

Cost of Service Rulemaking, Dockets UE – 170002 & UG – 170003

Summary of Comments

This document summarizes all comments the Commission received regarding the cost of service rulemaking, Dockets UE-170002 and UG-170003. It is broken up into the CR-101 and CR-102 phases, with subsections under each phase ordered by date.

CR-101 PHASE

<u>COMMENTS FROM THE NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS ISSUED ON JULY 23, 2018</u>		
Stakeholder	Summary of Comments	Team Response
The Energy Project	The Energy Project did not respond to the specific technical questions at this time. It supports the Commission’s pursuits in this rulemaking, and stated that developing accurate, transparent, and effective methods and processes for filing COSS will provide benefits for stakeholders and the Commission.	
<u>Questions affecting both electric and natural gas companies</u>		
1. To what degree should rules define the presentation (such as per class revenue and costs, parity ratios, revenue changes, billing determinants, etc.) of cost of service studies?		
Stakeholder	Summary of Comments	Team Response
Companies	Support a common format for the output schedules as specified in Minimum Filing Requirements for GRCs. Stated that rule should not be prescriptive in regards to structure, computational processes, and functionality of COSS model, as long as model is transparent and auditable.	Staff disagrees. The value of uniformity in the presentation of cost of service studies outweighs any benefits gained from allowing parties to choose from a variety of models that yield similar outcomes.
Public Counsel	Filing should also include items at Company-proposed rates, proposed increases to base rates by class along with proposed parity ratios, and should explicitly show allocation of costs to each rate class by individual FERC account.	Staff agrees that allocation of costs to each rate class should be presented by individual FERC account.

AWEC	Supports generalized rules that reflect requirements for desired information and presentation, but the individual utilities should be able to develop specific format to present data.	Staff disagrees. The value of uniformity in the presentation of Cost of Service Studies outweighs any benefits gained from allowing parties to choose from a variety of models that yield similar outcomes.
Kroger	Advantages of a standardized presentation include standard presentation of COS inputs and results; prefers information provided in Excel.	Staff agrees and will incorporate standardized presentation of cost of service study results into these rules.
1.a. Are standardized presentation formats or templates an adequate way to enable comparisons of cost of service studies?		
Stakeholder	Summary of Comments	Team Response
Companies	Yes.	Staff agrees and will incorporate standardized presentation of cost of service study results into these rules.
Public Counsel	Summary results presented in a standardized format as recommended in question 1 of this section; a one-size-fits all format to inner-workings is neither feasible nor advisable.	Staff agrees that a standardized format for every aspect of a cost of service study is neither feasible nor advisable, but believes that certain general standards, beyond a standardized summary result format, are required. These standards will ensure that other parties can review the cost of service study in a timely manner.
AWEC	Standardized presentation formats make it easier to compare multiple COSS, and reduce time analyzing the COSS. Standard requirements to compare across years for the same utility would be a significant benefit.	Staff agrees and will incorporate standardized presentation of cost of service study results into these rules.
Kroger	Standardized presentation formats can facilitate comparisons of COSSs.	Staff agrees and will incorporate standardized presentation of cost of service study results into these rules.

1.b. To what degree should templates be relied upon for summary presentations versus underlying modeling and work papers?		
Stakeholder	Summary of Comments	Team Response
Companies	See response to 1 of this section	Staff disagrees. The value of uniformity in the presentation of Cost of Service Studies outweighs any benefits gained from allowing parties to choose from a variety of models that yield similar outcomes.
Public Counsel	Experts and parties should not be required to only rely on summary presentations. Parties should provide a summary of results as recommended in question 1 of this section.	Staff agrees that experts and parties should not be required to rely only on summary presentations.
AWEC	A template is sufficient for summary presentations, but not necessary for underlying modeling or workpapers. State utilities should have flexibility to operate within broader standardized framework.	Staff disagrees. The value of uniformity in cost of service studies outweighs any benefits gained from allowing parties to choose from a variety of models that yield similar outcomes. Therefore, some level of standardization in the underlying modeling and workpapers is necessary.
Kroger	It is not necessary to mandate that all parties use uniform COS models and workpapers as long as they are transparent, made available to all parties to proceedings, and preferably in Excel. Discourages utilities' reliance on proprietary COSS software for rate case purposes. If a standard template is required for summary presentations by non-utility parties to proceedings, the template should allow for concise presentation of parties' positions.	Staff disagrees. The value of uniformity in the presentation of cost of service studies outweighs any benefits gained from allowing parties to choose from a variety of models that yield similar outcomes. Therefore, some level of standardization in the underlying modeling and workpapers is necessary.

1.c. How should a party sponsoring a cost of service study present the interface between a revenue requirement study and a cost of service study?		
Stakeholder	Summary of Comments	Team Response
Companies	Support reconciliation of proposed total test year revenue requirement with class results of COSS. Propose two ways to accomplish this task: 1) COSS summary schedules to present income statement conforming to total revenue requirement; 2) COSS input schedules from revenue requirement, where FERC detail for rate base, O&M, and A&G are presented.	Staff agrees that these are possibilities, but has subsequently determined that the interface between revenue requirement and cost of service studies are better addressed outside of these rules.
Public Counsel	All utility rate filings include summary of COS results at present and proposed rates. Non-company witnesses should be able to present their case as they see fit to emphasize issues important to their point of view.	Staff agrees that all rate filings should include cost of service study results at present and proposed rates. Staff disagrees that parties should be allowed to present alternative methodologies in every rate case. Cost of service study results are estimates, and it is inefficient to allow unresolvable debates on cost of service issues in every rate filing. However, Staff agrees that any party should be able to request use of an alternative method by applying for an exemption from these rules outside of a rate case filing.
AWEC	Suggest draft rule requiring a clearly identified link between the revenue requirement study and COSS, a write-up and road map to aid reviewer's understanding of how they interface, and identify key tabs, cells, and location of coding.	Staff agrees that this is a possibility, but has subsequently determined that the interface between revenue requirement and cost of service studies are better addressed outside of these rules.

Kroger	Provides two options: 1) The revenue requirement and COS models are linked formulaically, so updates to revenue requirement model flow through to COS model. 2) The revenue requirement model produce results in summary format by FERC that allows for efficient export to COS model.	Staff agrees that these are possibilities, but has subsequently determined that the interface between revenue requirement and cost of service studies are better addressed outside of these rules.
1.d. Should parties present a list of all allocation factors, including how they are calculated, how the calculation method has changed from its inception, and where they are used?		
Stakeholder	Summary of Comments	Team Response
Companies	Disagrees with requiring a description of calculation since inception. Believe WAC 480-07-510(6) is sufficient, additional detail may be requested on case-by-case basis. It would be repetitive to list where each allocation factor is used because it's included and can be determined in the study.	Allocation factors were subsequently incorporated into the proposed rules. For that reason, Staff agrees that there should not be a requirement to describe the change in calculation method from inception.
Public Counsel	Allocation factors should be clearly identified and presented somewhere in COSS; calculations should only be provided and incorporated into workpapers. It is overly burdensome to explain/quantify how allocation factors have changed from "inception." Workpapers should clearly explain how costs are ultimately allocated to each FERC account.	Allocation factors were subsequently incorporated into the proposed rules. For that reason, Staff agrees that there should not be a requirement to describe how the calculation method has changed since its inception.
AWEC	Agree and proposed specific requirements: <ul style="list-style-type: none"> • A list of all allocation factors; • A brief definition of allocation factors and where they are used; • How the factor was calculated; • If the calculation method for the factor has changed from last filing with Commission; • Value of the factor in present filing and value for the last five years; • Where the factor has changed by more than 10% from prior-year's value over any two consecutive years during the six-year period, and a description of the reasons as to why the factor value changed. 	Allocation factors have subsequently been incorporated into the proposed rules.

Kroger	In the context of a GRC, it is appropriate for utilities to provide a list of allocation factors, derivation of those factors, and COS model that can be used to determine how allocation factors are applied. It is not necessary to present how calculation method has changed from inception.	Allocation factors were subsequently incorporated into the proposed rules. For that reason, Staff agrees that there should not be a requirement to describe the change in calculation method from its inception.
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2. Should the Commission adopt rules requiring parties to conduct and present a load study when performing cost of service studies? Please explain why or why not.

Stakeholder	Summary of Comments	Team Response
Companies	Companies already supply load studies, and would support continuing to do so. Do not want detailed/rigid rules regarding methodology, because it would be harmful and cause unnecessary burden; companies should be allowed to choose the most appropriate method for them.	Staff agrees that companies should be able to choose the appropriate methodology for load studies, and should continue to supply the Commission with the load study methodology.
Public Counsel	Supports use of actual load studies that are updated within a reasonable timeframe, and recommends they be conducted every five years; strongly believes only utilities are realistically capable of conducting load studies. Staff, Public Counsel, and Intervenors should be exempt.	Staff agrees with the recommendation of updating every five years. Staff understands the concern that utilities may be the only ones with the capability of conducting a load study on its systems and considered this in drafting the rules.
AWEC	Suggests requiring most recent load study, with date of the study, and when the next load study will be provided.	Staff agrees that the most recent load study should be used, but believes that there should be a requirement for a load study every five years to ensure the data is updated regularly.
Kroger	No position.	

