

Docket Nos. UE-170002 and UG-170003 - Vol. I

**Public Hearing re Cost of Service Rulemaking re Dockets
UE-170002 & UG-170003**

April 16, 2020



206.287.9066 | 800.846.6989
1325 Fourth Avenue, Suite 1840, Seattle, Washington 98101
www.buellrealtime.com
email: info@buellrealtime.com



BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

Public Hearing re Cost of Service Rulemaking re Dockets
UE-170002 and UG-170003

TELEPHONIC ADOPTION HEARING, VOLUME I

Pages 1-47

April 16, 2020

1:30 p.m.

Washington Utilities and Transportation Commission
621 Woodland Square Loop Southeast
Lacey, Washington 98503

REPORTED BY: TAYLER GARLINGHOUSE, CCR 3358

Buell Realtime Reporting, LLC
1325 Fourth Avenue, Suite 1840
Seattle, Washington 98101
(206) 287-9066 | Seattle
(360) 534-9066 | Olympia
(800) 846-6989 | National

www.buellrealtime.com

1 LACEY, WASHINGTON; APRIL 16, 2020

2 1:30 P.M.

3 --o0o--

4 P R O C E E D I N G S

5

6 CHAIR DANNER: Let's go forward. Today is
7 Thursday, April 16th, 2020, and we are here for an
8 adoption hearing in Dockets UE-170002 and UG-170003.
9 That is the cost of service rulemaking.

10 I am Dave Danner. I'm Chair of the
11 Commission. I'm joined, as you heard, by my colleagues,
12 Ann Rendahl and Commissioner Jay Balasbas.

13 I want to thank everybody. I see there's 51
14 participants on the call. I appreciate everybody's
15 involvement not only today, but in all of our
16 proceedings since this started in 2017.

17 This is a complex issue, and there's been a
18 lot of good work as we've been going through it. When
19 we started this, the Commission actually said that while
20 we believe it's possible to create a consistent
21 framework, we expect this to be a challenging
22 undertaking given -- given the numerous issues that a
23 cost of service study must address.

24 I think we've made a lot of progress. I'm
25 very interested to hear from stakeholders today, but

1 first I'd like to turn it over to Jason Ball, who will
2 make a presentation of the rules of the issues that are
3 before us today.

4 So, Jason, go ahead.

5 MR. BALL: Thank you, Commissioner -- or
6 Chairman, thank you, Commissioners. My name is Jason
7 Ball. I'm with regulatory services. Before I get
8 started, I would like to just say that if we do
9 experience a connection issue because we are using Skype
10 and this is 100 percent virtual, if we do experience a
11 connection issue and the call gets dropped, we will
12 reconvene on the half hour as a means of maintaining
13 some level of organization. And I will also be prepared
14 to send out emails alerting parties too if the phone
15 call has been dropped.

16 It has been quite a road getting here. This
17 rulemaking started as a generic proceeding in 2017 as an
18 effort to address the high degree of variability amongst
19 cost of service presentations that the Commission sees.
20 But it was actually based on the idea that goes all the
21 way back in the 1960s when the Commission first started
22 using generic investigations into cost of service and
23 did so about once every 20 years.

24 I don't think, though, that any of them have
25 ever resulted in something as groundbreaking as

1 permanent rules that codify the specific methods we use
2 for cost of service. That -- that -- that
3 accomplishment would not have been possible in -- in the
4 presentation that we have today if the process had been
5 contentious, and it really never felt that way over the
6 last three years. The stakeholders have provided their
7 time, their cooperation, and their assistance in every
8 area of this rule.

9 Over the last three years, we had multiple
10 day-long technical and regular workshops, we had
11 conference calls, we had lots of informal conversations
12 and countless emails, and I want to thank each and every
13 one of the stakeholders for engaging in those efforts
14 and for helping to build this together.

15 I would also like to thank the dedicated
16 Staff members that worked very diligently on these
17 rules. It absolutely takes a team to pull all this off,
18 and they are the reason we are having a hearing today.
19 These people are Elaine Jordan, Andrew O'Connell,
20 Elizabeth O'Connell, Steve Johnson, Nash Callaghan,
21 Melissa Cheesman, and Kate Griffith.

22 And that being said, I'm now going to turn
23 it over to Elaine Jordan to go over the Staff
24 presentation.

25 MS. JORDAN: Thank you, Jason.

1 Good afternoon, Chair and Commissioners.
2 This is Elaine Jordan with regulatory services. As
3 Jason said, this has been a process to get here, and I
4 know I can speak on behalf of the team that we are very
5 happy to be at the adoption hearing today.

6 Staff recommends the Commission adopt the
7 changes to WAC 480-07-510, Subsection 6, and adopt new
8 Chapter 480-85 WAC in its entirety, inclusive of the six
9 minor edits that I will discuss in a moment.

