

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of Amending  
WAC 480-07-510 and Adopting Chapter  
480-85 WAC

Relating to

Cost of Service Studies for Electric and  
Natural Gas Investor-Owned Utilities

DOCKETS UE-170002 and UG-170003

GENERAL ORDER R-599

ORDER AMENDING AND  
ADOPTING RULES PERMANENTLY

- 1 **STATUTORY OR OTHER AUTHORITY:** The Washington Utilities and Transportation Commission (Commission) takes this action under Notice WSR # 20-05-033, filed with the Code Reviser on February 11, 2020. The Commission has authority to take this action pursuant to RCW 80.01.040, RCW 80.04.160, and chapter 80.28 RCW.
- 2 **STATEMENT OF COMPLIANCE:** This proceeding complies with the Administrative Procedure Act (chapter 34.05 RCW), the State Register Act (chapter 34.08 RCW), the State Environmental Policy Act of 1971 (chapter 43.21C RCW), and the Regulatory Fairness Act (chapter 19.85 RCW).
- 3 **DATE OF ADOPTION:** The Commission adopts this rule on the date this Order is entered.
- 4 **CONCISE STATEMENT OF PURPOSE AND EFFECT OF THE RULE:** RCW 34.05.325(6) requires the Commission to prepare and publish a concise explanatory statement about an adopted rule. The statement must identify the Commission's reasons for adopting the rule, describe the differences between the version of the proposed rules published in the register and the rules adopted (other than editing changes), summarize the comments received regarding the proposed rule changes, and state the Commission's responses to the comments reflecting the Commission's consideration of them.

OFFICE OF THE CODE REVISER  
STATE OF WASHINGTON  
FILED

**DATE: July 07, 2020**

**TIME: 1:12 PM**

**WSR 20-15-024**

5 To avoid unnecessary duplication in the record of this docket, the Commission designates the discussion in this Order, including appendices, as its concise explanatory statement. This Order provides a complete but concise explanation of the agency's actions and its reasons for taking those actions.

6 **REFERENCE TO AFFECTED RULES:** This Order amends and adopts the following sections of the Washington Administrative Code:

<b>Amend</b>	<b>WAC 480-07-510</b>	<b>General rate proceeding filings—Electric, natural gas, pipeline, and Class A telecommunications companies.</b>
<b>Adopt</b>	<b>WAC 480-85-010</b>	<b>Purpose.</b>
<b>Adopt</b>	<b>WAC 480-85-020</b>	<b>Applicability.</b>
<b>Adopt</b>	<b>WAC 480-85-030</b>	<b>Definitions.</b>
<b>Adopt</b>	<b>WAC 480-85-040</b>	<b>Minimum filing requirements.</b>
<b>Adopt</b>	<b>WAC 480-85-050</b>	<b>Cost of service study inputs.</b>
<b>Adopt</b>	<b>WAC 480-85-060</b>	<b>Cost of service methodology.</b>
<b>Adopt</b>	<b>WAC 480-85-070</b>	<b>Exemptions from rules in chapter 480-85 WAC.</b>

7 **ACTIONS PRIOR TO PREPROPOSAL STATEMENT OF INQUIRY:** In Final Order 06 of *Wash. Utils. & Transp. Comm'n v. Avista Corp., d/b/a Avista Utils.*, Dockets UE-160228 and UG-160229, the Commission ordered:

a collaborative effort with interested stakeholders, preferably including representatives of all investor-owned utilities in Washington, to more clearly define the scope and expected outcomes of, as well as a reasonable procedural schedule for, generic cost of service proceedings that will provide an opportunity to establish greater clarity and some degree of uniformity in cost of service studies going forward.<sup>1</sup>

8 Prior to initiating the proceeding, the Commission engaged with stakeholders to clearly define the scope, expected outcomes, and appropriate procedure for undertaking its effort to establish greater clarity and uniformity in cost of service studies.<sup>2</sup> On February 8,

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<sup>1</sup> *Wash. Utils. & Transp. Comm'n v. Avista Corp. d/b/a Avista Utils.*, Dockets UE-160228 and UG-160229 (consolidated), Final Order 06, Rejecting Tariff Filing, 57-58, ¶ 116 (Dec. 15, 2016); *see also id.* at 55, ¶ 100.

<sup>2</sup> *See id.* at 55, ¶ 100

2017, the Commission held a cost of service collaborative meeting with both investor-owned electric and natural gas utilities and interested stakeholders to solicit ideas and input from all attendees on the goals and most appropriate procedure for conducting a generic proceeding to establish clarity and uniformity in cost of service studies.

9 On February 16, 2018, the Commission convened various stakeholders, including the investor-owned electric utilities in Washington, to compare cost of service methodologies used by each electric utility, discuss the history of cost of service in Washington, and consider the appropriate procedure going forward. On March 6, 2018, the Commission solicited comments regarding which topics should be included in a rulemaking proposal for cost of services studies. From March 23 to April 24, 2018, the Commission received written comments from The Energy Project, the Public Counsel Unit of the Washington Attorney General's Office (Public Counsel), PacifiCorp, d/b/a Pacific Power & Light Company (PacifiCorp), Avista Corporation, d/b/a Avista Utilities (Avista), Puget Sound Energy (PSE), and The Kroger Company (Kroger).

10 On April 20, 2018, the Commission held a natural gas cost of service meeting with various stakeholders, including the investor-owned natural gas utilities in Washington, to compare the similarities and differences of natural gas utilities, identify the scope of the generic proceeding, and further discuss the appropriate procedure going forward. On April 24, 2018, the Commission solicited comments from natural gas investor-owned utilities and stakeholders regarding what topics should be included in a rulemaking proposal for cost of services studies. From May 25 to May 31, 2018, the Commission received written comments from Public Counsel, Avista, PSE, Cascade Natural Gas Corporation (Cascade), and the Alliance of Western Energy Consumers (AWEC).

11 Based on the discussions at the electric and natural gas collaborative meetings and the written comments received, the Commission determined that it should initiate a rulemaking regarding cost of service studies.

12 **PREPROPOSAL STATEMENT OF INQUIRY AND ACTIONS THEREUNDER:**

The Commission filed with the Code Reviser a Preproposal Statement of Inquiry (CR-101) on July 19, 2018, at WSR # 18-16-005, and filed the CR-101 in Dockets UE-170002 and UG-170003. The statement advised interested persons that the Commission was initiating a rulemaking to streamline the submission and evaluation of cost of service studies by developing an accurate, transparent, and effective method and process for parties to present cost of service studies in general rate proceedings; standardizing presentations of cost of service studies and supporting information; and reducing the administrative burden on companies, intervenors, and the Commission

during general rate cases while preserving individual stakeholder ability to present alternative opinions.