2.a. If the Commission were to require a load study in rule, what is an appropriate definition of a load study? Which parameters are necessary to include in a load study?

Stakeholder	Summary of Comments	Team Response
Companies	It is difficult to determine one definition or set of parameters that would be appropriate for all load studies. Proposed definition: “statistical analyses of interval load data collected from sampled customers to estimate hourly (electric) or daily (natural gas) load profile of given classes.”	Staff believes it has crafted an appropriate definition with appropriate parameters to guide stakeholders and parties. This proposed definition helped inform the language chosen for the definition in rule.
Public Counsel	All load studies should estimate class demands. At minimum, studies should measure/estimate: class contributions to system CP and class NCP demands; sum of individual customers’ peak demands; class demands at least monthly; and several of highest CPs and class NCPs occurring during test year. Believe only a single annual peak observation by class is necessary because of definitions of class NCP and sum of individual customer peak demands. In addition, the natural gas industry should estimate class design day demands using same design day parameters as upstream gas supply planning.	Staff agrees the parameters suggested should be included in the load study results, however Staff did not include which parameters should be included in rule because it would be too prescriptive.
AWEC	Proposed Definition: “The gathering and recording of energy use at a sufficient level of frequency, by class of customer or energy use level, or sample subset thereof, over a specified period of time, to study, analyze and represent class-level energy use patterns (hourly, daily, weekly, seasonally) with sufficient level of certainty through load factors and other energy use factors.” Parameters of load study help represent a class’s pattern of use and how that pattern drives utility cost of supply. Studies should include: CP load factor, NCP load factor, substation NCP peak demand, energy peak, and total use by month should be provided, at a minimum. Further, the number of customers at the substation level provides more precise information and should be used where possible. Load studies for natural gas should be designed to measure design day demands, reflecting losses, that establish customers’ weather driven peak loads.	Staff appreciates the thoughtful definition provided by AWEC and it helped inform edits Staff made to this definition.
Kroger	See response to question 2 of this section.	
2.b. If a rule requires load studies, what level of specificity, in terms of measuring customer’s loads, should the Commission require to be presented in load studies?		
Stakeholder	Summary of Comments	Team Response
Companies	See response to 2(a) of this section.	

Public Counsel	Load studies should contain narrative explanation that identifies which class loads are based on actual data and which were estimated.	Staff accepts that estimates are appropriate for street lighting, and that data from special contracts may be used in a load study, but believes it is appropriate for a load study to be performed for all other rate schedules.
AWEC	Customer electric loads should measure no less frequently than intra-hour, on a daily basis, over a period of at least one full year to capture hourly, monthly, and seasonal patterns. Gas usage should be measured over a period that captures design day demands that the system is expected to supply during extreme weather periods. Customer use data should be fairly granular level to identify use patterns.	Staff agrees that there should be some guidance on the acceptable level of data granularity expected in the inputs to a cost of service study, including a load study, and has incorporated appropriate guidance into rule.
Kroger	See response to question 2 of this section.	
2.c. How frequently should companies perform load studies?		
Stakeholder	Summary of Comments	Team Response
Companies	See response to 2 of this section.	
Public Counsel	Recommends every five years.	Staff agrees that at least every five years is appropriate.
AWEC	Suggests no more than five years in-between studies.	Staff agrees that at least every five years is appropriate.
Kroger	See response to question 2 of this section.	
2.d. How might emerging technologies, such as Advanced Metering Infrastructure (AMI), affect the timing and frequency of load studies? Please also explain whether and how selective deployment of AMI could minimize load study costs to ratepayers.		
Stakeholder	Summary of Comments	Team Response

Companies	Several Companies are in beginning stages of implementing the technology, and sufficient data is not yet available. It will take time to have enough infrastructure to evaluate any changes need/permitted in load study timing or frequency. The individual utilities must be the one to roll out the technology in order to maximize the benefits.	Staff understands that companies are at various levels of technology deployment. Staff believes the best data available to an individual company should be used, but that at minimum a load study must be conducted if AMI or AMR with sufficient granularity is unavailable to the company.
Public Counsel	Does not provide a recommendation for electric AMI installation. For natural gas industry, PC is doubtful that deployment of AMI meters will reduce costs of conducting load studies unless all natural gas utilities install meters capable of recording and transmitting customer load daily.	Staff believes the best data available to an individual company should be used, but that at minimum a load study must be conducted if AMI or AMR with sufficient granularity is unavailable to the company.
AWEC	Utilities that have installed AMI should be required to provide load studies on a more frequent basis than every five years; where AMI has been installed universally for customers, it may be possible for study to be based on entire class of customers instead of a sample subset. Where AMI is not yet universally installed, utility should compare ongoing cost of metering equipment with installation of AMI equipment. If utility has plans to universally install AMI but has not yet done so, Commission should require utility to analyze advancing the installation date for a subset of classes to have equipment to conduct load studies; advancing installation for a subset may yield cost savings and serve as a trial for installation and working with AMI.	Staff believes the best data available to an individual company should be used, but that at minimum a load study must be conducted if AMI or AMR with sufficient granularity is unavailable to the company. When AMI or AMR with sufficient granularity is available to a company, it must be used in its cost of service study. Staff does not advocate in this rulemaking for any requirement that a company must install AMI or AMR with sufficient granularity, or how a company should roll out any deployment of such technology.
Kroger	See response to question 2 of this section	

3. Should the Commission allow parties to include confidential information in a cost of service study?		
Stakeholder	Summary of Comments	Team Response
Companies	Yes, COSS should be treated consistently with other documents filed with Commission.	Staff agrees that the Commission's current rules should govern questions of confidentiality and redaction.
Public Counsel	Yes. Does not support rules requiring removal of information when a single customer represents an entire class or special contract customer; such information should be protected under Commission's existing confidentiality practices.	Staff agrees that the Commission's current rules should govern questions of confidentiality and redaction.
AWEC	Does not have a strong opinion, and will review other stakeholder responses.	
Kroger	Confidential information should be minimized to allow for transparency and expedient review; if information needs to be confidential, utility company should attempt to provide a fully-functional, redacted version of model.	Staff agrees that the Commission's current rules should govern questions of confidentiality and redaction.
3.a. If so, should confidential information be labeled in the same way as all other information identified as confidential under WAC 480-07-160?		
Stakeholder	Summary of Comments	Team Response
Companies	Consistent with WAS 480-07-160, COSS should identify confidential information in a way that is not impractical or unduly burdensome. Extremely difficult to designate confidential information on cell-by-cell basis in large workbooks.	Staff agrees that the Commission's current rules should govern questions of confidentiality and redaction.
Public Counsel	Yes, should be allowed to submit confidential information under a protective order per existing Commission practices.	Staff agrees that the Commission's current rules should govern questions of confidentiality and redaction.
AWEC	No Position.	
Kroger	No Position.	
3.b. What circumstances would require a party to provide a confidential version of a cost of service study?		
Stakeholder	Summary of Comments	Team Response
Companies	Companies are not currently using confidential information in COSS; confidentiality may arise if a different methodology is used, or circumstances change.	Staff agrees that in certain circumstances issues of confidentiality may arise.

Public Counsel	Proposed confidential treatment should be subject to existing Commission rules and practices to protect confidentiality and rights of various parties.	Staff agrees that the Commission's current rules should govern questions of confidentiality and redaction.
AWEC	No response.	
Kroger	A confidential version may be required if customer privacy would be compromised.	Staff agrees.

4. Should the Commission adopt rules that require parties to include in cost of service studies the reconciliation between test year billing determinants and billing determinants used in the cost of service model?

Stakeholder	Summary of Comments	Team Response
Companies	Would not be necessary because billing determinants are not representative of COS allocation factors. If test year billing determinants are components of COS allocation factors, reconciliation is already in workpapers, which shows their source/development.	Staff has changed the direction of the purpose of the rulemaking. This question is no longer relevant.
Public Counsel	Recommends that utility-sponsored COSS should provide revenues at current rates and proposed Company rates. Billing determinants used to develop current and proposed rates are beyond scope of COSS. Supports a rule that all adjustments to test year revenues be included in filing, but should not impose that requirement on COSS itself.	Staff has changed the direction of the purpose of the rulemaking. This question is no longer relevant.
AWEC	Yes; requirement should include discussion of reconciliation process between test-year billing determinants. This should be a spreadsheet with billing determinants used in COSS, and cell formulae intact that undertakes such reconciliation. Utility should also describe changes in reconciliation process if it has changed from most recent study.	Staff has changed the direction of the purpose of the rulemaking. This question is no longer relevant.
Kroger	Billing determinants used to set rates and inputs used to develop allocation factors should be based on a consistent data set; however there are allocation factor inputs that do not have a direct billing determinant corollary.	Staff has changed the direction of the purpose of the rulemaking. This question is no longer relevant.

