | Distribution Plant | Distribution Plant | Staff & Company | |
| 303 Misc Intangible Plant | All Plant except General & Intangible | Other Plant | Other Plant | Staff & Company | |
| Reserve for Depreciation | | | | | |
| Intangible | Intangible Plant | All other Plant excluding Land | All other Plant excluding Land | Staff & Company | |
| Underground Storage | Storage Plant excl Land | Storage Plant excluding Land | Storage Plant excluding Land Direct assign to Rental and CNG, all other by | Staff ,Company, & Public Counsel | |
| Distribution | Distribution Plant excl Land | Distribution Plant excluding Land | Distribution Plant excluding Land | Staff ,Company, & Public Counsel | |
| General | General Plant excl Land | All other Plant excluding Land | All other Plant excluding Land | Staff ,Company, & Public Counsel | |
| Other Rate Base | | | | | |
| Gas Inventory | Storage Plant excl Land | commodity | seasonal load | Staff & Company | |
| Deferred Software | Customer Accounts | customer | average customers | Staff & Company | |
| Deferred FIT Asset | All Plant excl Gen & Intan w/o Land | Plant excluding Land | Plant excluding Land | Staff & Company | |
| Deferred FIT Liability | All Plant excl Gen & Intan w/o Land | Plant excluding Land | Plant excluding Land | Staff & Company | |
| Constuction Advances, Contributions | Distribution Plant excluding Land | customer | residential only | Staff | 4 |

| Account | Functionalization Basis | Classification Basis | Allocation Basis | Source | Exempt Reference |
|---|--------------------------|--------------------------|---|----------------------------------|------------------|
| Distribution O&M | | | | | |
| 870 OP Super & Engineering | Distribution Plant | Distribution Plant | average cust. throughput, peak (all) | Not Specified, used Staff | |
| 871 Load Dispatching | Distribution Plant | commodity | throughput | Staff ,Company, & Public Counsel | |
| 872 Compressor Station | account 377 | account 377 | account 377 | Staff ,Company, & Public Counsel | |
| 874 Mains & Services | accounts 376,380 | accounts 376,380 | accounts 376,380 | Staff ,Company, & Public Counsel | |
| 875 M&R Station - General | account 378 | account 378 | account 378 | Staff & Company | |
| 876 M&R Station - Industrial | account 385 | account 385 | account 385 | Staff ,Company, & Public Counsel | |
| 877 M&R Station - City Gate | account 379 | account 379 | account 379 | Staff ,Company, & Public Counsel | |
| 878 Meter & House Regulator | accounts 381-384 | accounts 381-384 | accounts 381-384 | Staff ,Company, & Public Counsel | |
| 879 Customer Installations | fixed distribution | customer | residential & commercial customers | Staff & Company | |
| 880 Other OP Expenses | accounts 870-879,881-894 | accounts 870-879,881-894 | accounts 870-879,881-894 | Not Specified, used Staff | |
| 881 Rents | Distribution Plant | accounts 870-879,881-894 | accounts 870-879,881-894 | Not Specified, used Staff | |
| 885 MT Super & Engineering | Distribution Plant | Distribution Plant | average cust. throughput, peak (all) | Not Specified, used Staff | |
| 886 MT of Structures | account 375 | account 375 | account 375 | Staff ,Company, & Public Counsel | |
| 887 MT of Mains | account 376 | account 376 | account 376 | Staff ,Company, & Public Counsel | |
| 888 MT of Compressor Stations | account 377 | account 377 | account 377 | Staff ,Company, & Public Counsel | |
| 889 MT of M&R General | account 378 | account 378 | account 378 | Staff & Company | |
| 890 MT of M&R Industrial | account 385 | account 385 | account 385 | Staff ,Company, & Public Counsel | |
| 891 MT of M&R City Gate | account 379 | account 379 | account 379 | Staff ,Company, & Public Counsel | |
| 892 MT of Services | account 380 | account 380 | account 380 | Staff ,Company, & Public Counsel | |
| 893 MT of Meters & Hs Reg | accounts 381-384 | accounts 381-384 | accounts 381-384 | Staff ,Company, & Public Counsel | |
| 894 MT of Other Equipment | fixed distribution | Distribution Plant | direct to rental, others Distribution Plant | Staff ,Company, & Public Counsel | |
| Customer Accounts Expenses | | | | | |
| 901 Supervision | accounts 902,903 | customer | average customers | Not Specified, used Staff | |
| 902 Meter Reading | accounts 902,903 | customer | direct transportation, average customers | Staff & Company | |
| 903 Customer Records & Collections | accounts 902,903 | customer | direct transportation, average customers | Staff & Company | |
| 904 Uncollectible Accounts | fixed distribution | customer | average customers | Not Specified, used Staff | |
| 905 Misc Cust Accounts | accounts 902,903 | customer | average customers | Not Specified, used Staff | |
| Customer Service & Info Expenses | | | | | |
| 907 Supervision | accounts 908,909 | customer | average customers | Not Specified, used Staff | |
| 908 Customer Assistance | accounts 908,909 | customer | direct transportation, average customers | Staff & Company | |
| 909 Advertising | accounts 908,909 | customer | average customers | Staff & Company | |
| 910 Misc Cust Service & Info | accounts 908,909 | customer | average customers | Not Specified, used Staff | |
| Sales Expenses | | | | | |
| 911 Supervision | fixed distribution | other sales accounts | average customers | Not Specified, used Staff | |
| 912 Demo & Selling | fixed distribution | customer | average customers | Staff & Company | |
| 913 Advertising | fixed distribution | customer | average customers | Staff & Company | |
| 916 Misc Sales Expenses | fixed distribution | customer | average customers | Staff & Company | |

