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

Summary of Comments

This document summarizes all CR-102 comments the Commission received regarding the cost of service rulemaking, Dockets UE-170002 and UG-170003.

CR-102 PHASE

COMMENTS FROM THE NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS ISSUED ON FEBRUARY 12, 2020		
Stakeholder	**General Comments Not Applicable to a Specific Section of the Rule**	**Staff Response**
Avista	Avista appreciates the opportunity to provide comments. Avista has reviewed the proposed rulemaking referred to in this Notice and the Company is supportive of the proposed rules. However, the Company is concerned regarding the amount of lead time necessary to fully implement the proposed rules. The Company believes a transition period of up to one-year for the complete implementation of these rules upon passage would be reasonable.	Staff appreciates Avista's comments and work on the proposed rules. Staff understands the concerns of stakeholders about implementation and will ask that the Commission take it into consideration.
NW Natural	Reviewed the proposed rules and does not have any other comments or proposed revisions beyond what has already be provided to the docket.	Staff appreciates NW Natural's earlier comments and work on the proposed rules.
NWEC	We are disappointed that none of our concerns are addressed in the final draft, nor have we been provided any explanation as to why they were not accepted. Our concerns that the rules are not adequate for the current or future utility regulatory system remain. In essence, costs of assets that are used for many hours in broader peaks should be assigned to the hours when those assets are providing service regardless if those hours are peak or non-peak hours, not just to twelve coincident peaks a year. Likewise, assigning distribution substation costs based on seasonal averages (after large customer portions are calculated), exempts some customers from any responsibility for costs;	Staff appreciates NWEC's comments and will continue to respond to those comments that have been received in a timely manner. Staff respectfully disagrees with NWEC that the proposed rules are "not adequate for the current or future utility." The proposed rules provide an appropriate balance between the cost drivers of the existing system and the potential for new requirements. In addition, the proposed rules allow for parties to

	better to directly apportion costs on a time differentiated energy basis to all customer classes, which will ensure that customers using those assets at high-demand periods will pay an appropriate amount. The current draft of the cost allocations looks backward to a system that is fast disappearing and needs to be able to adapt to a rapidly changing electrical system.	present an alternative through a petition for exemption that is consistent with the public interest, the purposes of underlying regulation, and applicable statutes.
PacifiCorp	PacifiCorp fully supports the proposed rules as they are currently written. Additionally, PacifiCorp has experienced a smooth transition in implementing these rules with the cost of service study it filed in its current general rate case.	Staff appreciates PacifiCorp's previous comments and work on the proposed rules.
PSE	PSE is concerned that the current draft rules are being proposed and established in a silo, and do not sufficiently take into consideration the possible outcomes from other proceedings such as the Notice of Inquiry into the Adequacy of the Current Regulatory Framework Employed by the Commission in Addressing Developing Industry Trends, New Technologies, and Public Policy Affecting the Utility Sector, Docket U-180907.	Staff respectfully disagrees with PSE that the proposed rules "do not sufficiently take into consideration the possible outcomes from other proceedings." The proposed rules provide an appropriate balance between the cost drivers of the existing system and the potential for new requirements. In addition, the proposed rules allow for parties to present an alternative through a petition for exemption that is consistent with the public interest, the purposes of underlying regulation, and applicable statutes.
Comments affecting WAC 480-85-030 Definitions		
(1) Allocation Factor		
Stakeholder	**Summary of Comments**	**Staff Response**
Public Counsel	Public Counsel recommends the following definition for allocation factor: "Allocation factor" means the customer class (or rate schedule) percentage contribution to the total utility amount of a particular attribute used to allocate jointly-incurred costs.	Staff believes that the proposed definition is sufficiently broad and therefore already includes the elements Public Counsel is proposing.