10 On February 11th, 2020, the Commission filed
11 the CR-102 with the code revisor. The Commission
12 received comments from nine stakeholders. Those
13 stakeholders include Avista Corp., Cascade Natural Gas,
14 Northwest Natural Gas, PacifiCorp, Puget Sound Energy,
15 Public Counsel, The Alliance of Western Energy
16 Consumers, one set of comments for electric and one set
17 of comments for natural gas, and The Northwest Energy
18 Coalition.

19 Based on those comments, Staff recommends
20 the following five changes. These changes were included
21 to the memo posted to the dockets on April 14th.

22 The first change is in WAC 480-85-040,
23 Minimum Filing Requirements. Staff recommends in
24 Subsection 2 to strike the word "simultaneously" at the
25 end of the first sentence so it reads, "Companies that

1 provide electric and natural gas service must file a
2 cost of service study for their electric and natural gas
3 operations."

4 The second change is in WAC 480-85-060, Cost
5 of Service Methodology, in Table 2, Electric Cost of
6 Service Approved Classification and Allocation
7 Methodologies. On the service line row, Staff
8 recommends inserting the word "total" before "installed
9 cost" so it reads, "Average installed cost reviewed
10 service line multiplied by customer count relative to
11 the total installed cost."

12 The third change is in Table 4, Natural Gas
13 Cost of Service Approved Classification and Allocation
14 Methodology. In the distribution mains row, in the
15 Classification column, Staff recommends replacing
16 "system load factor" with "demand." In the distribution
17 assets row, in the Classification column, Staff
18 recommends replacing "demand" with "follows distribution
19 main."

20 And the final -- the fifth edit to the rules
21 Staff recommends is in the storage row in the Allocator
22 column, Staff recommends adding the words "to sales
23 customers" to the allocation methodology so that it
24 reads, "All remaining costs are allocated to sales
25 customers with a ratio based on average winter sales

1 that exceed summer sales."

2 In addition, after internal discussions that
3 happened after the adoption hearing materials were
4 posted to the record, Staff felt that one more
5 clarifying edit was necessary. This edit was emailed to
6 stakeholders yesterday evening on April 15th. In
7 section -- in WAC 480-85-050, the Cost of Service
8 Methodology Inputs, Staff recommends adding a new -- new
9 Subsection 2 that states, "Rate schedule usage data for
10 any cost of service study must not be older than five
11 years."

12 Staff also recommends striking the last
13 sentence in the load study definition found in Section
14 030, striking the sentence that reads, "Cost of service
15 studies should not rely upon load studies conducted more
16 than five years prior."

17 The -- this edit is one edit. It is meant
18 to clarify how old the data used -- sorry, excuse me.
19 These -- this edit is one edit and is meant to clarify
20 how old the data used in a load study and how old the
21 data from any kind of advanced metering should be no
22 older than five years, whereas the rules address this
23 earlier by stating a load study cannot be older than
24 five years and that the data must be the best available.
25 This language change makes this intent clearer. This is

1 a minor housekeeping edit.

2 In proposed WAC 480-85-05 -- 040, Subsection
3 1, parties must rely on templates provided by the
4 Commission. Staff received comments on the templates
5 from stakeholders in December 2019 and incorporated
6 those edits into the template.

7 I will now turn over the conversation to
8 Elizabeth O'Connell to discuss the templates.

9 MS. O'CONNELL: Thank you, Elaine.

10 This is Elizabeth O'Connell with Commission
11 Staff. We filed a final version to the dockets on April
12 14th of final versions of the templates. Staff
13 incorporated the edits and suggestions that were made in
14 the comments from stakeholders.

15 Just as a quick reminder, even though the
16 current models are functional and they're ready to go
17 online, the templates will be always a work in progress,
18 and as we get used to the new normal, we will make
19 changes when applicable and needed.

20 This has been a collective effort between
21 Staff policy and all stakeholders, and we really
22 appreciate everyone's cooperation and input, and we will
23 continue to work with template users to make this
24 transition as easy as possible.

25 And with that, we would like to thank the

1 Chair and the Commissioners. The team is available for
2 questions.

3 CHAIR DANNER: All right. Thank you very
4 much.

5 Are there any questions for Mr. Ball,
6 Ms. Jordan, or Ms. O'Connell?

7 COMMISSIONER RENDAHL: This is Commissioner
8 Rendahl. No. I had a very productive briefing,
9 understand all the changes that are proposed, and
10 appreciate the effort to clarify the age of the data
11 issue, which you've explained, Elaine. So thank you. I
12 have no questions.

13 CHAIR DANNER: All right. So if there are
14 no further questions of Staff, I would like to at this
15 point, let's hear from various stakeholders. Let's
16 start with Puget Sound Energy.

17 Mr. Piliaris, are you on the line?

18 MR. PILIARIS: I am. Question is, can you
19 hear me very well?

20 CHAIR DANNER: I can hear you very well.

21 MR. PILIARIS: It's sort of hit or miss at
22 my house right now with the coverage, so glad you can
23 hear me.

24 CHAIR DANNER: Okay. Go ahead.

25 MR. PILIARIS: All right. I will keep my --

1 I'll keep my comments brief. Clearly there is plenty of
2 written comment submitted into this docket. We -- we
3 certainly necessarily appreciate Staff's work. This has
4 been a multiyear effort obviously. Clearly, there's
5 going to be a lot of differences of opinion of --
6 certainly with this issue as to what the appropriate
7 methodologies should be, assumptions, whatnot, and the
8 Company is no different in that regard.