- 13 On July 23, 2018, the Commission issued a Notice of Opportunity to File Written Comments, informing persons of this inquiry by providing notice of the subject and the CR-101 to everyone on the Commission's list of persons requesting such information pursuant to RCW 34.05.320(3), and by sending notice to all registered electric and natural gas companies. Pursuant to the notice, the Commission received comments from August 31 to September 7, 2018. The Commission received written comments from Avista, Cascade, Northwest Natural Gas Company (NW Natural), PacifiCorp, PSE, The Energy Project, Kroger, AWEC, and Public Counsel.
- 14 On October 12, 2018, the Commission issued a Notice of Technical Workshop, and pursuant to that notice, held a workshop on December 3, 2018, to discuss draft rules, common topics for electric and natural gas cost of service studies, and service-specific topics for electric and natural gas cost of service studies.
- 15 On January 9, 2019, the Commission issued Notices of Technical Workshops. In Docket UE-170002, the Notice indicated that the Commission would hold a technical workshop for electric cost of service on February 21, 2019. In Docket UG-170003, the Notice indicated that the Commission would hold a technical workshop for natural gas cost of service on February 22, 2019.
- 16 On February 21, 2019, the Commission held a technical workshop for electric cost of service, addressing the cost of service allocation methodology matrix filed in Docket UE-170002 on March 5, 2018, and discussing the methods used to calculate the functionalization, classification, and allocation factors related to: Generation; Transmission; Distribution; Services; Meters; Customer Service/Billing; Meter Reading; and Administrative & General, General Plant, and Intangible Plant.
- 17 On February 22, 2019, the Commission held a technical workshop for natural gas cost of service, addressing the cost of service allocation methodology matrix filed in Docket UG-170003 on January 3, 2019, and discussing the methods used to calculate the functionalization, classification, and allocation factors related to: Distribution of mains; Transportation main allocation; Distribution assets; Services; Meters; Customer Service/Billing; Meter Reading; and, Administrative & General, General Plant, and Intangible Plant.

- 18 The February 21 and 22, 2019, technical workshops facilitated significant collaboration among participating stakeholders, and participants reached consensus for all but a few classification and allocation methodologies. Seeking to resolve the remaining methodologies, the Commission determined that it should request that the investor-owned electric and natural gas utilities model and compare a variety of scenarios to help inform further collaboration among stakeholders and, ultimately, the Commission's determination regarding whether the methodologies should be placed in rule.
- 19 On April 25, 2019, the Commission issued a Notice of Informal Draft Rules for electric and natural gas cost of service and a Notice of Opportunity to File Written Comments due by June 14, 2019. The Commission created several methodology "scenarios" for both electric and natural gas cost of service, and requested that each electric and natural gas utility hold all other factors constant during modeling and provide the results from each scenario along with any comments the utilities had on the informal draft rules.<sup>3</sup>
- 20 The electric methodologies lacking consensus, and therefore included in the requested scenarios, were generation classification, generation allocation, and transmission allocation. For generation classification, using the four coincident peak method for allocation, the Commission requested that electric utilities model the following methods: average and excess, fixed ratio methodology, renewable future peak credit (RFPC), thermal peak credit, and RFPC with net power costs accounts allocated based on energy. For generation allocation, using the average and excess method for classification, the Commission requested that electric utilities model the following methods: top 100/100 seasonal sales, load net of renewable generation, and the 12 coincident peak method. For transmission allocation, using the average and excess method for classification, the Commission requested that electric utilities allocate costs in their modeling based upon transmission following generation and also upon applying the FERC method.
- 21 The natural gas methodologies lacking consensus, and therefore included in the requested scenarios, were distribution mains classification and distribution mains allocation. For distribution mains classification, the Commission requested that natural gas utilities use the peak and average method for allocation to model system load factor, design day, and a hybrid design day. For distribution mains allocation, the Commission requested that natural gas utilities use the system load factor method for classification to model

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<sup>3</sup> Due to confusion and editing errors regarding the requested scenarios, the Commission revised and reissued the April 25, 2019, Notice on May 6, 2019.

Commission staff's (Staff) current method, Staff's method proposed during the February 22, 2019, technical workshop, and design day.

- 22 The informal draft rules included with the April 25, 2019, Notice contained draft amendments to WAC 480-07-510(6) and a draft new chapter under Title 480 WAC related to presentation and minimum filing requirements of cost of service studies, sources of data that must be used in a cost of service study, specific electric and natural gas methodologies that must be used in a cost of service study, and robust guidelines for what must be presented in any petition for exemption from the draft new chapter.
- 23 On April 30, 2019, the Commission held a conference call to discuss with interested stakeholders any questions regarding the scenarios the Commission requested the electric and natural gas utilities to model.
- 24 Between June 14 and August 2, 2019, the Commission received comments from Public Counsel, Avista, AWEC, PacifiCorp, The Energy Project, Cascade, NW Natural, and PSE on the informal draft rules. To the surprise of the Commission and several stakeholders, the results of the requested scenarios submitted by the electric and natural gas utilities showed negligible or no impact to a cost of service study from the selection of any particular methodology modeled.<sup>4</sup>
- 25 On August 30, 2019, the Commission issued a Notice of Workshop on September 25, 2019, for both electric and natural gas cost of service. Along with the August 30 Notice, the Commission included updated informal draft rules that incorporated comments and suggestions provided by stakeholders, a narrative and summary of the scenario results received from the electric and natural gas utilities, and, draft templates, entitled the electric cost of service template (ECOST) and the gas cost of service template (GCOST), that the Commission intended to develop in compliance with the cost of service rules (proposed WAC 480-85-040) for standardizing presentation and submission of a cost of service study's results.

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<sup>4</sup> Of all the electric scenarios modeled and the 330 parity ratios provided, only 12 parity ratios from two of the scenarios resulted in outliers. These outliers resulted from the modeling of methodologies for heavily load-dependent classes. Based upon our understanding and the history of these methodologies as presented to the Commission in adjudicated proceedings and rulemakings, we find that the data and analysis provided in these dockets are not invalidated by these few inconsistent, outlier results from only two of the modeled scenarios. Regardless, we take into consideration all information and context provided in these dockets and, based on established principles and for reasons explained later in this Order, select other methodologies than those that produced these outlier results.