(2) Common Function		
Stakeholder	**Summary of Comments**	**Staff Response**
PSE	The term "Common function" is defined as "costs that can be functionalized to both electric and gas operations." While PSE agrees with this definition, it should be noted that the term "Common function" can be confused with common functionalization methodology in WAC 480-85-060 Cost of Service Methodology.	Staff respectfully disagrees with PSE that the definition for "Common function" can be interchanged with the common functionalization methodology. "Common function" is abbreviated to "Comm" in the sections thereby eliminating any potential confusion.
(3) Cost of Service Study		
Stakeholder	**Summary of Comments**	**Staff Response**
PSE	"Regulatory accounting rules and principles" is used in the definition for 'cost of service study', however it remains unclear which accounting rules and principles are being referenced. PSE recommends adding additional language that clarifies which regulatory accounting principles are being referenced.	Regulatory accounting rules and principles are well understood industry terms that appropriately describe the Commission's regulatory practice and evaluation of matters before it. Staff believes this additional language is therefore unnecessary.
Public Counsel	Public Counsel recommends the following definition for "cost of service study": "Cost of service study" means an embedded study that allocates revenues, operating income, and rate base items to individual customer or rate classes based on direct assignment where practical. Costs are allocated based on cost causative factors to the extent that such cost causative factors can be identified and quantified or allocated based on what can be considered fair and reasonable.	Staff believes the proposed definition is sufficiently broad, and therefore already includes the elements Public Counsel proposes.
(5) Load Study		
Stakeholder	**Summary of Comments**	**Staff Response**
Cascade Natural Gas	Throughout the course of this rulemaking docket Cascade has taken the reasoned position that the gas load research study of the type described in the proposed by the draft rules does not represent an improved and cost-effective approach to determining class level design day peak demands for use in a gas utility's COSS. First, notwithstanding the significant cost, potential program pitfalls and data weaknesses alluded to earlier that load	Staff respectfully disagrees that load studies that rely solely on monthly billing records will result in a statistically sound analysis. Specifically, input data that reflects actual daily usage during the course of a month is

	research studies may encounter, adequate consumption data already exists in years of monthly billing records for the entire population of Cascade's core customer classes, from which statistically sound regression analysis results are currently produced on an ongoing basis. This load data provides reliable class level design day peak demands for use in the COSS, which more than adequately meets the gas utility industry definition of a "load study."	superior to estimates developed for that purpose.
PSE	The requirement to conduct load studies every five years can be interpreted in multiple ways. One could interpret it as meaning the need to design and select a new sample and perform a load study for a minimum of 12 months, every five years, or it could be interpreted to mean that one could have a sample that is in place for 10 consecutive years and that would comply. PSE recommends further clarification on the selection of sample set.	Staff agrees with PSE's comments and will ask the Commission to incorporate minor, non-substantive revisions to address this concern.
Comments affecting WAC 480-85-040 Minimum Filing Requirements		
Subsection (1) All cost of service study results must be filed in the following forms, available from the Commission: electric cost of service template; and, gas cost of service template…		
Summary of Comments		**Staff Response**
PSE	*Subsection (1)(a)* Draft rules include a new minimum requirement to cite work papers in supporting testimony and exhibits. Work papers are already provided to support testimony and exhibits. Further, testimony and exhibits do not typically cite to work papers, as they are excluded from the evidentiary record. PSE is concerned with creating an unnecessary and duplicative requirement that only overloads the testimony and exhibits as well as forces an overly burdensome procedure on all parties. Moreover, this draft rule unnecessarily duplicates WAC requirements that already exist for utilities to provide all of their spreadsheet exhibits with live links to any associated workpapers. *Subsection (1)(b)(i*) The new minimum requirement in this subsection where 'all associated calculations necessary to support the results of the study must be	The purpose of this requirement is to reduce regulatory burden on parties reviewing a proposed cost of service study. The requirement exists only where testimony references or relies upon information not already found in other testimony or an exhibit. Staff therefore disagrees that the requirement will result in an "overly burdensome procedure" as all data, models, and calculations referenced in testimony should be provided to ensure the record in a general rate case is complete and satisfactory for Commission review. Staff understands PSE's concern. This rulemaking, however, pertains only to cost of