4.a. Similarly, should the Commission require cost of service studies to include a reconciliation for unadjusted and pro forma revenues and the resulting cost of service models?

Stakeholder	Summary of Comments	Team Response
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Companies	Need more information as to what unadjusted and pro forma revenues would be used.	The template includes all adjustments to test year revenues and includes revenues as current rates and proposed rates.
Public Counsel	See response to question 4 of this section.	See staff response to question 4.
AWEC	Yes; requirements should require a discussion of reconciliation process for unadjusted and pro forma revenues, and Excel spreadsheet with cell formulae intact; should also describe changes in process if they have changed from most recent study.	Workpapers must be filed that show the reconciliation where there is a relationship.
Kroger	It is useful for utilities to itemize and quantify each adjustment made to actual revenues to develop pro forma revenues at current rates.	The template requires this itemization.
5. Should the Commission include in a rule on cost of service studies definitions of specific terms used in cost of service studies? Please include specific technical terms that should be defined.		
Stakeholder	Summary of Comments	Team Response
Companies	No; adequate definitions are available in industry authoritative publications, such as National Association of Regulatory Utility Commissioners and rate design manuals.	Commission Staff agrees with the broad consensus among stakeholders that the terms used in the field of COSS and rate spread analysis are well developed and do not need to be redefined in UTC rule. However, Staff finds value in defining a few common terms that are used throughout the rule in order to provide clarity for the entire chapter. Also, coherence and clarity of testimony contributes to the weight the commission gives testimony. All parties are encouraged to expressly define their terms or cite to an industry manual, or other published standard.
Public Counsel	No, this is unnecessary.	See response to Companies, above.

AWEC	Could support defining a few well-established and common terms, but is concerned about becoming too granular with rules in this area. Alternative suggestion is to have utilities define the terms used in their COSS.	Staff agrees and finds value in defining a few common terms that are used throughout the rule in order to provide clarity for the entire chapter.
Kroger	No Position.	
6. There are several overall methods upon which cost of service studies rely, e.g., marginal, total service, long run, incremental or embedded cost studies. Should the Commission rely principally upon a single method?		
Stakeholder	Summary of Comments	Team Response
Companies	Yes; typically embedded cost or some form of marginal cost is relied on principally in US.	Staff agrees. The rule requires a COSS to be filed based on the embedded cost methodology. However, the rule expressly permits parties to also file a COSS based on a system-wide econometric study or a system-wide marginal cost study.
Public Counsel	COSS have traditionally been based upon embedded costs rather than marginal costs; if Commission is considering relying on marginal cost studies to establish class revenue responsibility and/or rate design, this dramatic shift in Washington ratemaking process is beyond scope of this docket.	See response to Companies, above.
AWEC	Recommends Commission does not rely on a single method for all services and all utilities; supports traditional embedded COS approach for gas and electric utilities with other modifications discussed in AWEC's comments.	Staff partially agrees. The rule requires a COSS to be filed based on the embedded cost methodology. However, the rule expressly permits parties to also file a COSS based on a system-wide econometric study or a system-wide marginal cost study.
Kroger	Since a utility's non-fuel revenue requirement is primarily driven by its historical investments, embedded costs are typically more representative of the actual revenue requirement than marginal costs. Embedded COSS equitably reflect class cost responsibility and the Commission should rely principally on embedded cost studies.	See response to Companies, above.

6.a. If so, what parameters should the method include? Is it necessary for the Commission or parties sponsoring a study to conduct periodic revisions of the method? What would prompt such a revision?		
Stakeholder	Summary of Comments	Team Response
Companies	The parameters should reflect the methodology; periodic revision of a methodology may be appropriate, depending on utility circumstances.	The proposed rules do not specify a period for review of the methodology but do allow for proposed changes to methodology in the context of a GRC if the proposal meets the exemption requirements.
Public Counsel	See summary of PC's response to question 6 above. Additionally recommends utilities include updated and current class COSS in all rate case filings, unless Commission grants an exception.	The rule as proposed requires COSS to be filed in each rate case.
AWEC	GRC is appropriate to review COSS methods; rulemakings are useful to establish principles that might be applied; it's difficult to consider reasonableness of any particular alternative in the absence of a specified COS proposal.	The rule as requires the filing of a COSS in a GRC.
Kroger	A COSS should accurately attribute costs to categories of customers based on how costs are incurred, with periodic revisions to reflect changes in utility's costs, data availability, or better reflect cost causation.	Section 050 specifies the priority in the means for gathering data and the rules allow for exemptions to modify the rule's methodology if the change can be demonstrated to be superior.
7. How should special contract customers be treated with regard to pass-through costs (i.e., separate riders identifying and recovering specific types of costs)?		
Stakeholder	Summary of Comments	Team Response
Companies	Special contracts should be a function of the contract terms negotiated between the utility and customer, and approved by the Commission.	Staff has changed the direction of the purpose of the rulemaking. This question is no longer relevant.
Public Counsel	Special contracts should reasonably pay for services provided to these customers, including services provided and collected through pass-through riders; cost responsibility of individual riders/special contract customers should be evaluated on case-by-case basis.	Staff has changed the direction of the purpose of the rulemaking. This question is no longer relevant.

AWEC	State adding a rider or surcharge would upset contractual agreement between utility and company, and undermine the value of special contract program.	Staff has changed the direction of the purpose of the rulemaking. This question is no longer relevant.
Kroger	Does not take a position.	
<p>8. The Commission is considering rules that require a baseline cost of service study for each Company. One option for such a process would require a company to submit an initial baseline cost of service study for the Commission to review and approve. This would happen in the next general rate case each company files after the Commission adopts rules requiring such a baseline. The Commission would consider this baseline the standard approach for that company to allocate costs, inclusive of future updates with Commission approval. Thereafter, a company would be required to present adjustments to the cost of service method in comparison to the latest Commission-approved baseline.</p>		
Stakeholder	Summary of Comments	Team Response
Companies	See responses below	
Public Counsel	Public Counsel did not respond to questions 8(a), 8(b), 8(c), 8(c)(i), 8(c)(ii), 8(c)(iii), or 8(d) of this section individually, but rather gave one answer to question 8. A “baseline” COSS is not desirable for the following reasons: class COSS only one of many tools to establish class revenue responsibility. There is no absolute, correct class COSS based on allocation of common or joint costs. The “baseline” study would effectively serve as being precedential but this rigidity given evolving nature of electric and natural gas industries would stifle improvements/revisions as a result of operational or planning changes.	Staff concurs that a baseline approach is not appropriate, and has not pursued codifying a baseline approach.
AWEC	See responses below.	
Kroger	See responses below.	
<p>8.a. Is this a sound approach for providing consistency for the review of cost of service studies and their underlying methods?</p>		
Stakeholder	Summary of Comments	Team Response
Companies	It would not be advantageous to impose a baseline approach because many COS elements are settled as part of the GRC, and the baseline erects barriers to such settlements.	Staff concurs that a baseline approach is not appropriate, and has not pursued codifying a baseline approach.
Public Counsel	See response to question 8 of this section.	

AWEC	Has concerns about using a baseline concept, including placing significance on a study to be a baseline, establishing a baseline in midst of significant changes in the industry and technology, and legal concerns.	Staff concurs that a baseline approach is not appropriate, and has not pursued codifying a baseline approach.
Kroger	Does not object to a baseline COSS, recognizing that rate spread may differ from results of COSS. Parties should be free to present alternatives to baseline study in future rate cases, and the determination by Commission of appropriate method(s) should not be prejudged in favor of baseline study.	Staff has not pursued codifying a baseline approach.
8.b. What specific topics or aspects of a cost of service study should or should not be included as a part of a baseline study?		
Stakeholder	Summary of Comments	Team Response
Companies	See response to 8(a) of this section.	
Public Counsel	See response to question 8 of this section.	
AWEC	If Commission does adopt a baseline approach, it should be limited to the format of study and informational requirements in it; the specific factors and data included should be allowed to change over time.	Staff has not pursued codifying a baseline approach.
Kroger	No position.	
8.c. Should there be a defined timeframe for the effective period of a baseline cost of service study before formal re-evaluation of the baseline would be required?		
Stakeholder	Summary of Comments	Team Response
Companies	No, GRC provides opportunity to review baseline COSS.	Staff has not pursued codifying a baseline approach.
Public Counsel	See response to question 8 of this section.	
AWEC	If Commission does adopt baseline concept, there should be defined timeframe for effective period.	Staff has not pursued codifying a baseline approach.
Kroger	The GRC would provide an appropriate forum for formal re-evaluation; as long as base rates remain unchanged, no timeframe is necessary.	Staff has not pursued codifying a baseline approach.
8.c.i. Should the timeframe for re-evaluation be the same for all companies?		
Stakeholder	Summary of Comments	Team Response
Companies	See response to 8(c) of this section.	
Public Counsel	See response to question 8 of this section.	