- 26 On September 25, 2019, the Commission held a workshop with interested stakeholders and accepted written comments for both electric and natural gas cost of service. The Commission sought discussion and comments addressing outstanding questions or concerns regarding the informal draft rules, discussing the generation, transmission, and distribution mains classification and allocation methods, per the results of the scenarios from the electric and natural gas utilities, and providing feedback on the Commission's development of the ECOST and GCOST. In addition to the comments received at the workshop, the Commission received written comments from September 25-27, 2019, from Public Counsel, Avista, PacifiCorp, PSE, and Cascade.
- 27 On October 11, 2019, the Commission issued a Notice of Opportunity to File Written Comments by December 6, 2019, in which it sought further comment on the ECOST and GCOST templates. Public Counsel, PSE, Avista, AWEC, NW Natural, and NW Energy Coalition (NVEC) filed written comments between December 5 and 12, 2019.
- 28 **SMALL BUSINESS ECONOMIC IMPACT ANALYSIS:** On August 30, 2019, the Commission issued a Small Business Economic Impact Statement (SBEIS) Questionnaire to all interested persons. The Commission received responses to this questionnaire on or about September 25, 2019, from Avista, Cascade, NW Natural, PacifiCorp, and PSE. Cascade, NW Natural, and PSE asserted in their responses that they are likely to incur increased costs from the proposed rule. However, none of the utilities qualify as small businesses under chapter 19.85 RCW. In addition, the proposed rules create requirements that are intended to streamline and thereby reduce the burden and costs borne in general rate cases by electric and natural gas utilities, other parties, and the Commission. All costs to comply with the proposed rules, therefore, should be comparable to or less than the costs utilities and parties already incur during the adjudication of a general rate case before the Commission. Thus, the Commission has no evidence that any business will incur more than minor costs to comply with the proposed rules. Accordingly, no small business economic impact statement is required.<sup>5</sup>
- 29 **NOTICE OF PROPOSED RULEMAKING:** The Commission filed a Notice of Proposed Rulemaking (CR-102) on February 12, 2020, at WSR # 20-05-033. The Commission scheduled this matter for oral comment and adoption under Notice WSR # 20-05-033 at 1:30 p.m. on April 16, 2020, in the Commission's Richard Hemstad

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<sup>5</sup> See RCW 19.85.020(2)-(3); RCW 19.85.025(4); and RCW 19.85.030(1)(a).

Hearing Room, located at 621 Woodland Square Loop S.E., Lacey, Washington.<sup>6</sup> The Notice provided interested persons the opportunity to submit written comments to the Commission by March 27, 2020.

- 30 The CR-102 proposed streamlining amendments to WAC 480-07-510(6), which originally contained minimum requirements for the filing of a cost of service study in a general rate case. The development of a new chapter that more fully explains presentation, minimum filing, and methodological requirements for a cost of service study justifies streamlining this subsection to direct a company or party filing a cost of service study to the proposed rules for cost of service studies in chapter 480-85 WAC.
- 31 Proposed WAC 480-85-010 explains the purpose of the proposed new chapter. The proposed rules will streamline, improve, and promote efficiency in analyzing rate cases by clarifying presentations and prescribing preferred methods. While we require utilities and parties to constrain their cost of service study filings to the minimum requirements in these rules, we emphasize that the results of a cost of service study are only one basis upon which the Commission establishes fair, just, reasonable, and sufficient rates. As has been the Commission's precedent since the early 1980s, we do not mechanically apply the results from a given cost of service study.<sup>7</sup> Instead, we exercise our judgment, considering a variety of factors as appropriate, such as fairness, perceptions of equity, economic conditions in the service territory, gradualism, and rate stability when determining rate spread and rate design and establishing just and reasonable rates.
- 32 The principle of streamlining processes is appropriate whenever the Commission reviews its rules, including reviewing our rules governing cost of service studies for electric and natural gas utilities. Requiring a consistent presentation with minimum filing requirements will aid the Commission, as well as other parties to a proceeding, to rapidly identify and evaluate key elements of the cost of service study. We recognize that this rulemaking will require utilities and parties to adapt to applying new requirements and using new forms for the presentation and submission of cost of service information, but

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<sup>6</sup> The Commission conducted this rulemaking hearing virtually, with telephonic or online participation, to conform to social distancing requirements related to the COVID-19 pandemic.

<sup>7</sup> *In re Investigation into Rate Design and Rate Structures for Electrical Service, the Alterations, if any, that Should Be Ordered to such Rate Design and Rate Structures, and the Adequacy of Existing Rules Relating to Electrical Companies and Amendments or Additions Thereto that May Be Appropriate Regarding Master Metering, Information to Consumers, Advertising, and Termination of Service*, Cause No. U-78-05, Order, 10-11 (Oct. 29, 1980).

after an initial period of adjustment, we have confidence that the Commission and the parties will reap the benefits of this new streamlined process.

- 33 Proposed WAC 480-85-020 states that the rules will apply to any person or party filing a cost of service study in any proceeding before the Commission. The interrelation with the proposed amendments to WAC 480-07-510(6) clarifies that the *initial* filing of a general rate case should contain a cost of service study in compliance with proposed chapter 480-85 WAC. Any subsequent filing of a cost of service study by a party to a general rate case must also conform to the proposed rules in chapter 480-85 WAC.
- 34 Proposed WAC 480-85-030 defines certain cost of service terms. While there is broad consensus among stakeholders that the terms in the industry related to the cost of service field are well-developed and need not be defined in rule, the Commission has observed small, but significant differences in how those terms are used by parties in proceedings. This section defines the terms in order to provide clarity throughout this chapter and guidance in proceedings for how these terms should be used. Codifying the definitions of certain terms in these rules will ensure that all persons and parties will uniformly understand key terms during Commission proceedings, even if a term may have slightly alternate meanings within the industry. We suggest that any information intended by a utility or party not conveyed by these definitions should be clearly explained in testimony by express definition or by citing to an industry manual or other standard.
- 35 Terms of note within the definitions section include “common function” and “load study.” The Commission uses the term “common function” to refer to any particular assignment of costs when those costs can be assigned, at least in part, to both the electric and natural gas services of a dual-service utility. An example of such costs would be administrative expenses for billing. A “load study” provides a statistical analysis based on the sampling of actual usage from customers to inform a cost of service study. Understandably, customers’ and customer classes’ actual usage and the load study data derived therefrom evolves over time, which affects the relevance of the data used in a cost of service study. To ensure that data used in cost of service studies remain timely, current, and relevant, the Commission adopts minimum standards of relevance. Initially, the Commission used the definition of “load study” to convey this minimum standard by requiring that data not come from a load study conducted more than five years prior. After the CR-102 but before the adoption hearing, the Commission updated the proposed rules as described further in Paragraph 65, removing the last sentence from the definition of “load study” and modifying proposed WAC 480-85-050 for the purpose of more

clearly conveying that data used in a cost of service study from any source must meet minimum recency requirements.