	consolidated in the same electronic workbook file' may not be feasible. Taken to its extreme, this could entail the consolidation of what is currently approximately 100 spreadsheets (many with a dozen or more individual tabs) into a single workbook file. PSE recommends ring-fencing the subsection to only include the cost of service model, excluding revenue requirement and rate design spreadsheets. If the intent is to have this requirement only apply to the cost of service model, then adding appropriate language to explain this is recommended. Additionally, it is unclear if Microsoft Excel could even accommodate the volume of resulting data and calculations, and whether a typical computer could process a file that large. PSE recommends to allow for flexibility in this requirement.	service study requirements. The proposed language specifically references "models" or "cost of service workbook" in subsections (i), (ii), and (iii). Further, (i) specifically notes that the requirement to consolidate workbooks into a single file exists only wherever practical. Staff therefore disagrees that such requirements are overly burdensome or unclear.
Public Counsel	Proposed WAC 480-85-040(1) refers to electric cost of service templates and gas cost of service templates, and the proposed rule requires all cost of service studies to be filed using the template forms. Templates for both electric and natural gas were shared with stakeholders on October 11, 2019. Several of the utility stakeholders raised questions or proposed revisions to the templates. The templates were not circulated with the most recent Notice of Opportunity to File Written Comments, so the final templates are unknown. If the templates have been modified, it may be useful to circulate them for additional stakeholder review and comment.	Staff will continue to work with parties to develop appropriate templates that are available through the Commission's website.
Subsection (2) Companies that provide electric and natural gas service must file a cost of service study for their electric and natural gas operations simultaneously. If a company providing electric and natural gas service files a general rate case for only one of its services, the company must apportion the common costs shared by both services in lieu of filing a cost of service study for the service not included in the general rate case.		
Summary of Comments		**Staff Response**
PSE	Subsection (2): The new minimum requirement in this subsection appears to require Companies to jointly file for electric and gas rate cases. This is not currently required in any of the other Commission rules. If this is not the Staff's intent, PSE recommends striking the term "simultaneously" in the end of the first sentence.	The rule does not require a company to jointly file electric and gas rate cases as explained in the latter half of subsection (2). However, Staff agrees that PSE's proposed revision will enhance the rule's clarity. Staff will ask the Commission to incorporate the proposed revision as a minor, non-substantive modification.

Comments affecting WAC 480-85-050 Cost of Service Study Inputs		
Subsection (1) The rate schedule usage data for any cost of service study must come from the best available source: advanced metering technology, including advanced metering infrastructure (AMI), and advanced meter reading (AMR), or a load study.		
Summary of Comments		**Staff Response**
Avista	The Company does not believe that conducting an expensive new load study prior to the completion of its AMI meters project, likely by a third-party entity, would be a prudent use of resources for customers to incur given the imminent availability of the AMI data. The Company asks that there be flexibility in this type of situation as the Company completes its transition to full deployment of AMI meters.	Staff understands the concerns of stakeholders regarding implementation and will ask the Commission to take that into consideration.
PSE	Subsections (1) through (4): The new rule appears to favor usage data in the following order: advanced metering infrastructure ("AMI"), advanced meter reading ("AMR"), and load study. PSE is concerned the draft rules, as written, confuse the difference between metering technology and load research process. AMI and AMR are metering technology and infrastructure that allow for collection of meter data to support a load study. A load study is an analysis that measures and studies the characteristics of electric or gas loads to provide a statistically significant estimate of usage, trends, and general behavior of the load characteristics of the service company customers. If the intent is to develop load study results using the full customer population data in lieu of a sample set for the cost of service study, this should be explicitly stated. PSE is concerned with the confusion in this section between metering technology and the process to develop cost of service study inputs as well as the rigid preference to use full population data due to the following reasons: i. The minimum requirement to use hourly data for electric and daily data for gas would sum to nearly 10 billion data points for a single PSE test year. Using this massive volume of data for the cost of service study would be resource intensive and impractical, especially given that the use of sample sets has successfully provided statistically significant estimates of load profiles/shapes required for the cost of service study. ii. This section states a preference to use actual usage data and to only use load study data if AMI/AMR data is not available. Even	Staff respectfully disagrees with PSE. AMI and AMR are broad industry terms that are not specific to one form of metering technology. Further, the proposed rules include AMR and AMI as a subset of any "advanced metering technology." The rule does not state any preference between the respective technologies. Instead, the rule requires data collected through any metering technology to meet certain granularity requirements. These rules do not replace the use of sampled data for a full population in a statistical analysis. Rather, Staff is interested in the use of granular input data that reflects sub-monthly data during a month. Such data is far superior to estimates. These rules do not preclude "cleaning" data sets, which is a necessary step in any statistical analysis.