AWEC	Could be different across industries depending on industry type, and could default to shortest time frame for utilities that are joint electricity and natural gas. If there is an effective time period for a COSS, utility should be required to file a new COSS no less than twelve months prior to end of effective period to allow parties and Commission sufficient time for review and issuance of order.	Staff has not pursued codifying a baseline approach.
Kroger	See response to question 8(c) in this section.	
8.c.ii. Should baseline studies be established or reviewed outside of a general rate proceeding?		
Stakeholder	Summary of Comments	Team Response
Companies	Should be flexible to file a request for a revenue-neutral review of baseline COSS.	Staff has not pursued codifying a baseline approach.
Public Counsel	See response to question 8 of this section.	
AWEC	If Commission does adopt baseline approach, the baseline should be established in a general rate proceeding, because the COSS would affect rates and rates are set in a general rate proceeding.	Staff has not pursued codifying a baseline approach.
Kroger	Does not object to review of baseline studies on revenue-neutral basis.	Staff has not pursued codifying a baseline approach.
8.c.iii. Should the Commission consider re-evaluation simultaneously for all companies?		
Stakeholder	Summary of Comments	Team Response
Companies	Commission has authority to order generic re-evaluation of COSSs.	Staff has not pursued codifying a baseline approach.
Public Counsel	See response to question 8 of this section.	
AWEC	Simultaneous re-evaluation would be necessary if factors or force affect all utilities simultaneously. If factor causing consideration of re-evaluation is utility specific, there would be no need to require all utilities' COSSs to be re-evaluated.	Staff has not pursued codifying a baseline approach.
Kroger	Does not take a position.	
8.d. Which metrics should be considered as the trigger for a formal re-evaluation of a baseline cost of service study?		
Stakeholder	Summary of Comments	Team Response
Companies	Difficult to anticipate specific metrics, and may be too limiting in their application. Evolving changes in energy utility industry may produce shortcomings in structure and/or cost methodologies of status quo baseline COSSs.	Staff has not pursued codifying a baseline approach.
Public Counsel	See response to question 8 of this section.	

AWEC	If Commission adopts baseline approach, possible metrics offered at this point are time update baseline after a specified number of years, or change in utility's organizational structure (such as new affiliates, or a merger/acquisition).	Staff has not pursued codifying a baseline approach.
Kroger	Does not take a position.	
9. What other topics should the Commission consider in adopting rules governing cost of service studies?		
Stakeholder	Summary of Comments	Team Response
Companies	None; foregoing list provides thorough review of relevant topic areas.	
Public Counsel	Controversial issues should be decided on case-by-case basis because each utility presents unique facts and circumstances.	Staff will consider whether there are any controversial issues that would be appropriate to address on a case-by-case basis. Staff believes the already-identified issues for potential controversy are the methodologies that should be required by rule. Staff believes the scenarios analysis presented through this rulemaking shows that the discrepancy of the results between the use of one methodology or another is negligible.
AWEC	Does not have any other topics to offer at this time. May have topics to suggest after reviewing other parties' comments.	
Kroger	Does not offer specific recommendations outside those already addressed.	

Questions affecting electric utility service only

1. Should the Commission require marginal cost studies for special contract customers that rely upon a utility for electric generation, transmission, distribution, or a sub-set of these components?

Stakeholder	Summary of Comments	Team Response
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Electric Companies	Because nature of special contract customers vary greatly, it wouldn't make sense for a marginal COS for some special contract customers. Opposed to a marginal COS if purpose is to potentially adjust special contract rates during term of the contract. Not opposed to marginal COS if purpose is for data points to allow parties to see how contract is progressing.	The intent was to see how the contract was progressing, not to change the terms of any contract. Staff has changed the direction of the purpose of the rulemaking; this question is no longer relevant.
Public Counsel	Same concerns and recommendations with respect to marginal COSS for special contract customers for both electric and natural gas service. Cautions against any rule/policy statement regarding broad general term of marginal cost. Burden of proof should be on utility to show the discounted rate for special contract customer is required to maintain customer's load and energy use, which then provides some benefit to all remaining ratepayers.	Staff has changed the direction of the purpose of the rulemaking; this question is no longer relevant.
AWEC	For general response to this question, see response to question 1 in the next section. Specifically for electric customers, AWEC is only aware of one special contract, where requirements were developed by all parties to the case and approved by the Commission. AWEC would have serious concerns with developing new rules that effectively modify that settlement and special contract.	The intent was to see how the contract was progressing, not to change the terms of any contract. Staff has changed the direction of the purpose of the rulemaking; this question is no longer relevant.
Kroger	Does not take a position.	

2. How should cost of service studies allocate demand and energy costs?

Stakeholder	Summary of Comments	Team Response
Electric Companies	Each utility uses an allocation method that works for their specific company; some utilities may be open to discussing revisions of their methodology. Each Electric Party responded independently, and their responses are summarized independently for question 2; the Electric Companies jointly responded to subsequent questions 2(a), 2(b), and 2(c). PSE: Currently uses a peak credit classification of demand and energy costs. Demand component is class-level average of 4CP month November – February. Energy component is class-level loss adjusted normal delivered kWh. Amenable to explore alternative methods that make sense for their system and customer dynamics. Avista: Currently uses a peak credit classification of demand and energy costs, utilizing test year system load factor to determine peak credit ratio. Demand component is class-level average 12NCP. Energy component is class-level loss adjusted test year normalized	The allocation of demand and energy will be discussed at the September 25, 2019 workshop. The discussion will revolve around the scenario results posted to the docket on June 14, 2019.

	<p>annual kWh consumption. Distribution system demand costs not directly assigned are allocated by 12NCP</p> <p>Pacific Power: Does not take a specific position on any COS methodology for purposes of this survey. Does not think any methodology should be given preference in rules. In last GRC, used a peak credit classification of demand and energy costs, utilizing test year system load factor to determine peak credit ratio applied to production and transmission costs. Demand component was class loads during top 100 hours in Winter and top 100 hours in Summer in west control area loads. Energy component was class loss adjusted test year normalized annual kWh consumption. Open to exploring alternatives.</p>	
Public Counsel	<p>Interprets this question to relate only to utility-owned generation plant costs because question 3 of this section relates to fuel costs, purchased power costs, transmission, distribution, and other cost separations.</p> <p>Utility-Owned Generation Plant: Probability of Dispatch method accurately measures and appropriately allocates costs on an hour-by-hour basis. Class hourly loads and hourly generation output by unit are not always available, so less rigorous methods should be used to reflect the fact a portion of generation plant should be allocated based on portion of CP demands and a portion on annual energy usage; these less rigorous methods include Peak Credit, Base-Intermediate-Peak, and Peak & Average.</p>	<p>The allocation of demand and energy will be discussed at the September 25, 2019, workshop. The discussion will revolve around the scenario results posted to the docket on June 14, 2019.</p>
AWEC	<p>The Commission should re-evaluate its use of Peak Credit method, and should consider other acceptable methods that might be used to determine the portion of production costs to allocate as demand and energy. AWEC's response to this question generally focuses on production costs.</p>	<p>The allocation of demand and energy will be discussed at the September 25, 2019, workshop. The discussion will revolve around the scenario results posted to the docket on June 14, 2019.</p>
Kroger	<p>May be appropriate to allocate demand-related costs based on each class's contribution to CP, 4CPs, or 12CPs; allocate demand-related distribution costs on each class's individual peak, <i>i.e.</i>, NCP. It is equitable to allocate production and transmission plants costs primarily based on demand; if production and transmission costs should be allocated based on energy, the Average and Excess method is a reasonable and objective approach.</p>	<p>The allocation of demand and energy will be discussed at the September 25, 2019, workshop. The discussion will revolve around the scenario results posted to the docket on June 14, 2019.</p>
2.a. Is a single method or a set of methods the most balanced and fair to all parties involved?		
Stakeholder	Summary of Comments	Team Response

Electric Companies	No objection to unique energy/demand allocation methodologies used by various Companies; recognize unique system needs and customers of each utility.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Public Counsel	Cautions against any assertions that there should be one-size-fits-all COS approach, or there is one absolutely correct method to reasonably allocate generation related costs.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
AWEC	There isn't a single cost allocation system that provides a common solution for all issues of cost allocation that might arise; yet a common set a principles might be established and applied in a manner that is consistent and rational.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Kroger	Does not believe it is necessary to mandate uniform COS methods. Believes equitable allocate production and transmission plant-related costs primarily based on demand; the Average and Excess method is also a reasonable approach. An allocation method for distribution poles, conductors, and transformers needs to recognize that a significant portion of investment required is directly related to the number of customers and their geographic dispersion of utility's system.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
2.b. Should the Commission establish a preference for a particular method? Please explain your response.		
Stakeholder	Summary of Comments	Team Response