9 But that being said, we do recognize the
10 value in having some conformity in the rules and the
11 approach. That being said, I would say that the one --
12 one area where the Company would appreciate the
13 Commission's indulgence is in application of this rule,
14 particularly in the first one or so rate case filing.
15 It seems clear to me that there still is a fair amount
16 of area for interpretation, and it does concern me a
17 little bit that that -- that disagreement in that
18 interpretation could lead to some concerns about whether
19 or not the filing has met the requirements of the rules
20 and is therefore a compliant filing. We just ask the
21 Commission's patience and indulgence, at least in the
22 first go-round, until we can iron out some of these
23 details so that we're all truly on the same page.

24 So with that, that's -- that's really all I
25 had. Again, I appreciate everybody's hard work on this,

1 and I'm looking forward to a conclusion to this docket.

2 CHAIR DANNER: All right. Thank you very
3 much, Mr. Piliaris.

4 Are there any questions for -- for Jon or
5 the Company?

6 COMMISSIONER BALASBAS: Chairman Danner,
7 this is Commissioner Balasbas. I do have a question.

8 CHAIR DANNER: Go ahead.

9 COMMISSIONER BALASBAS: All right. Thank
10 you.

11 So, Mr. Piliaris, can you just talk a little
12 bit more about your last statement about wanting some,
13 you know, "indulgence" as you stated from the
14 Commission, you know, for -- but I would assume you're
15 talking about for your -- your first rate case filing
16 after these rules take effect. Can you talk a little
17 bit more about from the Company's perspective what --
18 what -- what do you see as, you know, Commission
19 flexibility or indulgence in this?

20 MR. PILIARIS: And -- and as the Commission
21 is painfully aware, the devil is always in the details
22 in these types of analyses, and we have -- PSE has --
23 has experienced in the past in some cases when we make a
24 filing in good faith, based on our interpretation of WAC
25 rules, sometimes they don't always align with Staff's.

1 And -- and that has led to some concerns around having
2 to do a lot of redo or having to pull -- actually
3 formally withdraw a filing, which we've had to do in the
4 past because of such disagreements.

5 So, you know, once -- once we get into the
6 details of the filing, I think a lot of those issues
7 will work themselves out as the Commission, to the
8 extent there are any disagreements on the specific
9 applications, for example, for the classification and
10 allocation of generation costs. It's somewhat not --
11 it's -- it's loosely defined within the rules, but
12 there's some degree of interpretation that could be had
13 within that.

14 So I guess what I'm really asking is making
15 sure that the Commission will allow -- you know,
16 assuming that the Commission -- the Company has made a
17 good faith effort in putting forward of a study that
18 they believe is compliant with the rules, that the
19 Commission allows the Staff filing to be set into
20 motion, allow it to be vetted within the docket. And to
21 the extent that the Commission finds that perhaps the
22 Commission had a difference of opinion with the Company
23 as to how those -- those rules should have been applied,
24 having that direction in the final order rather than at
25 the front end before there's any, I guess, more

1 considered debate around the various issues I think
2 would be appreciated.

3 COMMISSIONER BALASBAS: All right. Thank
4 you very much.

5 CHAIR DANNER: All right. Commissioner
6 Rendahl, any questions for PSE?

7 COMMISSIONER RENDAHL: No, but I appreciate
8 the comments, and thank you for being involved in this
9 process and sticking to it to this point.

10 CHAIR DANNER: All right. Thank you, and
11 I -- I -- I echo those.

12 And thank you -- thank you for the question,
13 Commissioner Balasbas.

14 So -- sorry, I have my list here. So let's
15 hear, then, from AWEC, Chad Stokes, regarding natural
16 gas.

17 MR. STOKES: Good afternoon, Chairman and
18 Commissioners. This is Chad Stokes with the Alliance of
19 Western Energy Consumers. Can you hear me okay?

20 CHAIR DANNER: Yes, we can hear you fine.
21 Thank you.

22 MR. STOKES: Okay, great. I first want to
23 thank Staff and the stakeholders for their efforts and
24 participation in this docket. I have three areas for
25 comment on the gas cost of service rules, and I'll try

1 to be brief.

2 First, what should be apparent to everyone
3 at this point is there is no perfect cost of service
4 methodology, and each type of study has its own pros and
5 cons. Turning to WAC 480-85-060, Cost of Service
6 Methodology and Table 4, for the allocation of mains
7 after three years of process, it appears we ended up in
8 the same place we started using the peak and average
9 methodology, a study that AWEC has significant concerns
10 with.