	if full population data collected from AMI/AMR is used, a load study is still required to conduct statistical analysis on the full population data set to develop the usage inputs applied in the cost of service model. iii. AMI data is not perfect or 100% available. Often, AMI meter reads may be partial, incomplete, missing or corrupted, requiring some element of VEE of the AMI data. As the draft rules are currently written, it is unclear if the VEE process, which is an industry standard process used for cleansing data, would be allowed. iv. All customers within a customer class or rate schedule may not have metering technology to allow for hourly/daily meter reads, thereby necessitating the need for some element of estimation of usage, trends and general behavior of load characteristics to develop load profiles/shapes of customers. v. AMI/AMR data for gas is measured in CCF and is converted to therms for billing purposes. As the draft rules are currently written, it is unclear if PSE's current practice of using therms within the COS study would be allowed. vi. This section indicates a preference for using actual peak day over design day for gas cost of service input. It is unclear, what impact this section would have on the use of design day peak loads based off a load study for the distribution mains allocation methodology specified in Table 4. As currently proposed, PSE cannot support this language as it prescribes or favors only AMI and AMR technology as the preferred method for meter data collection, and disallows the use of MV-90, PowerSpring, other analog meters, load forecasts, contract demands, as well as normalization and other statistical techniques normally used to develop inputs for a cost of service study (such as the estimate of energy consumption under normal	

	weather conditions or the estimate of "design day" peak demands under more extreme weather conditions).	
Public Counsel	This proposed provision conflicts with certain natural gas proposed rules. Specifically, proposed WAC 480-85-060, Cost of Service Methodology (Table 4) requires demand (load) to be allocated based on "Design Day." Design day demands are based on econometric analysis, not load studies. The cost of service methodology in proposed WAC 480-85-060 (Table 4) requires the use of econometric analysis. Estimations are therefore required in natural gas cost of service studies.	Staff respectfully disagrees. The requirement to use data from advanced metering technology or a load study does not preclude the use of design day as an allocation methodology. Neither does the allocation based upon design day for distribution mains undermine the requirement that cost of service studies be based on data as specified in subsection 050(3). The Commission is concerned that the use of econometric analysis in this context will allow utilities to not study certain aspects of actual usage. Staff respectfully disagrees that load studies that rely solely on monthly billing records will result in statistically sound analysis. Specifically, input data that reflects actual daily usage during the course of a month is superior to estimates developed for that purpose.
Comments affecting WAC 480-85-060 Cost of Service Methodology		
Subsection (1) A cost of service study filed with the Commission must be calculated using an embedded cost method.		
Summary of Comments		**Staff Response**
PSE	Subsection (1): This subsection strictly adheres to traditional forms of regulation by prescribing a cost of study using an embedded cost method. While this is common practice today, particularly with ongoing discussion on alternative forms of regulation, it may restrict the Commission to use only traditional approaches to cost allocation. PSE is concerned that the current rules are being proposed and established in isolation, and do not take into consideration the possible outcomes from other proceedings.	Please see response to PSE's general comments.

	Subsection (1)(a-e) and (3): PSE appreciates the need to codify uniform classification and allocation methodology for the development of a cost of service study. PSE generally supports such rules for transmission, distribution and general functions. However, PSE questions whether it is appropriate to codify rules for classification and allocation of generation in a time when the electric industry, utility generation portfolios, and the regional energy and capacity markets are in a state of flux. Prescribing methodology that is likely to be obsolete in a couple years will limit our ability to respond to changing conditions and may generate inaccurate cost assignments. PSE strongly recommends the rules exclude the classification and allocation of generation for the time being due to the rapidly changing energy markets and utility generation portfolios. Subsection (1)(e): It is unclear whether "Comm" is an abbreviation meaning the Common function or common functionalization method. PSE recommends further clarifying the abbreviation.	Please see response to PSE's general comments. "Comm" is clearly defined as an abbreviation for the "Common Function." No additional clarification is needed.
Subsection (2) In addition to filing a cost of service study as required in subsection (1), a party may file a cost of service study based on a system-wide econometric study or a system-wide marginal cost study.		
Summary of Comments		**Staff Response**
PSE	Subsection (2): PSE recommends defining the terms "system-wide econometric study" and "system-wide marginal cost study" within the Definitions section of the rules.	Staff does not believe these definitions should be incorporated into the proposed rule at this time since these rules do not differ from their plain meaning known in the industry.
Subsection (3) Tables 1 – 4 of this subsection outline the functionalization, classification, and allocation methods required by subsection (1).		
Summary of Comments		**Staff Response**
PSE	Subsection (1)(a-e) and (3): PSE appreciates the need to codify uniform classification and allocation methodology for the development of a cost of service study. PSE generally supports such rules for transmission, distribution and general functions. However, PSE questions whether it is appropriate to codify rules for classification and allocation of generation in a time when the electric industry, utility generation portfolios, and the regional energy and capacity markets are in a state of flux. Prescribing methodology that is likely to be obsolete in a couple years will limit our ability to respond to changing conditions and may generate inaccurate cost assignments. PSE strongly recommends the rules exclude the classification	Please see response to PSE's general comments.