Electric Companies	Should be flexible to reflect conditions and customers served by responsible utility.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Public Counsel	See response to question 2(a) of this section.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
AWEC	<p>AWEC supports having different methods for different utilities that take into consideration the unique aspect of the utility’s electric loads. Supports methods that focus on the top summer and winter peaking hours, as the increasingly dual peaking nature of utilities in the Northwest.</p> <p>Notes the Commission has had a general preference for using the Peak Credit method, but has concerns with the continued use of that method, because: 1) combustion turbine technologies have advanced significantly; and 2) utility planning dichotomy is transforming into one that is more oriented towards building renewables for energy and maintain enough capacity to augment the energy and capacity provided by the renewables.</p>	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Kroger	See response to question 2(a) of this section.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
2.c. Are there specific methods that should not be considered by the Commission? For what reason should the Commission not consider specific methods?		
Stakeholder	Summary of Comments	Team Response

Electric Companies	Decline to prescribe one uniform method for all utilities.	Staff believes the scenarios analysis presented through this rulemaking shows that the discrepancy of the results between the use of one methodology or another is negligible.
Public Counsel	Yes, should not consider any method that considers only class peak demands to allocate generation plant costs. Average and Excess method should not be considered as it bears no resemblance as to how costs are incurred or caused across classes.	Staff will take this comment into consideration when writing the methods section of the draft rules.
AWEC	Does not support using 12CP to measure demand for production plant; states 12CP more closely resembles a measurement of energy consumption than peak demand.	Staff will take this comment into consideration when writing the methods section of the draft rules.
Kroger	Does not support the Peak and Average method because of the double weighting of average demand (or energy) component, and does not properly assign the cost of production.	Staff will take this comment into consideration when writing the methods section of the draft rules.

3. How should cost of service studies classify and allocate:

Stakeholder	Summary of Comments	Team Response
Electric Companies	Each utility uses an allocation method that works for their specific company; some utilities may be open to discussing revisions of their methodology.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Public Counsel	See responses below.	
AWEC	See responses below.	
Kroger	See responses below.	
3.a. Transmission and distribution assets?		
Stakeholder	Summary of Comments	Team Response

Electric Companies	<p>PSE: Currently bases costs on peak credit with 4-CP demand factor, and performs a direct assignment of distribution plant mostly based on substation loads, circuit line miles and loads, loads on transformers, forward looking meter cost studies, etc. Would prefer to continue its current method, and is opposed to general Non-Coincident Peak or Customer Allocation methods, but open to reasonable alternatives.</p> <p>Avista: Same as production costs summarized in question 2 of this section. The company performs a direct assignment of distribution plant, based on substation loads and circuit or conductor line miles for large industrial customers. Remainder of demand-related distribution plant is allocated to other customer groups by 12NCP. Customer-related distribution plant, consisting of meters and services, is allocated by number of customer-based allocators; street and area lighting are directly assigned. Would be amenable to explore alternatives.</p> <p>Pacific Power: In last GRC, classified and allocated transmission costs consistently with generation costs. Distribution substations and primary lines were allocated on maximum annual schedule peak. Distribution line transformers and secondary lines allocated on maximum NCP weighted by diversity factor for classes that use facilities. Meters and services allocated based upon cost of new equipment applied to customer counts. Open to exploring alternatives.</p>	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Public Counsel	<p>Transmission: supports continued policy of classifying and allocating transmission plant in same manner as generation plant.</p> <p>Distribution: breaks answer into two sections:</p> <p><i>Classification of Distribution Plant:</i> recommends the customer density/mix analysis be bifurcated between the primary and secondary subsystems.</p> <p><i>Allocation of Distribution Plant:</i> lists criteria from Accounts 360-373 as how plant accounts are allocated to customer classes. Sum of individual customer demands are preferred allocator for secondary voltage demand costs while NCPs are preferred allocator for primary voltage demand costs.</p>	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
AWEC	<p>Recommends transmission costs be allocated on basis of 12CP, as it also generally conforms with FERC cost allocation. Disagrees with premise that transmission costs ought to receive same demand/energy weighting as fixed production costs because it assumes all transmission is a substitute for generation. Supports 12CP because it is a pure measurement of peak demand and has an element of energy because it is measured over the twelve months of the year.</p>	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.

Kroger	Transmission assets constructed to meet system’s CP demands, and Kroger believes allocation based on demand best reflects cost causation; states 4CP and 12CP are frequently used, and that Average and Excess method is another reasonable approach. Distribution assets appropriately classified as customer or demand-related; for demand-related distribution costs, NCP is appropriate. FERC Accounts 364-368 have a significant customer-related component; this is appropriately allocated based on number of customers. Services and meters are appropriately classified as entirely customer-related.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
3.b. Fuel costs and purchased power?		
Stakeholder	Summary of Comments	Team Response
Electric Companies	<p>PSE: Currently uses peak credit method that weights energy and demand components in class allocation. Finds it is sufficient, and is open to reasoned alternatives.</p> <p>Avista: Currently uses peak credit method discussed in question 2 of this section. Considers this reasonable, but would be amenable to other alternatives.</p> <p>Pacific Power: Used methods consistent with all other generation costs in last GRC. Open to exploring other alternatives.</p>	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Public Counsel	<p>Fuel Costs: under no circumstances should fuel costs be allocated based on peak demands or any other demand-type allocator. Public Counsel recently conducted a detailed hour-by-hour fuel cost study, determined allocation of annual fuel costs based simply on annual energy usage was reasonable.</p> <p>Purchased Power Costs: a one-size-fits-all approach may not be appropriate, thus a detailed analysis of purchased power costs should be conducted on a utility-by-utility basis.</p>	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
AWEC	Recommends fuel and purchased power costs be considered in the classification of production costs between demand and energy components, either using Peak Credit method or some alternative.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.

Kroger	Fuel costs typically classified as energy-related, and allocated based on loss-adjusted kWh. Kroger generally supports production plant allocation method based on demand, and states that most utilities outside of Washington use this method. Does not object at continuing the allocation methods for fuel and purchased power costs, as PSE, Avista, and Pacific Power currently allocate a significant portion of production plant costs based on energy, and allocate fuel and purchased power costs consistently with production plant.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
3.c. Common and joint costs?		
Stakeholder	Summary of Comments	Team Response
Electric Companies	<p>Start by defining common costs and joint costs. Common costs: fixed costs of service to one or more classes, or cost of providing multiple products or services to same class that use same facilities and the use by one class precludes the use by another class. Joint costs: occur when two or more products or series are produced simultaneously by same facilities in fixed proportions.</p> <p>Stated that there is no one best allocation method that may be applied as a one size fits all for common costs because no two utilities are exactly alike. There is a best cost allocation method for each application that reflects how utility is currently planned and operated.</p> <p>Stated that each class of customers shares in benefits of joint costs and economies of scale in proportion to their contribution. The equitable cost sharing results from application of classes' respective demands in cost allocation process throughout COSS.</p>	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Public Counsel	Interprets these costs as “overhead” costs incurred in a common or joint manner to serve all customers and overall business operations; does not have a strong position/preference as it related to allocation of general plant.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
AWEC	The functionalization of such costs is typically of greater concern than the allocation; not certain what types of costs the Commission would consider as common or joint in this context.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.

Kroger	Separate common and joint costs, where possible, into utility functions served in incurrence of those costs and should be allocated to classes based on principles of cost causation. If common or joint costs cannot be functionalized and then classified, may be allocated based on overall rate base, overall revenues, or similar composite allocator.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
3.d. Administrative and general costs?		
Stakeholder	Summary of Comments	Team Response
Electric Companies	<p>PSE: Currently allocate insurance costs on rate base or plant allocation factor; administrative and general costs allocated on salary and wage method. Finds these methods satisfactory, but open to reasoned alternatives.</p> <p>Avista: Currently identifies administrative and general costs that can be directly associated with production, transmission, distribution, or customer service functions to allocate them by relevant plant assignment or number of customers; remaining costs allocated by non-resource operating and maintenance expenses, plant in service totals, or salary and wage expense totals. Prefer to continue using this method to assign administrative and general costs, but would be open to alternatives regarding all functionally common costs.</p> <p>Pacific Power: Allocated most administrative and general expenses to plant in last GRC.</p>	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Public Counsel	Consideration should be given to individual accounts. Note that expense Account 923 is used as a catchall for collective amount of affiliate transactions/other outside services, and a separate analysis should be conducted regarding various types of services included in this account.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
AWEC	Generally fine with functionalizing these costs and then allocating them accordingly.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.