| Account | Functionalization Basis | Classification Basis | Allocation Basis | Source | Exerpt Reference |
|-------------------------------------|--|-----------------------------------|---|----------------------------------|------------------|
| Admin & General Expenses | | | | | |
| 920 Salaries | 50% throughput, 50% O&M before A&G excluding Gas Purchases | | | Public Counsel | 5 |
| 921 Office Supplies | 50% throughput, 50% O&M before A&G excluding Gas Purchases | | | Public Counsel | |
| 923 Outside Services | 50% throughput, 50% O&M before A&G excluding Gas Purchases | | | Public Counsel | |
| 924 Property Insurance | Plant in Service | | | Public Counsel | |
| 925 Injuries & Damages | 50% throughput, 50% O&M before A&G excluding Gas Purchases | | | Public Counsel | |
| 926 Pensions & Benefits | O&M Labor | | | Public Counsel | |
| 927 Franchise Requirements | 50% throughput, 50% O&M before A&G excluding Gas Purchases | | | Public Counsel | |
| 928 Regulatory Commission | Revenue | | | Public Counsel | |
| 930 Miscellaneous General | 50% throughput, 50% O&M before A&G excluding Gas Purchases | | | Public Counsel | |
| 931 Rents | 50% throughput, 50% O&M before A&G excluding Gas Purchases | | | Public Counsel | |
| 935 MT of General Plant | Plant in Service | | | Public Counsel | |
| Depreciation Expense | | | | | |
| Intangible | Intangible Plant | All other Plant excluding Land | All other Plant excluding Land | Staff ,Company, & Public Counsel | |
| Underground Storage | Storage Plant excluding Land | Storage Plant excluding Land | Storage Plant excluding Land Direct assign to Rental and CNG, all other by | Staff ,Company, & Public Counsel | |
| Distribution | Distribution Plant excluding Land | Distribution Plant excluding Land | Distribution Plant excluding Land | Staff ,Company, & Public Counsel | |
| General | General Plant excluding Land | All other Plant excluding Land | All other Plant excluding Land | Staff ,Company, & Public Counsel | |
| Taxes | | | | | |
| Property Tax | All Plant except General & Intangible | Plant | Plant | Staff & Company | |
| State Utility Excise Tax | not functionalized | not classified | Revenue | Staff & Company | |
| FIT | not functionalized | not classified | Income before FIT | Staff & Company | |
| Deferred FIT | not functionalized | not classified | all Plant | Staff & Company | |
| ITC | not functionalized | not classified | all Plant | Staff & Company | |

The following quotes are excerpts from the fifth supplemental order in Docket No. UG-940814 establishing the Commission preferred cost of service methodology in the Washington Natural Gas Company rate case.

- 1 "In this proceeding, the parties recognize actual use of some mains by large customers and suggest direct allocations of those mains that can be identified." (page 10)

"...Commission Staff approach this issue (4" and larger mains) much the same as they approach allocation of costs of smaller mains. They agree that large customers should be included in the allocation..." (page 11)

"The Commission adopts the Commission Staff proposal." (page 12)

- 2 "The parties agree that some gas mains should be allocated directly to the customer classes that use them, through special studies..." (page 5)

"Smaller mains serving large customers are allocated to those customer classes. The parties agree that the remainder should be allocated to other classes..." (page 10)

"Commission Staff would also use a Peak and Average methodology, similar to the Company, but would substitute its peak for that of the Company." (page 11)

"The Commission adopts the Commission Staff proposal." (page 11)

- 3 "The parties apparently agree on the direct assignment of meters to large customers, allocating the remainder of meters on a weighted average cost approach." (page 15)

"The Company uses a study prepared by Mr. Feingold to allocate services directly to large customers, and the remainder on a weighted average analysis." (page 15)

"The Commission accepts the Company's approach." (page 15)

- 4 "The Commission Staff would allocate all CIAC to the residential class..." (page 16)

"The Commission accepts the Commission Staff proposal to allocate all CIAC to the residential class." (page 16)

- 5 "Public Counsel recommends the approach that the Commission used in the Water Power case: he would allocate 50% of A&G to O&M (less gas cost) and 50% on gas throughput; pensions on labor; and property insurance and maintenance on plant expenses." (page 14)

"The Commission accepts Public Counsel's proposal." (page 15)