	and allocation of generation for the time being due to the rapidly changing energy markets and utility generation portfolios.	
Table 1 – Electric Cost of Service Approved Functionalization Methodologies		
Summary of Comments		**Staff Response**
NWEC	NWEC proposes several changes to the accounts identified in FERC 1, primarily related to usage.	Staff respectfully disagrees with NWEC that these accounts are usage related. Commission precedent on these issues has been clear.
PSE	The term "Common function" is used interchangeably between "Common function" and common functionalization method. PSE recommends changing the term for common functionalization method to 'General', 'Administrative & General', or 'A&G'. PSE suggests the addition of several FERC account numbers to the functionalization categories.	"Comm" is clearly defined as an abbreviation for the "Common Function." No additional clarification is needed. Staff believes the Commission should decline to include additional FERC accounts in the proposed rule. In addition, WAC 480-85-060 states FERC accounts not explicitly included in these rules may be functionalized on a utility-by-utility basis and must be identified and supported through testimony.
Public Counsel	The primary concern Public Counsel has with Tables 1 and 3 is that the requirement to explicitly functionalize each cost component is unnecessarily burdensome and provides no additional useful information. Functionalization is not typically contentious, and the FERC Uniform System of Accounts provides general functionalization of individual accounts. Public Counsel continues to question the need for Tables 1 and 3 and supports removal of those tables.	Staff respectfully disagrees that these tables are unnecessary. They provide clear guidance on a core element of cost of service studies to utilities and stakeholders.

Table 2 – Electric Cost of Service Approved Classification and Allocation Methodologies		
Summary of Comments		**Staff Response**
AWEC	*Generation* AWEC does not oppose the use of the renewable future peak credit method. When allocating costs between demand and energy under this method, however, AWEC recommends that all generation costs, both fixed and variable costs, be treated identically. As used today, the peak credit method allocates all production costs, including net power costs, based on a demand/energy split. AWEC recommends a similar application for the renewable future peak credit method. *Distribution* Where practical, AWEC is supportive of directly assigning costs to large customers. Notwithstanding, if a large customer is directly assigned the cost of its distribution facilities, it would be inequitable for additional system costs to be indirectly assigned on the basis of the large same customer's distribution system coincident peak, or other rolled-in factor. Doing so will over-allocate costs to the customer because the customer would be paying for 100% of its own distribution costs, plus a rolled-in portion of the other customers' costs as well.	RFPC relies upon on the difference between a renewable energy generation resource and a storage resource while the traditional peak credit method relies upon the difference between a natural gas peaker and baseload resource. Because the RFPC relies upon resources that do not normally contribute to net power costs, it is inappropriate to allocate net power costs in a similar manner. Therefore, Staff believes the Commission should decline to incorporate net power costs into the allocation of fixed generation costs. The rules prohibit assigning any similar remaining costs in an account to classes already included in the direct assignment of those costs. Staff believes that additional clarity is unnecessary.
NWEC	NWEC proposes "Time-differentiated energy" because 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. Further, Transmission should not be allocated based on demand. Transmission is build 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 costs should follow the benefits into those hours.	Staff respectfully disagrees with NWEC that demand or distribution is driven solely by time. It appears that the information NWEC requests the Commission to consider is chiefly related to the fundamental design of rates, which is beyond the scope of this rulemaking and more appropriately addressed elsewhere.