Kroger	Administrative and general expenses should be consistent with underlying cost causation to extent practicable.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
e. Poles, conductors, and line transformers?		
Stakeholder	Summary of Comments	Team Response
Electric Companies	See response to 3(a) of this section.	
Public Counsel	Relatively non-controversial after costs are classified as customer or demand costs; see response to question 3(a) of this section for more details.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
AWEC	AWEC does not have a proposal for these costs at this time.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Kroger	Have both demand-related and customer-related components. Minimum-size or minimum-intercept methods may be used to figure out customer-related portions; once determined, customer-related component is allocated based on number of customers, while demand-related component is allocated based on NCP. Believes PSE's allocation method is reasonable.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
4. Are there any other costs that cost of service studies should classify and allocate in a specific way?		
Stakeholder	Summary of Comments	Team Response

Electric Companies	Puget Sound Energy was the only one of the Electric Companies to provide a response. PSE: Currently allocates Federal Income Tax on rate base; finds it to be a satisfactory method.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Public Counsel	Commission should consider utility-specific factors in classifying and allocating costs rather than adopting a blanket approach for all Washington utilities	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
AWEC	Generally not opposed to method utilities are using today; to extent utilities are upgrading their metering infrastructure for AMI or similar tech, costs of upgrades are most appropriately assigned to classes receiving and benefiting from upgraded meters.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Kroger	No response.	

<u>Questions affecting natural gas service only</u>		
1. Should the Commission adopt rules requiring marginal cost of service studies for special contract customers that rely upon a utility for natural interstate pipeline connections, localized distribution, or a sub-set of these components?		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	Commission’s rules specify requirements for a special contract and necessary underlying cost support. Cost support should be revisited upon a revision to terms and conditions of existing special contract, or upon expiration of initial term of special contract where a renewal of existing special contract, or new special contract is requested on behalf of the customer.	The purpose of a marginal cost is not to revisit the terms of a special contract. The marginal cost study is done only to provide visibility of the cost relationships between the special contract customer and the rest of the customer base with the system cost of service.

Public Counsel	Same concerns and recommendations with respect to marginal COSS for special contract customers for both electric and natural gas service. Cautions against any rule/policy statement regarding broad general term of marginal cost. Burden of proof should be on utility to show the discounted rate for special contract customer is required to maintain customer's load and energy use, which then provides some benefit to all remaining ratepayers.	See answer above.
AWEC	Load retention marginal cost analysis are already required by WAC 480-80-143, so no change is required. A substantial portion of utility's costs are not marginal, and are typically based on average embedded cost. But, average embedded costs typically do not give correct pricing signals for serving new or incremental customer load. A marginal cost analysis may be more reflective of economic considerations in pricing for serving the new or incremental customer loads.	Staff has changed the direction of the purpose of the rulemaking. This question is no longer relevant.
1.a. To what extent should these contracts be subject to scrutiny regarding the impact on other customers of the cost assignment to special contracts?		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	Adding special contracts as their own class to the embedded COSS in the GRC would provide useful information as to the rate of return performance of that group in relation to remaining customer classes.	Staff agrees that special contracts would be presented as their own rate class.
Public Counsel	See response to question 1 of this section. Additionally, utility should be required to maintain detailed records supporting need for, and cost benefits to, ratepayer associated with discounted rate to selected customers if special contracts have rates below full tariff rates; studies/analyses supporting discounted rates due to contract renewals/renegotiations should be required to be updated.	Staff has changed the direction of the purpose of the rulemaking. This question is no longer relevant.
AWEC	All customers are better off if a special contract customer remains on the system. A load retention marginal cost analysis is appropriate for this analysis.	Staff has changed the direction of the purpose of the rulemaking. This question is no longer relevant.
2. How should cost of service studies allocate demand and throughput?		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	Gas Companies request clarification on question. Suggest allocating throughput on basis of throughput, and demand-related costs on actual or planning peaks. Cascade supports allocating demand on design day demand.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.

Public Counsel	Interprets this question to relate to non-gas costs relating to natural gas distribution companies' (NGDCs) base rates, and because they are generally able to pass through purchased gas costs. COSS should exclude costs and revenues associated with purchased gas costs. Does not agree with allocating storage-related costs on some measure of only a single day of peak demand is appropriate because storage facilities typically used throughout winter months. Mains-related costs should be allocated based on combination of peak day demand and average day demand.	The question refers only to the non-gas costs. This was discussed in the February 2019 workshop and will be revisited in the scenario discussion during the September 2019 workshop.
AWEC	Supports class COSS method that allocates demand-related costs based on customers' peak load characteristics as they most accurately reflect cost causation. A portion of mains should be classified and allocated based on number of customers, because the utilities design their system to connect customers to the system.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS. In addition, how mains will be allocated is a topic of discussion at the September 25, 2019, workshop.
2.a. Is a single method or a set of methods the most balanced and fair to all parties involved?		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	Continue with different methods, because a single cost allocation method is unlikely to be fair to all parties.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Public Counsel	Cautions against any one-size-fits-all COS approach, or that there is one absolutely correct method the reasonably allocate distribution-related costs. See response to question 2 of this section.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
AWEC	All classes should include consideration and incorporation of peak use characteristics. AWEC would support a range of class COSSs filed by utility and used to determine a range of reasonableness with respect to class COS.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical

		workshops, Staff has written draft rules that specify which methods must be used in a COSS.
2.b. Should the Commission establish a preference for a particular method?		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	Continue to accept and allow for difference in methodologies, because the differences can be result of a history of the unique constituencies and circumstances.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Public Counsel	Cautions against a one-size-fits-all solution; recognizes multiple COSS methods can result in reasonable cost allocation. See response to question 2(a) of this section.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
AWEC	The Commission should use Design Day Demand or Average and Excess methods because they best reflect class cost causation. If Design Day Demand or Average and Excess methods are not used, recommends studies that use similar principles. The Peak and Average method does not best reflect class cost causation because it double counts average demand cost allocation.	Staff is including for discussion all allocation methods. Staff will consider revising the use of a particular method if such method is proven faulty or results in double counting costs.
2.c. Are there specific methods that should not be considered by the Commission? For what reason should the Commission not consider specific methods?		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	This generic proceeding provides the Commission with an opportunity to evaluate a range of cost allocation methods. Excluding a particular method from consideration would be presumptive and inappropriate.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
Public Counsel	Yes. See responses to questions 2 and 2(a) of this section.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft

		rules that specify which methods must be used in a COSS.
AWEC	Recommends Peak and Average method not be used because it does not best reflect class COS; it double counts average demand in cost allocation, and unnecessarily skews results to allocate more costs to higher volume users even though their demand is more consistent.	See answer above
3. How should a cost of service study address the allocation of mains?		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	<p>Gas Companies advocate that the Commission continue to support differences in methodologies. The Gas Companies have answered independently on questions 3 and 3(a), and as a group for 3(b) and 3(c).</p> <p>Cascade Natural Gas: Distribution mains should be allocated to the rate classes in proportion to their peak period load requirements and number of customers. Demand-related costs of distribution mains on the basis of a utility's system capacity planning criteria best reflects cost causation.</p> <p>PSE: Currently uses peak and average method to allocate distribution costs; in 2017 GRC, ~67% based on design day peak, and ~33% on average throughput. Finds this method is satisfactory, but is open to discuss reasonable alternatives.</p> <p>NW Natural: In 2008 GRC, used peak and average method; believes this method is reasonable, but is open to discuss alternatives.</p> <p>Avista: Currently uses a peak and average method; finds this is a balanced method that reflects how the system is designed, but is open to discuss reasonable alternatives.</p>	How mains will be allocated is a topic of discussion at the September 25, 2019, workshop.
Public Counsel	See the allocation methods described in question 2 of this section. Peak and Average method is most reasonable approach to allocation of mains.	How mains will be allocated is a topic of discussion at the September 25, 2019, workshop.
AWEC	Supports a class COSS that allocates demand related costs based on customers' peak load characteristics, like Design Day Demand and Average and Excess methods.	How mains will be allocated is a topic of discussion at the September 25, 2019, workshop.
3.a. What is the appropriate balance of demand with throughput?		
Stakeholder	Summary of Comments	Team Response

Natural Gas Companies	<p>Cascade Natural Gas: It should not be included because it is not a cost causative factor underlying the capacity costs.</p> <p>PSE: Uses gas system load factor for test year to determine the balance; finds this reasonable, but is open to other reasoned approaches.</p> <p>NW Natural: Determines share of mains costs to be allocated by peak versus average using load factor for system.</p> <p>Avista: Uses gas system load factor for test year to determine split between demand and throughput; finds this reasonable, but would be open to other reasoned approaches.</p>	Staff will review all approaches that give sufficient importance to throughput, system design, and demand.
Public Counsel	The Peak and Average method equally weights demand and throughput, which strikes an appropriate balance. Use of load factor to weight between demand and throughput places too much weight on demand and not enough on throughput.	Staff will review all approaches that give sufficient importance to throughput, system design, and demand.
AWEC	Recommends demand classified costs be allocated on peak load characteristics of its customer classes, and not on throughput; a portion of the mains should be classified and allocated based on number of customers because utilities design the capacity of the transmission and distribution mains to meet the design day demands, not annual throughput.	Staff will review all approaches that give sufficient importance to throughput, system design, and demand.
3.b. Is it appropriate for the Commission to establish or allow different companies to use different methods?		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	Yes, should retain flexibility to do so, based on specific cost considerations, as supported by a particular utility.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS. The results of the cost of service models using different cost allocation methodologies will be discussed during the September 2019 workshop.
Public Counsel	As a general framework, Peak and Average method is appropriate for all NGDCs in regards to allocation of distribution mains; may be some difference in measurement of peak day demands as well as how interruptible customers' usage and load characteristics are measured across utilities.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft

		<p>rules that specify which methods must be used in a COSS.</p> <p>The results of the cost of service models using different cost allocation methodologies will be discussed during the September 2019 workshop.</p>
AWEC	<p>Recommends all utilities provide results for review that use same common class COS methods. Reasonable variations of these methods (Design Day Demand, Average and Excess, and Peak and Average) would be acceptable.</p>	<p>Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.</p> <p>The results of the cost of service models using different cost allocation methodologies will be discussed during the September 2019 workshop.</p>
<p>3.c. Should the Commission allow a cost of service study to exempt specific customer classes from an identified methodology?</p>		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	<p>Direct assignment of costs that can be specifically identified with customers in a certain class should replace or “exempt” an otherwise identified method.</p>	<p>Staff will review methodologies that best reflect the use and design of the system during peak and non-peak instances. The goal is to find the best way to allocate costs given how the customer is using the system and its specific contract terms.</p>

Public Counsel	<p>Generally believes this question refers to interruptible and/or special contract customers. Interruptible customers should be treated as their own separate class of customer. Costs should be assigned on case-by-case basis depending on terms; should not enjoy a free ride on allocation of mains, and believe a reasonable method is to develop a mains allocator with the Peak and Average method, where the interruptible class is not assigned a “peak” portion, but is responsible for the “average” (throughput) portion.</p> <p>For special rate customers seems illogical to fully allocate costs because they are not expected to pay full allocated cost of service; believe this issue is best addressed on a case-by-case basis</p>	Staff will review methodologies that best reflect the use and design of the system during peak and non-peak instances. The goal is to find the best way to allocate costs given how the customer is using the system and its specific contract terms.
AWEC	To extent costs can be identified to a particular class, it would be appropriate to directly assign those costs to that class; may be appropriate to modify a class COSS to take into account load profiles of seasonal or interruptible customers.	Staff will review methodologies that best reflect the use and design of the system during peak and non-peak instances. The goal is to find the best way to allocate costs given how the customer is using the system and its specific contract terms.
<p>4. How should cost of service studies classify and allocate: a. Common and joint costs?</p>		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	Same answer as question 3(c) in the Electric Utility Only section.	See Staff response to question 3(c) in the Electric Utility Only section.
Public Counsel	Interprets this question to refer to costs that are typically “overhead” costs incurred to serve overall business operations. There are no true costs causative metrics to measure overhead cost incidence such that the selected allocation approach to assign the costs often vary by expert; does not have a strong position/preference as it relates to allocation of general plant.	Staff supports the allocation of certain costs on a function basis to the extent that the information is available.
AWEC	To extent common and joint plant costs should be allocated, would support allocation of common and joint plant costs based on labor operating ratios. The amount of labor, wages, and salaries assigned to each function is known, and a set of labor expense rations is available for use in allocating accounts such as transportation equipment, communications equipment, and general office space.	Staff supports the allocation of certain costs on a function basis to the extent that the information is available.

4. How should cost of service studies classify and allocate: b. Administrative and general costs?		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	Utilities allocate various accounts using similar allocation methods, but there may be subtle differences based on each utility's unique circumstance; Gas Companies are open to discussing reasoned common rules for allocating administrative and general costs.	Staff will consider specific accounts that need different treatment depending on the circumstances.
Public Counsel	Consideration should be given to individual accounts. Note that expense Account 923 is used as a catchall for collective amount of affiliate transactions/other outside services, and a separate analysis should be conducted regarding various types of services included in this account.	Staff supports the allocation of certain costs on a function basis to the extent that the information is available.
AWEC	Would support allocation of administrative and general costs on basis of sum of other operating and maintenance expenses (excluding gas cost).	Staff supports the allocation of certain costs on a function basis to the extent that the information is available.
5. Are there any other costs that cost of service studies should classify and allocate in a specific way?		
Stakeholder	Summary of Comments	Team Response
Natural Gas Companies	The greater the magnitude of cost responsibility based upon direct assignments, the less reliance placed on common plant allocation methods associated with joint use plant.	Staff agrees that direct allocation of costs should be preferred.
Public Counsel	Additional costs should be identified and addressed as they specifically relate to an individual utility, rather than applying a one-size-fits-all method.	Based on the discussion at the December 3, 2018, and February 20 and 21, 2019, technical workshops, Staff has written draft rules that specify which methods must be used in a COSS.
AWEC	To the extent particular cost can be identified and attributed to a specific customer class, it would be appropriate to directly assign that cost to the customer class.	Staff agrees that direct allocation of costs should be preferred.

COMMENTS FROM THE REVISED NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS ISSUED ON MAY 6, 2019

Stakeholder	Summary of Comments	Team Response
The Energy Project	The Energy Project did not respond to the specific technical questions at this time; they did provide some edits to the informal draft rules. Northwest Natural did not provide answers to the three questions; they did provide comments and edits to the informal draft rules, specifically the section on data input type, WAC 480-xxx-060(1).	
1. How should a cost of service study reflect special contracts?		
1.a. Is it appropriate to treat them as a separate customer class?		
1.b. How should revenue from special contracts be included or shown as an offset to other customer classes?		
1.b.i. Would this require a specific adjustment in the revenue requirement model?		
Staff summarized the responses to these questions jointly.		
Stakeholder	Summary of Comments	Team Response
Avista	Segregate special contract revenue, then allocate it back to the other rate classes by relative rate base.	Agree
Cascade	Treated as a separate class; if not treated as a separate class, then revenues from special contract credited back to other customer classes. No need to adjust the revenue requirement model.	Agree
Pacific	N/A, Pacific does not have special contracts in WA.	N/A
Puget Sound Energy	Reflects special contracts as separate class currently. Currently includes revenue from special contracts under own customer class in COSS; if special contracts are not treated as separate customer class, then revenues should be treated as an offset to other customer classes. No adjustment needed to revenue requirement model.	Agree
AWEC	Special contract customers should not be allocated any costs in a COSS. Special contract revenue spread to other customers classes based on COSS approved in rate proceeding. Should be treated as a separate customer class; no need to adjust the revenue requirement model.	Agree
Public Counsel	Special contract revenues credited to all other rate classes, either allocated based on current rate revenues or rate base (parties should be able to advocate their preference for either way in a GRC). No adjustment to the revenue requirement model.	Agree

2. Are the proposed input data types (advanced metering infrastructure, special contracts, load studies) sufficient, or should there be other types of data?		
Stakeholder	Summary of Comments	Team Response
Avista	Sufficient at this time; should be flexible to incorporate unforeseen new sources in changing energy landscape.	Staff agrees, and notes that the Commission has authority to open a rulemaking to change, update, or amend its rules should the energy landscape evolve.
Cascade	The hourly/sub-hourly consumption data available with AMI is irrelevant for gas because gas operates on a 24-hour gas day; if seasonal variation is identified, then it could provide useful information for rate design.	Staff understands and has added clarifying language regarding the necessary granularity of data (daily) for natural gas.
Pacific	Language should be added to include smaller, fixed-usage period customers, like street lights. Provided proposed language in redline edits.	Staff agrees in part. Language has been added to incorporate street lights. Staff disagrees at this time that other customers' usage should be estimated similarly.
Puget Sound Energy	Rule should be flexible enough to allow other types of data input should be allowed as necessary and appropriate, but does not have any specific data types to include at this time.	Staff agrees, and believes the rule provides sufficient flexibility by affording multiple options for acceptable input data, while providing guidance as to what data must at minimum be used.
AWEC	Load studies are useful with respect to gas design day demand determination.	Staff agrees that data from load studies are acceptable inputs for cost of service study.
Public Counsel	Proposed inputs good for electric. Natural gas companies should be able to use statistical/econometric analyses when classes' actual metered loads are unknown.	The load study definition in the proposed draft rules is a statistical study. Staff disagrees to the extent that data from estimates or forecasts are included in the meaning of this comment.