36 Proposed WAC 480-85-040 provides minimum filing requirements to ensure uniform presentation of cost of service studies. Minimum filing requirements requiring consistent presentation of cost of service studies will allow the Commission and all parties to more easily identify and comprehend the issues parties raise in their cost of service studies.. Under this proposed rule, all cost of service studies must be presented on the Commission's cost of service forms for electric (ECOST) and natural gas (GCOST). The Commission will ensure that the most updated version of these forms is posted to the Commission's website for utilities and parties to use during a proceeding. The Commission will continue developing these forms with stakeholder input as the Commission and parties use the forms and identify any necessary improvements.

37 These minimum filing requirements are intended to streamline the presentation and evaluation of every cost of service study filed with the Commission. To ensure that the Commission and all parties benefit from these minimum requirements, proposed WAC 480-85-040(1) provides that presentations must include submission of testimony and exhibits supporting the cost of service study. No testimony or exhibits may reference any data, models, calculations, or other information used only in work papers unless the appropriate work paper is referenced and offered as an exhibit. Work papers must be provided to the parties to a proceeding to aid with verification and evaluation of a model's inputs and assumptions. When practical, the Commission requires parties to include all calculations necessary to support the cost of service study's results in a single electronic workbook file. This requirement applies only to cost of service studies – not revenue requirement, rate spread, or rate design – although the Commission encourages the consolidation and efficient assembly of all information presented in proceedings. Because cost of service workbooks and models may necessarily be numerous and difficult to navigate, the proposed WAC 480-85-040(1)(b) requires each electronic cost of service workbook to have an index identifying links to any external spreadsheet. This index need not be more exhaustive than a list that clearly identifies external spreadsheets and to which tab and cell they are linked. Such an index would be unnecessary if all information were included in a single workbook.

38 Last, this section explains that for a dual-service utility, cost of service studies for a utility's separate services must be filed together.<sup>8</sup> It is possible, however, that a dual-

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<sup>8</sup> To ensure clarity and avoid redundancy, the word "simultaneously" was removed from this subsection, as explained in Paragraph 66-**Error! Reference source not found.**

service utility may file a general rate case for only one of its services. Under this circumstance, a dual-service utility need not file a cost of service for its other service (*i.e.*, an electric-only rate case must include a cost of service study for electric service, but not natural gas service). However,, because there are certain expenses incurred by a dual-service utility that benefit both its electric and natural gas operations, a dual-service utility must consider these common costs and demonstrate their appropriate apportionment between electric and natural gas services. The burden of proof is on the utility to show that the apportionment of these common expenses is fair and just.

- 39 Proposed WAC 480-85-050 requires that a cost of service study’s data must meet certain characteristics for granularity, whether from meter reads or from a load study. In these rules, the Commission expresses no preference for any particular metering technology. “Advanced metering infrastructure” (AMI) and “advanced meter reading” (AMR) have definitions commonly understood within the industry, but the Commission does not limit “advanced metering technology” to those two types of advanced meters. Data from any kind of advanced metering technology may be used in a cost of service study provided the data’s granularity meets or exceeds the rule’s requirements of hourly data for electric and daily data for natural gas.
- 40 When a utility has advanced metering technology that meets or exceeds the granularity requirement, the Commission expects the utility to use that data instead of using data from a load study. Accordingly, a utility with data meeting or exceeding the granularity requirement has the burden to explicitly justify use of data from a load study. Utilities with advanced metering technology meeting or exceeding the granularity requirement need not conduct a load study for customers who opt-out of the installation of advanced metering technology. Utilities without advanced metering technology, however, must conduct a load study and use data from a load study in a cost of service study.<sup>9</sup>
- 41 Proposed WAC 480-85-060 specifies the methodology that must be used for a cost of service study. The Commission requires that all cost of service studies filed with the Commission be calculated using an embedded cost method with costs functionalized, classified, and allocated according to the methods outlined in Tables 1-4. The great majority of these methods are consistent with decades of Commission precedent and were the product of compromise and broad consensus among the stakeholders involved in this rulemaking.

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<sup>9</sup> Data used in a load study cannot be older than five years pursuant to the proposed WAC 480-85-050.

- 42 During this proceeding, the Commission requested that utilities model scenarios for the classification and allocation methodologies that did not have broad consensus. The electric methodologies were generation classification, generation allocation, and transmission allocation. The natural gas methodologies were distribution mains classification and distribution mains allocation. As discussed above, the results of the scenarios revealed no or negligible differences between them. With input from the stakeholders, the Commission selected methodologies for each of these classification and allocation methodologies based upon established principle. We discuss these methodologies and the supporting principles in more detail below.
- 43 For electric generation classification, the Commission includes in the proposed rules renewable future peak credit (RFPC) with net power costs allocated on energy in the proposed rules. This method updates the peak credit method to rely on renewable generation resources instead of thermal resources. It also allocates net power costs solely based on energy. This is a suitable calculation when modern, renewable generation technologies have zero marginal cost and, therefore, do not contribute to net power costs accounts.
- 44 The renewable future peak credit method upholds a principle long-favored by this Commission: a properly conducted cost of service study is forward looking by reflecting the purposes for which plant expenditures are made.<sup>10</sup> Innovation and public policy, *i.e.*, the Clean Energy Transformation Act (CETA),<sup>11</sup> will result in utilities relying on more than large, fossil-fueled plants for electricity generation. The renewable future peak credit method recognizes impacts on utility planning, including utilities' integrated resource plans (IRPs), and that requirements for generation sources other than those fueled by fossil fuels will lead to plant expenditures by utilities. Consistent with Commission precedent and statutory guidance, we maintain the Commission's forward-looking perspective and adopt, for the classification of electric generation, the RFPC method with net power costs allocated on energy.