	Regarding distribution poles and wires, NWEC again proposes "Time-differentiated energy" since the proposed method 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.	
PSE	Generation Classification Method: Commission Staff's proposed Renewable Future Peak Credit with Net Power Costs Allocated on Energy ("RFPC") is not defined, nor is a calculation for the method provided in the draft Cost of Service rules. As the method is untested and unprecedented, PSE strongly questions whether this classification method should be included in the rulemaking. If the Commission finds that RFPC is appropriate to use for electric classification, PSE strongly recommends the Commission provide clear guidance and rules with its use. Defining parameters and how the classification method should be calculated before inclusion in the rulemaking are essential, since the RFPC is not a standard classification method that has been tried and tested, thus lacking case precedent in addition to the following: PSE recommends removing 'annual' in the second sentence so it reads 'Net power costs are allocated using energy usage at the point of generation'. Including the term 'annual' in the sentence would run counter to time-of-use pricing. Removing the term allows flexibility for allocating costs. *Service Lines Allocation Method* PSE questions if the allocation method should read 'average installed cost for new service lines multiplied by customer count relative to total installed cost'.	Staff disagrees with PSE's comments. The renewable future peak credit method uses industry accepted norms for evaluating demand and energy components (similar to the peak-credit method) but incorporates new types of generation that were not available when the "industry accepted" methods were created. Introducing new generation types to classification of energy and demand is consistent with the underlying changes in a utility's portfolio while recognizing the existing fleet of investments that provide service to customers. The name "renewable future peak credit" merely helps to describe the incorporation of these new types of generation into the industry-accepted peak credit method. Further, the utilities helpfully submitted to this docket the resulting information from a cost of service study using this methodology. Staff agrees with PSE's comment and will ask the Commission to incorporate minor,

	Administrative & General and General Plant PSE recommends the remainder of administrative and general and general plant costs also be allocated on standardized methods. Quite often disagreements continue to arise on cost allocation methods that have an immaterial impact on the cost of service study results. PSE is indifferent on the methods used to allocate the remainder of administrative & general and general plant costs. *Intangible Plant Allocation Method* PSE seeks clarification on which appropriate factors to use to allocate intangible plant. Quite often disagreements continue to arise on cost allocation methods that have an immaterial impact on the cost of service study results. PSE is indifferent on the methods used to allocate intangible plant.	non-substantive revisions to address these concerns. Staff believes that the Commission should decline at this time to direct utilities to apply a specific method to administrative and general or specific factors for intangible plant because there can be significant variations amongst the structure companies use to manage their operations, especially for IT-related projects. Staff believes that the Commission should decline at this time to direct utilities to apply a specific method to administrative and general or specific factors for intangible plant because there can be significant variations amongst the structure companies use to manage their operations, especially for IT-related projects.
Table 3 – Natural Gas Cost of Service Approved Functionalization Methodologies		
Summary of Comments		**Staff Response**
Avista	The cost of service methodology proposed in Section 480-85-060 for natural gas demand costs calls for allocation by design day peak demand. Considering that design day peak demand is a planning estimate independent of actual test period daily usage, the Company finds the Section 480-85-030 (5) load study performed at a minimum every five years or Section 480-85-050 advanced metering daily load data requirements to be superfluous if the design day peak demand methodology is adopted into rule.	Staff understands Avista's concerns. However, Staff respectfully disagrees that design day cannot be informed by load studies that incorporate statistically sound analysis. Specifically, input data that reflects actual daily usage during the course of a month is far superior to estimates developed for that purpose.
AWEC	While AWEC does not have comments on the approved Functionalization Methodologies in Table 3, AWEC suggests that the table be organized to distinguish between Plant accounts and Expense accounts.	Staff appreciates AWEC's comments but believes the Commission should decline to incorporate these changes. FERC designates which accounts are expenses and which are plant accounts. Therefore, Staff believes

		repeating the designations here is unnecessary.
Cascade	The "Stor" function should include electric to account for utility scale battery or other electricity storage technologies are employed on the utility's distribution system. In addition, Cascade proposes account numbers for Liquified Natural Gas (LNG) Terminaling and Processing Plant, and Operation and Maintenance (O&M) expenses.	Staff believes that the Commission should decline to address the specific method for functionalizing electricity storage at this time because such costs are natively captured through generation and distribution. The Commission has authority to consider this addition whenever the technology and industry mature to the point where such treatment is warranted. Staff believes that the Commission should decline to include additional FERC accounts in the proposed rule. In addition, WAC 480-85-060 states FERC accounts not explicitly included in these rules may be functionalized as a utility sees fit and must be identified and supported through testimony.
PSE	PSE suggests the addition of the several FERC account numbers to the functionalization categories.	Staff believes that the Commission should decline to include additional FERC accounts in the proposed rule. In addition, WAC 480-85-060 states FERC accounts not explicitly included in these rules may be functionalized as a utility sees fit and must be identified and supported through testimony.
Public Counsel	The primary concern Public Counsel has with Tables 1 and 3 is that the requirement to explicitly functionalize each cost component is unnecessarily burdensome and provides no additional useful information. Functionalization is not typically contentious, and the FERC Uniform System of Accounts provides general functionalization of individual accounts. Public Counsel continues to question the need for Tables 1 and 3 and supports removal of those tables.	Staff respectfully disagrees and believes these tables: (1) provide clarity to companies and stakeholders, (2) help ensure consistency among studies, and (3) reduce the Commission's administrative burden during evaluation.