11 In Table 4 of the draft rules for the
12 allocation of mains, which are the first three rows, we
13 are asking for the rules to allow a range of results
14 using peak and average -- average and excess and the
15 design-based methodologies instead of just using peak
16 and average.

17 AWEC understands from the utility
18 stakeholders that the parent three cost -- cost of
19 service studies would not be a burden for the utilities
20 because the input for the models would not change, and
21 it would simply be a matter of running the same numbers
22 through different models. It would also not be a burden
23 for stakeholders to review and respond to the different
24 class cost of service studies in a rate proceeding.
25 This is very similar to the approach used for return

1 equities, where several models were prepared to provide
2 a range of results from which the Commission makes their
3 final ruling informed by all factors in a rate case.
4 Having more information is in the public interest and
5 will better inform the process in establishing fair,
6 just, and reasonable rates.

7 The second area that I'd like to address
8 actually comes from Puget's comments dated March 27th.
9 This -- this refers to the same section in WAC
10 480-85-060, Cost of Service Methodology. In Table 4 for
11 mains, Puget was asking to clarify if the rule would
12 allow for the allocation of cost to some classes of
13 customers and not others based on the size of the pipe.
14 Staff responded that the rules were clear and such
15 allocation was not allowed.

16 This is contrary to AWEC's understanding of
17 the rules and the stakeholder positions in the process.
18 AWEC urges the Commission to make clear that the size of
19 the pipe can be used to allocate the cost to certain
20 customers. For example, pipes four inches and smaller
21 are used for the residential class, they are not used to
22 serve large loads, and should be allocated accordingly.
23 If either is serving a large customer, it should not be
24 allocated to the residential class. This is fundamental
25 to the principle of cost causation.

1 The final comment that I have, turning to
2 WAC 480-85-070, AWEC agrees with Public Counsel that the
3 rules for offering an alternative cost of service study
4 are too restrictive. Parties should be allowed to offer
5 an alternative cost of service study in a rate case
6 without jumping through a bunch of hoops before filing
7 testimony. Parties should be allowed to present a cost
8 of service study and testimony without filing a petition
9 for exemption.

10 Those are my comments, and I'm happy to
11 answer any questions.

12 CHAIR DANNER: All right. Thank you very
13 much.

14 Are there any questions for Mr. Stokes?

15 Okay. Apparently not. Thank you very much,
16 Mr. Stokes.

17 Then let's turn to -- turn to AWEC's
18 electric side. Mr. Mullins or Mr. Pepple, are you
19 there?

20 MR. MULLINS: Hi, Chairman Danner. Can you
21 hear me?

22 CHAIR DANNER: Yes, I can. Thank you.

23 MR. MULLINS: Okay. I'll keep my comments
24 relatively brief. On electric side, the only remaining
25 issue that we had was on the classification of

1 generation costs in that same Table 2, and specifically
2 we were concerned with how the net power costs are being
3 specifically assigned the -- in the context of the
4 renewable future peak credit method. And I think our
5 issue with it kind of gets back to what Mr. Piliaris
6 was -- was speaking of was that the renewable future
7 peak credit method is not necessarily sort of standard
8 or well-defined method. I think there will be some -- I
9 think that we will have to wrinkle out with it. And so
10 we were hoping to not specifically specify, you know,
11 how net -- net power costs were handled in that
12 framework.

13 And Staff responds to our comments and said
14 that net power costs or the -- the renewable resources
15 don't contribute to net power costs, but I think that's
16 not true, because the renewable resources provide energy
17 at zero cost and reduce power costs a lot, and they also
18 provide PTCs. And so there's these issues with sort of
19 directly assigning some cost to energy and then using
20 only the -- the renewable peak credit method just for
21 fixed costs will then just sort of over-allocate the
22 cost to cost energy.

23 And so that was our concern, and we were
24 hoping to be a little bit -- get a little bit more
25 flexibility so we can iron that issue out in a rate

1 case. And that I think is our only comment unless
2 Mr. Pepple, also here for AWEC, has anything else to
3 say.

4 CHAIR DANNER: Mr. Pepple, anything from
5 you?

6 MR. PEPPLE: Thank you. Yeah, just very
7 quickly I just wanted to, you know, echo Mr. Stokes'
8 point that I -- you know, we really appreciate the
9 amount of work that Staff and all the stakeholders have
10 put in.

11 And just to emphasize one thing that
12 Mr. Mullins said, you know, to change the rules to
13 remove the specification that net power costs are
14 allocated in energy. And it doesn't preclude net power
15 costs from being allocated on energy, it simply allows
16 the parties the flexibility to make their points in the
17 rate case. And that's kind of what we would like to
18 see. So thank you very much.