3. How often should load studies be performed?		
Stakeholder	Summary of Comments	Team Response
Avista	Minimum of every five years.	Agreed.
Cascade	Load studies already required in IRP; only additional requirement is class-by-class demands be consistent with methodology in most recent accepted IRP.	IRPs have load forecasts, not studies; a forecast is not the same as a study. A “load study” is defined in this rule, and must be based on sampled data. IRPs are only acknowledged by the commission, not approved.
Pacific	A new load study done during test period for rate case. Equipment sample rotation occurs less frequently, and does not recommend codifying how often equipment must be rotated.	Staff believes that a minimum of one load study every 5 years is appropriate. A load study for every rate case may be too infrequent if a company if stays out for more than 5 years.
Puget Sound Energy	Load studies should be performed for each GRC or a minimum of every five years.	Staff agrees partially. Staff thinks it is most important to establish in rule a minimum threshold for how frequent load studies must be performed.
AWEC	Does not recommend any specific frequency, but frequency should balance COSS with utility needs for more precise load data.	Staff believes it is necessarily to set a minimum threshold for expectations of load study frequency. Agree with second part.
Public Counsel	Minimum of every five years.	Agree.

SUMMARY OF REDLINE EDITS TO INFORMAL DRAFT RULES ISSUED ON MAY 3, 2019

This summary matrix is grouped by the proposed informal draft rule sections. This summary included comments and any redline edits submitted to the Commission. Avista stated it did not have issues with the draft rules. Cascade did not provide any redline edits.

WAC 480-06-510(6)

Stakeholder	Summary of Comments	Team Response

WAC 480-xxx-010 Purpose

Stakeholder	Summary of Comments	Team Response
Public Counsel	Unclear about what direct comparison is being contemplated. Is it between companies, between rate cases filed by the same company, or other?	Comparison between companies and between rate cases filed by the same company.
AWEC	Proposed language change in subsection (2).	Team did not agree with language change proposal as the change did not add any additional clarity.
The Energy Project	Proposed language change in subsection (2).	Team did not agree with language change proposal as the change did not add any additional clarity.

WAC 480-xxx-020 Applicability

Stakeholder	Summary of Comments	Team Response

WAC 480-xxx-030 Definitions

Stakeholder	Summary of Comments	Team Response
Public Counsel	Provided edits to the definitions for: allocation factor; cost of service study; marginal cost study; special contract; and system peak.	Removed marginal cost study. Did not change definition for allocation factor because suggested edit did not add clarity. Slightly altered the other definitions based on this comment and the comments of other stakeholders.
AWEC	Provided edits to definitions for special contact and system peak. Wonders why the parity ratio and revenue-to-cost ratio language limits to just percent and decimal presentation.	Slightly altered the definitions based on this comment and the comments of other stakeholders.

		The ratio presentations were limited for ease of comparison.
Pacific Power	Suggested delete definition for “basic charge.” Provided edits to marginal cost study definition.	Deleted both definitions from the rule.
PSE	Recommended deletion of several definitions that are not used in the rule. Proposed language changes to “cost of service study” and “special contract” definitions. Stated the definition for “marginal cost study” is unusual, and suggests change to “bypass study” based on current definition in rule.	Deleted definitions for basic charge and marginal cost study. Language changes were made to the definitions for “cost of service study” and “special contract.”
WAC 480-xxx-040 Subsequent Review of Cost of Service		
Stakeholder	Summary of Comments	Team Response
Public Counsel	Unnecessary and duplicative with RCW 80.04.160. Limits Commission’s authority and needlessly prescriptive. Should be deleted in entirety.	Deleted section from proposed draft rule.
Pacific Power	Delete entire section, unnecessary b/c RCW 80.01.040 and RCW 80.01.160.	Deleted section from proposed draft rule.
PSE	Recommends deletion of entire section.	Deleted section from proposed draft rule.
WAC 480-xxx-050 Minimum Filing Requirements		
Stakeholder	Summary of Comments	Team Response
Public Counsel	Proposed language edits to subsection (1)(a). Proposed deleting subsection (1)(b)(iii) because it is overly burdensome to all parties.	Made language change to (1)(a) to capture exhibits as well as testimony. The team kept subsection (1)(b)(iii). Although we recognize the burden, it is important to know the relationship between the various spreadsheets in order to have a full understanding of the model. Staff also believes the burden is less than anticipated by stakeholders as the intent is only to have a table of contents-like index so the workbooks can be navigated easier.
AWEC	Proposed language edits to subsections (1), (1)(a), (1)(b), and (2).	Made all suggested language changes.

Pacific Power	Proposed to keep the first sentence of subsection (1)(b)(iii), but delete rest of subsection because of administrative burden.	The team kept this subsection. Although we recognize the burden, it is important to know the relationship between the various spreadsheets in order to have a full understanding of the model. Staff also believes the burden is less than anticipated by stakeholders as the intent is only to have a table of contents-like index so the workbooks can be navigated easier.
PSE	Propose ring-fencing subsection (1)(b)(i) to only include cost of service model (excluding revenue requirement and rate design spreadsheets) to keep volume of workbook operable. Unclear if narrative on macros is necessary and helpful.	The intent was to only include the cost of service model as “the model.” The macro narrative is helpful in order to understand how the model works.

WAC 480-xxx-060 Cost of Service Study Inputs

Stakeholder	Summary of Comments	Team Response
Public Counsel	Proposed language change to subsection (1). Proposed adding “econometric analysis” as an acceptable data source.	“Econometric analysis” is not an acceptable data source because it relies on estimations rather than actual customer usage.
Pacific Power	Proposed adding language to subsection (1) to capture street lighting schedules.	Added language for street lighting schedules.
Northwest Natural	Proposed adding language to include econometric load forecast as a data source.	Econometric load forecast is not an acceptable data source because it relies on estimations rather than actual customer usage.

PSE	Subsection (1), in current form, does not support language because appears to prefer actual peak information over design day peak data that would rely on some form of load study. Also does not include other types of data, like analog meters that should be considered. Subsection (2) intent is unclear.	The team acknowledges the comment regarding actual peak data versus design day peak data. Added language to capture data from advanced meter reading. Deleted subsection (2).
WAC 480-xxx-070 Cost of Service Methodology		
Stakeholder	Summary of Comments	Team Response
Public Counsel	Proposed language edits to subsection (1)(d). Questions if tables 1 and 3 are necessary because functionalization is hardly ever a point of controversy, and could be interpreted in a way that would make it unnecessarily burdensome, provide no additional useful information, and add to the complexity of COSS. Provides language edits to the tables, see suggestions and comments provided. A&G/General Plant should not be classified as customer costs.	Because classification and allocation methods are being written in rule, the first step in an embedded COSS should also be written in rule for consistency. A&G were unintentionally classified as customer, both tables have been fixed.
AWEC	Recommends defining embedded cost method in (1). Recommends defining system-wide marginal cost and system-wide econometric study in (2). Also wonders how the commission will consider alternative methods.	The proposed draft rule is the definition for an embedded cost study. Did not define system-wide marginal cost or system-wide econometric study because common industry definitions are adequate. The consideration of alternative methods is at the commission's discretion.
The Energy Project	A&G/General plant should not be customer costs.	A&G were unintentionally classified as customer; both tables have been fixed.

Pacific Power	Proposed language change to subsection (1)(a). Proposed language change in table 2 for distribution substation.	Did not include proposed language change because costs should be directly assigned when the information is available, not just when practical. Did not incorporate proposed changes to table 2, as those methods were agreed upon in the February technical workshop.
PSE	Section may restrict to traditional forms of regulation, even when alternative forms are being contemplated. Unclear of value of functionalization tables. Asked for clarity on some of the functionalization, classification, and allocation methods in the tables.	While alternative forms of regulation are being contemplated, that is outside the scope of this rulemaking. Because classification and allocation methods are being written in rule, the first step in an embedded COSS should also be written in rule for consistency. Incorporated concern regarding FERC account 908.
WAC 480-xxx-080 Exemptions		
Stakeholder	Summary of Comments	Team Response
Public Counsel	Recommends deleting because it is duplicative with WAC 480-07-110.	Did not delete the entire section, but deleted subsections (1) and (4). Made changes to clarify that there are additional requirements for exemption beyond those in WAC 480-07-110.
AWEC	Recommends deleting because it is duplicative with WAC 480-07-110.	Did not delete the entire section, did delete subsections (1) and (4). Made changes to clarify that there are additional requirements for exemption beyond those in WAC 480-07-110.
Pacific Power	Recommends deleting the second sentence in subsection (1).	Deleted subsections (1) and (4) completely.

PSE	Intent of subsection (1) not clear. Recommends deleting second sentence. Finds subsection (2) overly restrictive. Terms “sufficient,” “significant,” and “compelling” need to be clarified. Unclear the value of attempting to bind other utilities to an approach that might not be well suited to their situations. Unclear order of obtaining an exemption.	Deleted subsections (1) and (4). The identified terms are commonly used in statutes and rules, and do not need to be clarified. Staff believes the scenarios analysis presented through this rulemaking shows that the discrepancy of the results between the use of one methodology or another is negligible. Made language changes that make how to obtain an exemption clearer.
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