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<sup>10</sup> *Wash. Utils. & Transp. Comm'n v. Wash. Water Power Co.*, Cause Nos. U-82-10 and U-82-11 (Consolidated), 2nd Supp. Order, 63-65 (Dec. 29, 1982) (referencing *In re Investigation into Rate Design and Rate Structures for Electrical Service, the Alterations, if any, that Should Be Ordered to such Rate Design and Rate Structures, and the Adequacy of Existing Rules Relating to Electrical Companies and Amendments or Additions Thereto that May Be Appropriate Regarding Master Metering, Information to Consumers, Advertising, and Termination of Service*, Cause No. U-78-05, Order, 7-11 (Oct. 29, 1980).

<sup>11</sup> Chapter 19.405 RCW.

- 45 For electric generation allocation, the Commission selects the following method in the proposed rules: “load net of renewable generation, using 12 coincident peaks (12 CP); net power costs are allocated using annual energy usage at the point of generation.” Renewable generation, principally in the form of non-dispatchable and intermittent resources, does not follow the traditional cost-causation paradigm. Whereas fossil-fuel and hydro power resources have been freely dispatched to respond to load demands, renewable resources are, at least in the current system without widespread electricity storage and inverters programmed to support grid reliability, mostly binary and operate only when conditions permit. These resources are, therefore, used to offset load when they are available rather than being dispatchable to meet the load demands of the system. The system’s demand remains a critical element of cost causation because energy is supplied in real time. To balance these competing components, the allocation of electricity generation costs should utilize load considerations, net of renewable generation, but only for the 12 highest individual demand points of the year (one from each month).
- 46 For allocation of electric transmission costs, the Commission selects the 12 CP method in the proposed rules. Transmission infrastructure is critical for moving power to customers, including non-retail customers that receive electricity passed-through the utility’s transmission network. Allocating transmission costs using the 12 CP method recognizes the importance of transmission pathways at their most critical moment, the peak hour, tempered by their use across the highest hour in each month. The need for transmission infrastructure to connect generation to load is necessary even in a modern electrical system where renewables are dispatched based upon their availability instead of the demands of a system’s load. It is therefore appropriate to rely on federal standards for network access, which apportion the use of such a network in a manner consistent with both its operation and the planning requirements that lead to its construction.<sup>12</sup>
- 47 For natural gas distribution mains classification, the Commission originally included in the proposed rules the phrase “system load factor.” A utility’s system load factor is used to determine how to allocate between demand and throughput. The Commission, after receiving feedback and comments on the natural gas distribution mains classification methodology, determined that the description “system load factor” was insufficient to clearly convey the Commission’s intent for this method. Because this classification methodology is interrelated with the allocation methodology of distribution mains, the
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most accurate term for the Commission's intended terminology is "demand." This modification to the proposed rules is explained in greater detail in Paragraphs 75-76.

- 48 For natural gas distribution mains allocation, the Commission originally included "Design day (peak) and annual throughput (average) based on system load factor." The Commission also determined that this description was insufficient to clearly convey the Commission's intent in light of the clarifications made to the linked natural gas distribution mains classification method.
- 49 While the Commission has historically rejected design day methodologies, the Commission adopts design day in this rulemaking. The Commission sees value in allocating the costs of distribution mains according to the intended design of the system. A core cost of service principle iterates that customers who can be directly assigned responsibility for a utility's costs to serve them should also be responsible for recovery of a utility's appropriate costs. The selected method for the allocation of natural gas distribution mains recognizes that a single customer class should be directly assigned the costs of distribution mains when practical. Additionally, where such assignments are not practical, the selected method's inclusion of the system load factor balances the use of the distribution mains with the cause of their construction. A component of distribution mains must be assigned to customers based on the quantity of gas that flows. Conversely, the timing of when that gas is most needed, such as the system peak, must also be recognized as a key cost driver for the construction of new distribution mains and the upgrades of existing ones. The Commission, therefore, incorporates the use of design day, a calculation derived from a utility's integrated resource plan, in the cost causation framework. Accordingly, the Commission determines that, where practical, distribution mains should be allocated by assignment to a single customer class, with all other costs being based upon design day and annual throughput based on system load factor. The modification to the language of this method is further explained in Paragraphs 75 and 77.
- 50 In addition to an embedded cost of service study required by this section, proposed WAC 480-85-060(2) permit any party to also file a cost of service study based on a system-wide econometric study or a system-wide marginal cost study, both of which may provide greater granularity of data to inform the Commission's cost of service decisions. In addition, the Commission has amended this subsection to allow parties to file an additional cost of service study with modifications to any of the methodologies outlined in Tables 1-4. The burden of justifying those modifications is placed upon the proponent of the additional cost of service study in lieu of the burden of proof set forth in proposed WAC 480-85-070. This modification is consistent with the Commission's original intent

to allow an alternative cost of service study if a party petitioned for and received an exemption. This modification is further explained in Paragraphs 67-72.

- 51 Proposed WAC 480-85-070 outlines the requirements for receiving an exemption from any part of chapter 480-85 WAC. Within this section, the Commission reiterates its traditional exemption procedures (WAC 480-07-110) and also includes guidance regarding what information a party must submit with its petition to show that the requested exemption is “consistent with the public interest, the purposes underlying regulation, and applicable statutes.”<sup>13</sup> Specifically, the Commission intended to clarify that, to make such a showing for an exemption, a party must submit a cost of service study that complies with chapter 480-85 WAC and must provide a description of the circumstances under which the exemption for the alternate cost of service study should be granted.
- 52 After hearing feedback and comments from stakeholders on this section, the Commission finds that the clarifications in the original exemption section are more appropriately transferred to proposed WAC 480-85-060(2). Additionally, the Commission determines that the title of this section should mirror exemption sections in other chapters of Commission rules and thus modifies the title. These modifications are further explained in Paragraphs 67-72.
- 53 **WRITTEN COMMENTS:** The Commission received written comments from Public Counsel, AWEC, Avista, PacifiCorp, PSE, Cascade, NW Natural, and NVEC. Staff’s responses to those comments, which the Commission adopts by this Order, are contained in Appendix A, which is attached to, and made part of, this Order, subject to the modifications we make to the proposed rules and the rationale for those modifications explained in this Order.<sup>14</sup> Additionally, we summarize and respond in greater detail to certain comments received in writing and at the rulemaking hearing in Paragraphs 55-63, below.
- 54 **RULEMAKING HEARING:** On March 24, 2020, the Commission issued a Notice of Virtual Rule Adoption Hearing, Requiring Telephonic or Online Participation, finding good cause to conduct the rulemaking hearing telephonically and online only due to social distancing requirements related to the COVID-19 pandemic. The Commission considered the proposed rules for adoption at a rulemaking hearing on Thursday, April

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<sup>13</sup> See WAC 480-07-110(1).