19 CHAIR DANNER: All right. Thank you.
20 Commissioners, are there any questions for
21 Mr. Mullins or Mr. Pepple?

22 Okay. Apparently not. All right. So we
23 will take those under advisement.

24 Public Counsel, Lisa Gafken, are you there?

25 MS. GAFKEN: I am here, Commission -- Chair

1 Danner. Can you hear me?

2 CHAIR DANNER: I can hear you just fine.

3 Thank you very much.

4 MS. GAFKEN: Fabulous. I wasn't sure if I
5 had to press the star 6 or not, so I'm glad that I'm
6 coming through.

7 Good afternoon, Chair Danner, Commissioner
8 Rendahl, and Commissioner Balasbas. I am Lisa Gafken,
9 Assistant Attorney General, appearing today on behalf of
10 Public Counsel. I am joined on the line by AAG Nina
11 Suetake, regulatory analyst Corey Dahl, and our expert
12 witness, Glenn Watkins. Thank you for the opportunity
13 to present comments at today's hearing.

14 I want to start my comments by highlighting
15 the cooperation and professionalism demonstrated by the
16 stakeholders throughout the proceeding. Parties engaged
17 in productive conversations that were direct,
18 respectful, and informed by decades of experience. We
19 had national and local cost of service study experts at
20 every workshop offering their knowledge and debating the
21 issues. In doing so, every party acknowledged the true
22 philosophical differences they carry, and at various
23 points throughout the discussion, every party
24 acknowledged the validity of concept contrary to their
25 particular interest.

1 I highlight all of this because I want to
2 acknowledge the remarkable professionalism among the
3 cost of service experts, and it was truly a privilege to
4 work through these dockets -- or work through the issues
5 in these dockets with them.

6 In a litigated setting, while I may not
7 agree with the positions taken by other parties, the
8 Commission is fortunate to have the input of the experts
9 who skillfully and sincerely present the parties'
10 divergent points of view.

11 Throughout this proceeding, Public Counsel
12 filed extensive comments and analysis. I will not cover
13 all of our points here, but I refer the Commission to
14 our filed comments.

15 I do, however, want to discuss one issue.
16 That issue is the exemption rule found in WAC
17 480-85-070. We continue to object to the rule and
18 recommend that the entire provision be removed. From a
19 practical standpoint, the rule is too rigid. The rule
20 requires parties who wish to present an alternative cost
21 of service study to file a petition for exemption. That
22 requirement is unnecessary, serves to discourage parties
23 from offering evidence, and increases parties' costs to
24 evaluate utility rate filing. The exemption requirement
25 is unnecessary because parties will already present the

1 peak credit analysis under WAC 480-85-060, the cost of
2 service methodology rule. Regardless of what
3 methodology a party prefers, it must comply with WAC
4 480-85-060.

5 It is reasonable for the Commission to
6 establish a preference, and it is reasonable for the
7 Commission to require parties to present -- to present
8 cases that reflect that preference. What is
9 unreasonable and unnecessary is to then limit
10 presentations to only one methodology. So long as the
11 parties comply with the rules, they should then be able
12 to present their alternative for the Commission's
13 consideration.

14 Requiring parties to file a petition for
15 exemption before presenting their alternative serves to
16 limit the evidence presented to the Commission. Parties
17 are discouraged from presenting additional evidence
18 because their cost increase under the rule. Experts
19 will be required to conduct parallel analysis in any
20 event, but will also be required to support the petition
21 for exemption in order to present their analysis.

22 This process necessarily must happen after
23 discovery and analysis occurs in a rate case, and if the
24 Commission denies the motion, the party would have
25 expanded significant resources that will never be

1 utilized. This risk of rejection discourages parties
2 from presenting additional evidence.

3 The alternative would be to allow parties to
4 present their best cases while also complying with the
5 requirement to present a peak credit analysis. The
6 Commission would then give the evidence the appropriate
7 weight and consideration in its decision-making process.
8 Even if the Commission declined the party's invitation
9 to rule in its favor, that party's efforts are not
10 wasted. They use an analogy they would have had their
11 day in court.

12 Public Counsel is keenly concerned with the
13 underlying basis for the exemption rule. The exemption
14 rule arose from the desire to stop having multiple cost
15 of service study presentations in a rate case. This
16 desire to limit parties' participation is bad public
17 policy and affects not only Public Counsel, but all
18 stakeholders who appear before the Commission. It also
19 potentiality limits the Commission's ability to make
20 decisions with the best available information. My
21 concern in offering these comments is to preserve the
22 integrity of our regulatory process, a process that I
23 highly value in my role representing residential and
24 small business customers.

25 The Commission has noted and Public Counsel

1 agrees that a test to streamline rate case analysis is a
2 laudable goal; however, the exemption provision is a
3 step too far. At the last workshop in these dockets,
4 Mr. Ronald Amen stated it well that the Commission would
5 benefit from more information rather than less
6 information, especially with the changing environments
7 in the energy industry.

8 We see the issues around cost of service
9 studies becoming more complicated, not less, as we
10 debate how the peak credit methodology is applied as
11 generation resources change and evolved away from fossil
12 fuel resources to renewable resources. And as
13 Mr. Watkins noted at the same workshop, the
14 Commissioners must use their wisdom in evaluating cost
15 of service studies.