Table 4 – Natural Gas Cost of Service Approved Classification and Allocation Methodologies		
Summary of Comments		**Staff Response**
AWEC	While AWEC supports the use of Design Day Demand (peak) rather than an averaging of peak days for allocating the demand classified component of main costs, AWEC still believes that the classification of mains as both demand related and throughput related unfairly allocates costs to high load factor customers. Accordingly, for Distribution Mains, Transmission Mains and Distribution Assets, AWEC suggests that Table 4 be revised to provide for three class cost of service studies to provide a range of results—Design Day Demand (peak), Average and Excess, and Peak and Average. This would provide more information to the Commission which it could use as the basis for determining the allocation of costs to customer classes.	Staff believes that the Commission should decline to require utilities to provide three separate cost studies. Tripling the amount of work and resources used by utilities prior to filing, by stakeholders in response, and by the Commission in its evaluation, would not produce an associated benefit of sufficient value. Rather, such a process would thwart a purpose of this rule, which is to reduce the administrative burden on all involved. Additionally, the information gleaned from the presentation of multiple studies would offer little additional value when the Commission applies the results of the of cost of service through rate spread and rate design.
	Storage For Storage costs, it was AWEC's understanding that only system balancing costs would be allocated to all customers, because this benefits all customers. However, it was also AWEC's understanding that the remaining costs would be allocated to sales customers only because only sales customers benefit from storage gas. The proposed rule on storage is ambiguous as drafted. AWEC would suggest inserting phrase "Sales Customers" as follows: "All remaining costs are allocated to sales customers with a ratio based on average winter sales that exceed average summer sales"	The rules are clear as written, but Staff agrees with AWEC's comment that the rules would benefit from the additional clarity as proposed and will ask the Commission to incorporate minor, non-substantive revisions as appropriate.
Cascade	*Distribution Mains* Clarification is needed that distribution mains are classified as Demand; and the system load factor is the basis for the split of costs at the Allocation step between Design Day and Annual Throughput.	The rules are clear as written, but Staff agrees with Cascade's comment that the rules would benefit from the additional clarity as proposed and will ask the Commission to incorporate minor, non-substantive revisions as appropriate.

	Storage Clarification is needed that costs classified as balancing are allocated to all customer classes based average daily injection / withdrawal experience throughout the year in the storage reservoir.	The rules are clear as written, but Staff agrees with comments from AWEC, above, and will ask the Commission to incorporate minor, non-substantive revisions which address Cascade's concern.
PSE	*Distribution Mains* Allocation methodology specifies "Design day (peak) and annual throughput (average) based on system load factor". PSE is unclear whether this rule would allow the use of main pipe diameter to allocate costs to some customer classes but not others. Additionally, would this rule allow direct assignment of costs to some customer classes but not others (e.g., special contracts)? PSE recommends further clarification for this allocation method.	The rules are clear and do not allow for the use of main pipe diameter to allocate costs to some classes but not others. Special contracts are not required to be included in an embedded cost study and can be addressed on a utility by utility basis in a GRC.
	Distribution Assets PSE is unclear whether the allocation methodology should be "Demand", as specified, or "System load factor" per "Follows distribution mains" consistent with Distribution and Transmission Mains functionalized category? PSE recommends further clarification for this allocation method.	The rules are clear as written, but Staff will ask the Commission to incorporate minor, non-substantive revision based on Cascade's comments above. Since these two components are linked, the clarification should also resolve PSE's concern.
	Storage PSE believes it is more appropriate to allocate balancing costs based on annual weather normalized sales as balancing activities take place year round. PSE recommends updating the methodology to "Costs classified as balancing are allocated to all customers based on annual weather normalized sales".	Staff believes that the Commission should decline to incorporate all sales in the allocation of storage costs. Winter sales are the primary driver of injection needs and the primary beneficiary of price arbitrage allowed by storage.
	Customer Service/Billing Allocation methodology specifies "All costs assigned by weighted customer counts". Under the proposed rule it is unclear if actual customer counts could be used, which is the current practice of PSE. If weighted customer counts are required it would be helpful for the Commission to define the methodology for calculating the weighting factors. PSE recommends further clarification for this allocation method.	The specific methodology for developing weights for customer counts is not identified since it is based on activities such as meter reading, billing, and collections which may differ amongst the utilities.