<sup>14</sup> In the event of any discrepancy between the rationale presented in this Order and the responses contained in Appendix A, this Order will control.

16, 2020, before Chair David W. Danner, Commissioner Ann E. Rendahl, and Commissioner Jay M. Balasbas. The Commission heard oral comments from Staff representatives Jason Ball, Elaine Jordan, and Elizabeth O'Connell. Representatives from PSE, AWEC, NW Natural, Cascade, Public Counsel, PacifiCorp, and NWECC also provided comments.

- 55 **SUGGESTIONS FOR CHANGES:** Stakeholder comments suggested many changes to the proposed rules. A summary of the suggested changes to the proposed rules submitted to these dockets and Staff's proposed reasons for rejecting or accepting the suggestions are included in Appendix A. The Commission adopts as its own the reasons proposed by Staff for rejecting and accepting stakeholders' suggested changes to the rules as proposed in the CR-102 at WSR # 20-05-033, subject to the modifications we make to the proposed rules and the rationale for those modifications explained in this Order. Several of the suggested changes, which the Commission rejects, warrant further discussion.
- 56 Several stakeholders expressed concerns about the methodologies selected in Tables 1-4 of proposed WAC 480-85-060(3). NWECC argues that the Commission should reject the proposed rules and continue the rulemaking process because the methods selected are unsuitable for the future of the electricity grid, which NWECC argues will require time-differentiated approaches to cost allocations. AWEC argues more specifically that the Commission should modify the electric generation classification method to exclude the allocation of all net power costs to energy, and to require the presentation of a range of three methods for the natural gas distribution mains classification and allocation methods.
- 57 The purpose of the proposed rules is to increase efficiency in the presentation and evaluation of cost of service studies in general rate cases. As a preliminary matter, we decline to require the modeling of three different classification or allocation methods for natural gas distribution mains or any other functionalized cost. Such a requirement would be inconsistent with the purpose of this rulemaking. Additionally, we find the presentation of three options for a classification or allocation methodology unnecessary considering the results of the modeled scenarios submitted by the Washington utilities in these dockets, which showed that there was no or negligible impact from the selection of any single methodology.
- 58 This rulemaking is the result of a three-year collaboration between various stakeholders and the Commission, resulting in cost of service rules that include the requirements for certain methodologies to be used in a cost of service study. It is understandable, given the contentious history related to the selection of cost of service study methodologies in past proceedings, that several stakeholders strongly oppose the use of one methodology or

another. This rulemaking proceeding has progressed as a result of the extensive and open dialogue, as well as fair compromises made, by stakeholders and the Commission, to the credit of all involved. We appreciate PacifiCorp's representative Meredith, who commented at the rulemaking hearing that the rules, as a complete package, are reasonable and balance many of the diverse interests held by the stakeholders even if a stakeholder may not be completely satisfied with the selection of a particular methodology for one classification or allocation.

59 Meredith's example of such a balance directly addressed AWEC's proposal regarding the electric generation classification method. The electric generation classification method selected, RFPC with net power costs allocated on energy, is one that higher load factor customers, such as those represented by AWEC, may understandably find unsatisfactory or inappropriate when considered in isolation. On the other hand, an electric transmission classification method based entirely on demand is likely an outcome that higher load factor customers would fully support, at least when considered in isolation. The balance that is struck, therefore, is found in the selection of methodologies as a whole and not in piece.

60 In addition, higher load factor customers have been advocating for some time for the use of design day as the methodology for natural gas distribution mains. Since at least the early 1990s, the Commission has found flaws with that proposal. In this rulemaking proceeding, however, the utilities' modelling demonstrated the specific impact of altering a single methodology for natural gas distribution mains, holding all other factors constant. Specifically, the modelling identified that the difference between the use of design day and the other methods more commonly accepted by the Commission was negligible or non-existent. Similar results were shown regarding the electric generation classification and allocation methodologies.

61 The classification and allocation methods selected, on the whole, are well-balanced among competing interests and reasonably consider the negligible impact any single method has on the results of a cost of service study. This balance permits the Commission's cost of service evaluation in a general rate case to focus on the important and multifaceted justifications for accepting or adjusting the results of a cost of service study to effect rates that are fair, just, and reasonable, including factors that are appropriately argued by the parties through rate spread and rate design.

62 As stated above, the utilities' models for the electric generation classification and allocation methods provided results with no or negligible differences. We select the RFPC with all net power costs allocated on energy method because it updates the peak

credit methodology to rely on renewable generation resources instead of thermal resources. This method better aligns the costs of generating resources used to supply electricity to ratepayers under the new paradigm mandated by the Clean Energy Transformation Act (CETA). Thus, we reject NWECC's argument that we are taking a step backwards with the selection of the classification and allocation methods in these rules. To the contrary, while arguments for time-differentiated approaches may be prescient of future needs, we find that the methodologies selected in the proposed rules are appropriate for regulation of current and near-future electric and natural gas service in Washington. As we explained earlier in this Order, we will consider cost of service studies based upon different methodologies from those required by proposed WAC 480-85-060(3) when such methodologies are justified by new data, new circumstances, or new technology. We can assure all stakeholders that the Commission will consider time-differentiated allocations, or some other new and system-appropriate method, when such methods materially improve the cost of service study and are in the public interest.

63 All comments submitted in the dockets over the past three years have been valuable and informative. At this time, however, we find that the selected methodologies in Tables 1-4 of proposed WAC 480-85-060(3) create an overall balanced approach that best serves the Commission's consideration of whether rates charged to Washington customers are fair, just, reasonable, and sufficient. Accordingly, we find the methodologies we adopt in rule today are in the public interest, and do not accept the proposals to reject the proposed rules or to substantively modify the selected methods outlined in proposed WAC 480-85-060(3).

64 **CHANGES FROM PROPOSAL:** The Commission adopts the proposal with the following changes from the text noticed at WSR # 20-05-033. Some of these clarifying modifications were made after considering the responses received from stakeholders in written comments or in oral comments at the rulemaking hearing.

65 The Commission modifies proposed WAC 480-85-030(5) and WAC 480-85-050 in order to clarify the age of data that may be used in a cost of service study. The Commission deletes the last sentence of proposed WAC 480-85-030(5) regarding the definition of a "load study." The limitation that a cost of service study may not use data from a load study conducted more than five years prior is appropriate for *any* data, not just data from a load study. Data from advanced metering technology are readily available. While this should preclude the need for any explicit limitation on the recency of data from such technology, the Commission finds that it is clearer and simpler to state the minimum requirement for the age of data relied upon, regardless of the source from which the data

are derived. Accordingly, the Commission adds a second subsection to proposed WAC 480-85-050, stating: “(2) Rate schedule usage data for any cost of service study must not be older than five years.”