16 I want to conclude by expressing my deep
17 appreciation for the work done in these dockets over the
18 last three-plus years. From Public Counsel's
19 perspective, we actively engaged throughout the process
20 and witnessed all of the stakeholders doing the same.
21 Overall, we feel that the outcome is positive. It is
22 the result of a diversity of viewpoints that came
23 together to work through the issues.

24 To be clear, Public Counsel does not oppose
25 the peak credit methodology. We also agree that

1 standardizing reporting requirements is a good thing.
2 We think it is useful to have guidance and agreement
3 regarding how to allocate overhead and rate-based items;
4 however, Public Counsel remains concerned that the
5 significant procedural hoops established in WAC
6 480-85-070 make the rules too rigid by limiting parties
7 to only one methodology and by limiting the evidence the
8 Commission will see in a rate case. Those procedural
9 hoops unnecessarily increase cost and discourage parties
10 from presenting alternative evidence.

11 Therefore, we recommend that the Commission
12 remove the exemption rule found in WAC 480-85-070 in its
13 entirety. Thank you again for the opportunity to
14 present comments today. I'm available for questions, as
15 is Mr. Watkins, who is on the line.

16 CHAIR DANNER: Thank you very much,
17 Ms. Gafken.

18 Are there any questions for Ms. Gafken?

19 All right. So I just wanted to get your
20 sense. I mean, one of the reasons we have been dealing
21 with this issue for the last two-plus years is because
22 we saw such variation in cost of service studies. If we
23 basically get rid of -070, is it going to be the new
24 normal, then, that we would receive two cost of service
25 studies in every rate case, and so we would still see

1 that kind of variation? And would that undermine our
2 desire to standardize, which really was one of the
3 motivating factors in this proceeding?

4 MS. GAFKEN: Well, without being able to
5 predict the future, with that caveat, I don't
6 necessarily think that you would see two cost of service
7 studies presented by every party. You know, I could see
8 a situation where parties, including Public Counsel, may
9 want to show an alternative, whether that alternative be
10 presented to reinforce the peak credit methodology or
11 maybe we found a better mousetrap so to speak.

12 I don't see it undermining the idea of
13 consistency across presentations because parties would
14 have to still present the peak credit methodology, and
15 so you would still have a commonality across all of the
16 parties. But I do strongly feel that limiting a party's
17 ability -- and in -- in this regard, I'm -- I'm actually
18 speaking for more than just Public Counsel. But to
19 limit a party's ability to show the Commission what it
20 thinks that the best evidence to consider, I think
21 really unnecessarily constricts parties' participation
22 in proceedings before you.

23 And at the end of the day, the three
24 Commissioners decide the case and you give the evidence
25 the weight that you see appropriate. That is not to

1 suggest that I -- that I think you're just simply
2 disregarding the second cost of service studies that
3 might be presented is an appropriate thing to do, but,
4 you know, at the end of the day, if -- if you don't find
5 that second cost of service study to be credible or
6 useful, it is certainly within your purview to rely on
7 the peak credit cost of service study that the parties
8 presented.

9 So I don't see it as -- as being
10 inconsistent with the goal to standardize, but I -- I do
11 see it as unnecessarily tying the Commission's hands
12 even in what they get to see.

13 CHAIR DANNER: All right. Thank you very
14 much.

15 Mr. Stokes, I'm going to go back to you and
16 if you want to weigh in on this. I know that -- that
17 you also commented about this.

18 MR. STOKES: I agree with Public Counsel,
19 Commissioner. I -- I think that that provision
20 restricts parties, and parties should be allowed to
21 present alternative -- alternative theories in rate
22 cases. I'm concerned about the timing of when -- when
23 you have to seek a petition for exemption and what that
24 would look like, and you have to have the petition for
25 exemption, the cost of service study filed with the

1 petition. So I think that's burdensome on parties in
2 a -- in a already pretty quick process.

3 CHAIR DANNER: So you've already -- you've
4 expressed your disagreements with Staff's approach or
5 the approach that would be the preferred in the rule, so
6 we -- we would expect, then, without the requirement for
7 exemption that -- that you would file two cost of
8 service study methodologies in every case; is that
9 right?

10 MR. STOKES: No, that -- that -- that's
11 not -- I'm not saying that's what would happen. We
12 would like the opportunity to consider doing that.
13 If -- it may be appropriate in some cases and not in
14 others. So if the design-based methodology was our
15 preferred methodology and we proposed a middle ground,
16 the average nexus methodology -- and I'm speaking only
17 on -- on the gas side here. So the average nexus
18 methodology was the compromised position, so it may be
19 appropriate in some cases and -- and not.

20 But I do think having a range of results for
21 the Commission to consider is appropriate, and more
22 information -- I think Ron Amen was the one who said at
23 one of the conferences that more information is better
24 in this context. There is no finance here, it's an art
25 form and it's -- it's people's personal preferences on

1 how you allocate cost. So there's a lot of different
2 theories on this stuff, and I don't know why we have to
3 stick to one particular methodology.