	Administrative & General and General Plant PSE recommends the remainder of administrative and general and general plant costs also be allocated on standardized methods. Quite often disagreements continue to arise on cost allocation methods that have an immaterial impact on the cost of service study results. PSE is indifferent on the methods used to allocate the remainder of administrative & general and general plant costs. *Intangible Plant* Allocation Method: PSE seeks clarification on which appropriate factors to use to allocate intangible plant. Quite often disagreements continue to arise on cost allocation methods that have an immaterial impact on the cost of service study results. PSE is indifferent on the methods used to allocate intangible plant.	Staff believes that the Commission should decline to direct utilities to apply a specific method to administrative and general or specific factors for intangible plant because there can be significant variations amongst the structure companies use to manage their operations, especially for IT-related projects. Staff believes that the Commission should decline to direct utilities to apply a specific method to administrative and general or specific factors for intangible plant because there can be significant variations amongst the structure companies use to manage their operations, especially for IT-related projects.
Comments affecting WAC 480-85-070 Exemptions		
Subsection (1) A petition for exemption from any part of this chapter pursuant to WAC 480-07-110 must include…		
Summary of Comments		**Staff Response**
Public Counsel	To require parties to seek an exemption before they may present alternatives improperly limits the evidence that the Commission has available in the record. Indeed, by requiring parties to seek an exemption, there is little room for any party to offer alternative studies or disagreement with the prescribed methodology. The process required under the proposed rule is unclear. Staff's response to stakeholders in the Summary of Comments indicates that parties would be asked to seek exemptions outside of rate cases. It is difficult to envision	Staff respectfully disagrees. The rule does not improperly limit what may be included in the record for the Commission to consider as alternative evidence. Parties may present an alternative cost of service study and request an exemption for it as long as the party also files a cost of service study that complies with these rules. These rules do not prevent a party from petitioning for exemption during the course of a general rate case. Staff respectfully disagrees. The rule does not improperly limit what may be included in the record for the Commission to consider as alternative evidence. Parties may present an alternative cost of service study and request

	when outside of a rate case filing that a party, other than a utility, might seek an exemption regarding cost of service studies. It is reasonable for the Commission to require parties appearing before it to present cost of service studies in a preferred methodology, and Public Counsel supports the efforts to streamline cost of service study presentations. It is unreasonable, however, to refuse parties the ability to present the best evidence they see fit for a particular case if they have met the Commission's requirements. The Commission can weigh the evidence and accord it the appropriate weight, given each utility's unique circumstances. Proposed WAC 480-85-070 is unnecessary.	an exemption for it as long as the party also files a cost of service study that complies with these rules. These rules do not prevent a party from petitioning for exemption during the course of a general rate case. The language in this section does not present too high a bar for stakeholders or companies to offer competing studies if they have a compelling reason to do so. Further, parties are still free to present arguments about the application of cost of service studies to individual customer classes (rate spread) and the final design of rates (rate design), which is consistent with Public Counsel's description of there being "no single or absolutely correct answer," as the Commission does not apply a cost of service study through pure arithmetic, but also takes into consideration many other factors in rate spread and rate design.
Subsection (2) Under WAC 480-07-500(4), the Commission will reject or require revision of any filing presenting a cost of service study that does not fully comply with this chapter unless a Commission order has granted an exemption from this chapter.		
Summary of Comments		**Staff Response**
PSE	This subsection appears to be duplicative with WAC 480-07-500(4), which already gives the Commission authority to reject or revise any filing to initiate a general rate proceeding that is not in conformance with the rules. Additionally, PSE is unclear on the sequence to obtain an exemption. Would utilities be required to file a motion for exemption prior to filing of the COS study, or do utilities submit a COS study and request exemption at the time of filing? PSE recommends deleting this subsection as it is duplicative and causes confusion regarding the process in which a petition for exemption may be filed.	Staff believes that the Commission should decline to remove this section because it provides clear guidance to utilities and stakeholders about what information will be necessary for the Commission to make a determination under WAC 480-07-110 and the conditions under which a filing would not comply with the proposed rule.