66 The Commission modifies proposed WAC 480-85-040(2) in order to clarify for which service or services a dual-service utility must file a cost of service study in a general rate case. PSE included in its comments the suggestion that the word “simultaneously” be struck in order to avoid confusion as to how many cost of service studies a dual-service utility must file in a general rate case for only one of its services. In the event that a dual-service utility files a single-service general rate case, the subsection requires the justified apportionment of common expenses that are shared by both services for the purpose of acknowledging that some costs may be appropriately borne by customers of the service not subject to the rate proceeding. While we believe that the Commission’s original language in the proposed rules is clear that a dual-service utility need not file a cost of service study for both services if it files a general rate case for only one service, we agree with PSE that the word “simultaneously” should be struck from proposed WAC 480-85-040(2) as redundant. When a dual-service utility files a general rate case for both its services, the requirement already in rule assures that the cost of service studies will both be included in the initial filing. Accordingly, we strike “simultaneously” from proposed WAC 480-85-040(2).

67 Further, the Commission modifies proposed WAC 480-85-060(2) and WAC 480-85-070 in order to more clearly convey the intent to allow parties to file additional cost of service studies containing modifications to any of the methodologies outlined in Tables 1-4 of proposed WAC 480-85-060(3). The Commission intends the proponent for any alternative cost of service study to bear the burden to justify any modifications to the methodologies outlined in Tables 1-4. Originally, the Commission attempted to convey this burden through requiring parties to request an exemption from the rules pursuant to proposed WAC 480-85-070. In that section, the Commission initially included language that stated both the Commission’s traditional exemption requirements and provided additional guidelines explaining how any party seeking an exemption should meet its burden to show the exemption is “consistent with the public interest, the purposes underlying regulation, and applicable statutes.”<sup>15</sup> These guidelines required a petitioner for exemption to file a cost of service study that complied with proposed chapter 480-85 WAC, a cost of service study with the petitioner’s modifications, and a description of the circumstances warranting the exemption. These requirements were intended to assist the

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<sup>15</sup> See WAC 480-07-110.

Commission evaluate whether the petitioner's modifications provided any material improvements to the cost of service study required by proposed chapter 480-85 WAC and were, therefore, in the public interest and consistent with the purposes underlying regulation.

- 68 At the rulemaking hearing, Public Counsel suggested that the requirement for a party formulate testimony and exhibits supporting a cost of service study that deviated from the methodologies required by proposed chapter 480-85 WAC is too onerous when the party cannot anticipate whether its petition for exemption would be granted. According to Public Counsel, this would be inefficient for the petitioner and, if the petition is denied, would deprive the Commission of information valuable for its determination of how a rate increase or decrease should be borne by customers. Public Counsel argued that a party should be permitted to file an alternative cost of service study without seeking an exemption. AWEC echoed these concerns.
- 69 As with our response to NWECC's comments above, we disagree that the proposed rule would impact the Commission's determination on the effect of rate increases or decreases on customers. First, rate spread and rate design determine how a rate increase or decrease is borne by customers. Cost of service studies produce results that help to inform rate spread and rate design, but the Commission also considers many other factors, as appropriate in each case, including fairness, perceptions of equity, economic conditions in the service territory, gradualism, and rate stability. Limiting the parties' ability to use certain methodologies in their cost of service study – methodologies that the utilities' models during this rulemaking showed had no or negligible impact on the results of the cost of service studies – does not infringe upon the parties' ability to file testimony and exhibits supporting its recommendation for how the Commission should consider the results of a cost of service study and other factors when determining rate spread and rate design.
- 70 We agree with Public Counsel, however, that requiring a party to prepare testimony and exhibits supporting an alternative cost of service study and petition for exemption, which the Commission may deny, is an inefficient use of parties' and the Commission's resources in a general rate case and may deprive the Commission of information that may help inform its decision in the matter. We, therefore, remove the requirement that a party file a petition for exemption to present a cost of service study with modifications to the methodologies in proposed WAC 480-85-060(3). Instead, the Commission will accept a party's cost of service study with modifications to the methodologies required by

proposed WAC 480-85-060(3) *only in addition* to a cost of service study without any such modifications.

71 We emphasize that the purpose of these rules is to create efficiency for parties and the Commission; allowing a party to file an additional cost of service study must not thwart this purpose. As with any proposal a party submits for Commission consideration, the proponent of an additional cost of service study bears the burden of showing that each modification to the methodologies required by proposed WAC 480-85-060(3) materially improves the cost of service study and is in the public interest. A party must include a full explanation in its narrative testimony justifying each modification it proposes. This will include testimony that: describes the extent of the modifications to the functionalization, classification, or allocation factors; provides the justification for the change in methodology, *i.e.*, new data, circumstances, technology, or other underlying conditions that have changed since the adoption of these rules; and explains any resulting shift in costs to a specific customer or customer class that cannot be addressed in testimony or evidence related to rate spread or rate design. Only with all of this information may the Commission efficiently compare and contrast the party's modifications, and the justifications therefor, when evaluating whether to accept the party's modifications.

72 Accordingly, we strike the language that contained the additional guidance for what information the Commission expected to receive in a petition for exemption in both subsections of proposed WAC 480-85-070 and replace it with language referencing the Commission's established rule related to petitions for exemption (*see* WAC 480-07-110, WAC 480-90-008, and WAC 480-100-008). We add language to proposed WAC 480-85-060(2) to provide guidance for what the Commission requires for presentation of a cost of service study that does not comply with chapter 480-85 WAC: parties may file an *additional* cost of service study but must justify through narrative testimony each modification made to the methodologies in WAC 480-85-060(3) and explain in detail how each modification materially improves the cost of service study and is in the public interest.

73 The Commission makes the following clarifying modifications to the methods outlined in Tables 1-4 of proposed WAC 480-85-060(3).

74 The Commission modifies the language in Table 2 of proposed WAC 480-85-060(3) regarding the electric service lines allocation method to correct a typographical mistake. The Commission intended the service lines allocation method to compare the average installed cost of a new service line (multiplied by customer count) to the total cost of the installed service line. A typographical error was made in the drafting of this allocation

method, whereby average installed cost was compared to average installed cost. To correct this error and preserve the Commission's intent, the second reference to "average installed cost" should be replaced with "total installed cost." Accordingly, the Commission modifies the electric service lines allocation method in Table 2 of proposed WAC 480-85-060(3) to read "Average installed cost for new service lines multiplied by customer count relative to total installed cost."