4 CHAIR DANNER: All right. Thank you.

5 Let me ask my colleagues if they have any
6 questions for Ms. Gafken or Mr. Stokes as well.

7 Okay. Hearing nothing, thank you very much
8 for your comments, Ms. Gafken.

9 And I think next up, Mr. Parvinen, are you
10 there?

11 MR. PARVINEN: Yes, I'm here. Thank you,
12 Commissioners, for the opportunity to speak today. I'm
13 Mike Parvinen with Cascade Natural Gas. I believe also
14 on the line if we have clarifying questions is
15 Mr. Ron Amen who represented Cascade through this --
16 through this process, and we appreciate the work he's
17 put into it.

18 I do want to thank all Staff and all the
19 participants that participated in this. It's been a
20 long -- long time to get to the end, so -- and -- and
21 some pretty good results. I really only have one topic
22 that I wanted to comment on, and quite frankly, it's
23 been -- it keeps coming up, it keeps coming up, so I
24 just wanted to bring it up another time, and that's in
25 regards to the requirement for a load study and the

1 definition of what a load study is and its impact on
2 these cost of services. I think it was different when
3 this process started, but when you get down to the end
4 result on how the cost study is done using a peak and
5 average, that the load study has very little, if any,
6 impact whatsoever on -- on -- on the peak.

7 But as designed by Staff requiring daily
8 data, it requires companies that don't have AMR
9 technology and a fixed network to go with that to incur
10 substantial costs to go out and put logger or mechanical
11 devices on random customers to collect data. And that
12 data, over a 12-month period, is generally pretty
13 useless with the exception of if you happen to have a
14 peak event during that -- that day, during that 12-month
15 period to determine what your peak loads are during a
16 peak event because what you're trying to build your
17 design day or peak on. The rest of the data, it's
18 pretty useless. It has really no bearing whatsoever on
19 designing that peak day.

20 And a lot of this rule is written around the
21 load studies and the definition of -- and the definition
22 of that. I mean, I can see the benefit on the electric
23 side where you're looking at 12-day coincident peaks and
24 12-day noncoincident peaks and -- or you have things
25 like how to use pricing, but none of that exists on the

1 gas side. So it seems extensive, it adds a lot of cost
2 without a -- without a benefit.

3 And so that's one area that just Cas- --
4 that is kind of bothering Cascade. I think all the
5 utilities, maybe one on the gas side have -- I think
6 only one maybe have the ability to collect currently
7 daily data to meet this requirement. And like I said,
8 without the -- without the benefit of being able to do
9 that, it adds a substantial amount of cost and has no
10 bearing on the outcome of the cost of service study.

11 With that, I think that's the last area that
12 I have comment on.

13 CHAIR DANNER: And, Mr. Amen, do you have
14 anything that you want to add?

15 MR. AMEN: Thank you, Chairman, and -- and
16 thank you to the Commissioners for this opportunity to
17 contribute to the conversation. And in -- in echoing
18 the comments of Mike Parvinen, I would just say that one
19 thing that's been troubling about this focus on a load
20 study is that it doesn't actually deal with the cost of
21 service methodology; that is, it doesn't deal with how
22 you functionalize, classify, or even allocate cost. It
23 has to do with the input data.

24 And it suggests, I think, based on this
25 daily sampling of information for gas utilities, a false

1 sense of precision, because whether it's sampled data
2 from various customer classes, which then has to be
3 extrapolated to the total class and from there to a
4 design-day level of peak consumption, it is still an
5 estimate. And if the -- the method that has been
6 employed by Cascade in its integrated resource plans
7 uses data, daily data, by Citygate, that then uses
8 class-level billing data to extrapolate to a design
9 weather condition by class.

10 And so whether it be daily sampling or the
11 use of daily geographic information from Citygate's and
12 customer billing data, you can establish some very
13 strong statistical analysis that lends validity to the
14 results and has been used and vetted through the IRP
15 process for Cascade for many years.

16 So I think to be too restrictive on the
17 methodology employed for load studies, again, just tends
18 to suggest the false sense of precision that has not
19 really been demonstrated throughout this two and a
20 half-year period by any analysis or empirical data.

21 Secondly, I would just like to support
22 Public Counsel and AWEC on the -- on the criticism they
23 had of the final section of the proposed rule. In that,
24 with today's modelling technology that we have for cost
25 of service studies, a showing of a range of results

1 under an alternative method is about as simple as
2 throwing a switch in that going from one, say,
3 design-day method to a peak and average or an average
4 and excess method is not a time-intensive or
5 data-intensive operation. All the data is really still
6 there. And it provides the Commission with the range of
7 results that then can be used in their decision-making
8 process in terms of the appropriate recovery cost by
9 class.

10 Therefore, I think limiting the methodology
11 in the way that -- that the 480-85-070 does is too
12 restrictive, and I thank you for the opportunity again
13 to offer these comments.

