RE: Draft Cost of Service Rules, Chapter 480-07 WAC

Docket UE-170002

Mark Johnson, Executive Director/Secretary Washington Utilities and Transportation Commission 1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 Olympia, Washington 98504-7250

Dear Mr. Johnson:

The NW Energy Coalition (Coalition) submits the following comments pursuant to the Notice of Opportunity to File Written Comments dated October 11, 2019 in UE-170002.

The Coalition is an alliance of approximately 100 organizations united around energy efficiency, renewable energy, fish and wildlife preservation and restoration in the Columbia basin, low-income and consumer protections, and informed public involvement in building a clean and affordable energy future.

The notice asks for comments on the proposed templates filed in the dockets UE-170002 and UG-170003on August 30, 2019, referred to as the Electric Cost of Service Template and the Gas Cost of Service Template. Since the Gas Cost of Service Template will be dealt with via comments to be submitted by December 20th, and a conference call on January 8th, 2020. We confine our comments to FERC code assignments for electrical service.

NWEC very much supports consistency in reporting, which will allow for fair comparisons between utilities and over time for a single utility. Our concern is with how some of the FERC codes are allocated in the template.

The Coalition submitted informal comments on the functionality table in October of this year, which seem relevant to the template in question. We submit those comments again here, as it appears that aligning the allocation of FERC codes to a utility's revenue requirement template and the functionality chart would make some sense. The amendments we suggested are in italics, along with explanations that are embedded in the chart.

We view some FERC codes as reflecting usage as opposed to being customer driven, and have edited the first table to show those changed assignments. The second table is edited to show the reason for those changes.

Thank you for considering these suggestions,

Wendy Gerlitz
Policy Director, NWEC

Joni Bosh
Senior Policy Associate, NWEC

Functionalization	FERC Account Numbers
Generation	151, 152, 310 – 317, 330 – 337, 340 – 348, 500 – 515, 535 – 545.1. 546 – 557
Transmission	350 – 359.1, 560 – 573
Distribution	252, 360 – 374, 580 – 598
Customer	235, 901 -*903*, 905, 907, 908* 909– 910 (*Remove 904, it is usage related*)
Common	~~*920*~~ *909* – 935, working capital allowance (*909 Major instructional expenses, and 910 major informational expenses as well as 911-917, sales expense*.)
Gn/Tr/Dist/Cust/Comm	301 – 303, 403, 403.1, 404 – 407, 904 (*uncollectible accounts are driven by usage, not by customer. For example, if an industrial customer goes bankrupt, they could have millions of dollars of uncollectables.)*
Gn/Tr/Dist/Comm	105, 107, 108, 111, 154, 165, 281, 282
Allocate based on sub-account	182.3, 253, 254

* Expenses included in account 908 that are related to conservation must be functionalized as generation related. We agree this is extremely important.

Table 2 – Electric Cost of Service Approved Classification and Allocation Methodologies

Functionalized Cost	Classification Method	Allocation Method
Generation	*Time-differentiated energy* ~~Renewable future peak credit with net power costs allocated on energy~~	~~Load net of renewable generation, using 12 coincident peaks.~~ *(The only costs that should be allocated based on peak demand are the costs of demand response involved during those peak hours. All other assets are used for much broader peaks, and the costs should be assigned to all hours when the assets are providing service.)*
Transmission	*Time-differentiated energy* ~~Demand~~	~~12 coincident peaks.~~ (*Transmission should not be allocated based on demand. Transmission is built to deliver bulk power. Transmission costs should be allocated to the hours when transmission assets are utilized. If they are mostly utilized in off-peak hours, the cots should follow the benefits into those hours.*)
Distribution Substation	*Time-differentiated energy* ~~Demand~~	Direct assignment to large customer classes based on load ratio share of substations they are fed from; for this allocator only, the utility may determine "large customer." All other classes use an average of the relative share of the summer distribution system coincident peak and the relative share of the winter distribution system coincident peak. (*This has the effect of providing favorable treatment to some customers. This direct assignment could be applied to all customer classes, on a substation by substation basis.* *Some substations are sized to summer loads (irrigation), some are sized to winter loads. This type of allocation proposed here limits the parties from proposing cost-based allocation of these costs where the "average of summer and winter" are not reflective of relevant costs. Apportionment of these costs on a time-differentiated energy basis will ensure that customers using them at high-demand periods will pay an appropriate amount. Basing allocation on demand exempts some customers (using off-peak energy) from any responsibility for costs.*)
Distribution Line Transformers	Demand	Secondary customers directly assigned where practical. All remaining costs are allocated using a relative ratio of transformers at current installation costs.
Distribution Poles and Wires	*Time-differentiated energy* ~~Demand~~	Primary system customers are allocated using the same method as distribution substation. Secondary system customers are allocated *using time-differentiated energy usage.*
Service Lines	Customer	Average installed cost for new service lines multiplied by customer count relative to average installed cost.

Meters	Customer	Average installed cost for new metering multiplied by customer count.
Customer Service/Billing	Customer	All costs assigned by weighted customer counts.
Administrative & General and General Plant	Depends on functionalization of account	Property insurance based on allocated plant; pensions and employee insurance based on salary and wages; FERC fees based on energy; revenue-based fees allocated by class relative share of total revenue. The remainder of administrative & general and general plant costs shall be allocated *based on a subtotal of plant and expenses allocated to each class, including production, transmission and distribution costs.* An explanation of the allocation method used must be included in testimony.
Intangible Plant	Depends on functionalization of account	Each type of intangible and amortization in a separate account, allocated using appropriate factors. A materiality threshold of 0.5% of intangible plant will be applied.