- 75 The modern natural gas distribution system has existing infrastructure that undergoes new expansions. This infrastructure must continuously be evaluated to meet the needs of the expanding system, policy goals of the state, and day-to-day operating dynamics of real-time supply to customers. The appropriate cost drivers should, therefore, balance the plans that lead to construction of the infrastructure with the actual flow of gas. This understanding drives our selection of the classification and allocation methods for natural gas distribution mains.
- 76 The Commission modifies the language in Table 4 of proposed WAC 480-85-060(3) regarding the natural gas distribution mains classification method to clarify the Commission's intent. The method was originally expressed as "system load factor," which for a utility is used to determine how to allocate between demand and throughput. When the system load factor is used in the context of classification, there is no mathematical difference between using simply "demand" as the classification and continuing to allocate costs based on the system load factor. Cascade demonstrated this mathematical relationship in its comments, and proposed that the wording be updated to clarify that the classification method for natural gas distribution mains should be "demand." We agree. Cascade's proposed clarification produces the mathematical result intended by the Commission, but more clearly applies cost of service principles. Accordingly, the Commission modifies the natural gas distribution mains classification method in Table 4 of proposed WAC 480-85-060(3) to read "Demand."
- 77 The Commission modifies the language in Table 4 of proposed WAC 480-85-060(3) regarding the natural gas distribution mains allocation method to clarify the Commission's intent and maintain consistency with the modification to the natural gas distribution mains classification method. One principle of cost of service is assigning costs to a customer or customer class directly, where the costs can be directly attributed to that customer or customer class. It is not the Commission's intent to change this principle and, as it applies to the allocation of distribution mains, we add language to clarify the Commission's intent that distribution mains should be allocated to a customer class directly, where practical, with all other costs being allocated based upon design day

and annual throughput based on the system load factor. The Commission makes this clarification to maintain consistency with the natural gas distribution mains classification method. Accordingly, the Commission modifies the natural gas distribution mains allocation method in Table 4 of proposed WAC 480-85-060(3) to read “Direct assignment of distribution mains to a single customer class where practical. All other costs assigned based on design day (peak) and annual throughput (average) based on system load factor.”

- 78 The Commission modifies the language in Table 4 of proposed WAC 480-85-060(3) regarding the natural gas distribution assets classification method to clarify the Commission’s intent and maintain consistency with the modification to the natural gas distribution mains classification method. The method was originally expressed as “demand,” but after the modification to the natural gas distribution mains classification method it is appropriate to simply state that the classification method should follow distribution mains. Accordingly, the Commission modifies the natural gas distribution assets classification method in Table 4 of proposed WAC 480-85-060(3) to read “Follows distribution mains.”
- 79 The Commission modifies the language in Table 4 of proposed WAC 480-85-060(3) regarding the natural gas distribution storage allocation method. AWEC and Cascade expressed concerns in their comments that the current language for the natural gas distribution storage allocation method would allow storage costs to be allocated to transport, or non-sales, customers. We disagree. Transport customers obtain their own gas supply and, therefore, do not rely on storage. The language already in rule specifies that only costs classified as balancing would be allocated to transport, or non-sales, customers. We find it appropriate, however, to clarify that costs other than balancing are not assigned to transport customers. Accordingly, the Commission modifies the natural gas storage allocation method in Table 4 of proposed WAC 480-85-060(3) to read “Costs classified as balancing are allocated to all customers based on winter sales. All remaining costs are allocated to sales customers with a ratio based on average winter sales that exceed average summer sales.”
- 80 Last, the Commission makes typographical modifications to the title of proposed WAC 480-85-070 consistent with rule sections in other chapters that explain the requirements governing petitions for exemption.<sup>16</sup> Accordingly, the Commission

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<sup>16</sup> See e.g. WAC 480-90-008; WAC 480-100-008.

modifies the title of proposed WAC 480-85-070 to read “Exemptions from rules in chapter 480-85 WAC.”

81 **COMMISSION ACTION:** After considering all of the information regarding this proposal, the Commission finds and concludes that it should amend and adopt the rules as proposed in the CR-102 at WSR # 20-05-033 with the changes described in Paragraphs 64-80, above.

82 **STATEMENT OF ACTION; STATEMENT OF EFFECTIVE DATE:** After reviewing the entire record, the Commission determines that it should amend WAC 480-07-510(6) and adopt chapter 480-85 WAC to read as set forth in Appendix B, as rules of the Washington Utilities and Transportation Commission, to take effect pursuant to RCW 34.05.380(2) on the thirty-first day after filing with the Code Reviser.

## ORDER

### THE COMMISSION ORDERS:

- 83 (1) The Commission amends WAC 480-07-510(6) and adopts chapter 480-85 WAC to read as set forth in Appendix B, as rules of the Washington Utilities and Transportation Commission, to take effect on the thirty-first day after the date of filing with the Code Reviser pursuant to RCW 34.05.380(2).
- 84 (2) This Order and the rules set forth in Appendix B, after being recorded in the register of the Washington Utilities and Transportation Commission, shall be

forwarded to the Code Reviser for filing pursuant to chapter 80.01 RCW and chapter 34.05 RCW and chapter 1-21 WAC.

DATED at Lacey, Washington, and effective July 7, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



DAVID W. DANNER, Chairman



ANN E. RENDAHL, Commissioner



JAY M. BALASBAS, Commissioner

*Note: The following is added at Code Reviser request for statistical purposes:*

Number of Sections Adopted in Order to Comply with Federal Statute: New 0, amended 0, repealed 0; Federal Rules or Standards: New 0, amended 0, repealed 0; or Recently Enacted State Statutes: New 0, amended 0, repealed 0.

Number of Sections Adopted at Request of a Nongovernmental Entity: New 0, amended 0, repealed 0.

Number of Sections Adopted on the Agency's own Initiative: New 7, amended 1, repealed 0.

Number of Sections Adopted in Order to Clarify, Streamline, or Reform Agency Procedures: New 7, amended 1, repealed 0.

Number of Sections Adopted using Negotiated Rule Making: New 0, amended 0, repealed 0; Pilot Rule Making: New 0, amended 0, repealed 0; or Other Alternative Rule Making: New 0, amended 0, repealed 0.

**Appendix A**

**Comment Summary Matrix**

**Appendix B**

**Amended and Adopted Rules**