14 CHAIR DANNER: Thank you, and thank you
15 again for your participation in this process.

16 Are there any questions for Mr. Parvinen or
17 for Mr. Amen?

18 Okay. Hearing none, thank you very much
19 both of you.

20 Rob Wyman from Northwest Natural, are you on
21 the line?

22 MR. WYMAN: Hi, yes, I am. This is Rob --

23 CHAIR DANNER: Great, so we can hear you
24 just fine.

25 MR. WYMAN: Great. This is Rob Wyman with

1 Northwest Natural Gas. I too would like to thank Staff
2 and stakeholders for all their work on this docket.
3 I've been involved for just about a year now of this
4 three-year process, and I can tell that people put a lot
5 of work and thought into this. So I'd just like to
6 reiterate my thanks on all of that.

7 I do have one comment, and it's going to
8 mirror what we've just heard from Cascade and from PSE.
9 And my comment is just kind of on -- on the load study.

10 Northwest Natural Gas right now we don't
11 believe has the ability to -- to -- to fully comply with
12 the -- the input data requirements given that we don't
13 have enough daily meter reading ability to get an
14 accurate sample size of our customers in Washington.

15 This spring, I was going to begin to work
16 with our field technicians on building out a plan to --
17 to be compliant on that piece. Now with the Covid-19
18 impacts, our field crews are only working on emergency
19 projects right now. And so that kind of pushed back my
20 ability to look at adding the right kind of meters to be
21 able to comply with that piece of the rule.

22 So, again, just mirroring kind of what we've
23 heard, I just wanted to see what the -- reiterate the
24 concerns about, you know, looking at the first couple
25 filings the companies are going to put out on cost of

1 service and whether, you know, the Commissioners will be
2 a little more lenient in -- in how we interpret it, what
3 kind of data input we use, and just that the knowledge
4 that the companies are working, you know, incrementally
5 to -- to be -- be compliant eventually with all of
6 the -- all of the new rules.

7 And I -- I think that's all I had. Again,
8 thanks, everyone, for your work on this and -- I
9 appreciate it. And thanks, Commissioners, for asking --
10 getting our -- our opinions on -- on these rules.

11 CHAIR DANNER: All right. Thank you very
12 much.

13 Let me ask my colleagues, are there any
14 questions for Mr. Wyman?

15 Okay. Hearing none, so thank you very much
16 for your comments.

17 Now let me turn to Mr. Meredith from
18 PacifiCorp.

19 MR. MEREDITH: Good afternoon, Chair Danner,
20 Commissioner Rendahl, Commissioner Balasbas. Can you
21 hear me okay?

22 CHAIR DANNER: Good afternoon.

23 MR. MEREDITH: Good. So my name is Robert
24 Meredith. I'm the director of pricing and cost of
25 service for Pacific Power. First off, I just want to

1 appreciate everybody's hard work and the collaboration
2 that went into this whole rulemaking process. It's
3 been, as everybody stated, a pretty monumental effort,
4 and it took a lot to get all of this together and really
5 appreciate just the whole process and how it wasn't
6 adversarial in -- in this sense and it was very
7 collaborative. And I thought that everything went
8 really well and there was a lot of good dialogue along
9 the way.

10 I would like to echo some of Puget's
11 concerns about just asking that the Commission would
12 have some patience, particularly the first time that
13 this gets filed. I think that Mr. Piliaris (electronic
14 interference) is an interpretation or there may be some
15 hiccups as -- as the utilities look to implement this
16 for the first time. It's a pretty comprehensive set of
17 rules and there may be areas where, you know, there may
18 have been something that could have been missed the
19 first time. And so I think just having some -- some
20 patience with that and with the utilities the first time
21 that they look to implement the rules I think -- I think
22 would be good.

23 I also want to state that Pacific Power
24 fully supports the rules and believes that they'll bring
25 clarity and efficiency to cost of service. I also think

1 considering the different methodologies that are -- are
2 put forward in the rules that different parties may not
3 like certain aspects of it, but I believe that in total,
4 the whole package is reasonable and balances many of the
5 diverse interests that are out there.

6 I'll just give a real quick example.
7 Thinking about the way that generation and transmission
8 costs are -- are allocated and classified, the example
9 was -- was put forward of -- of net power cost, which
10 the -- the rules clarify would be allocated -- or sorry,
11 classified a hundred percent to energy. You know, that
12 may be an aspect that higher load factor customers may
13 not consider as reasonable or a methodology that they
14 can agree with.

15 The flip side of that is that transmission
16 costs are a hundred percent classified to demand, and
17 that's probably an aspect that higher load factor
18 customers would -- would agree with hardily. And so I
19 think that there's some give and take in these -- in
20 these rules and I think on the whole creates a very good
21 outcome.

22 I also believe that over time, these rules
23 will do a good job of reflecting (electronic
24 interference) falls. Speaking personally for Pacific
25 Power, we filed a rate case not very long ago back in

1 December, and we attempted to implement the rules, at
2 least a draft of the rules, that were in place for this
3 rulemaking. And it was a fairly smooth process for us.
4 It did require some more work, but it -- it was not
5 overly challenging for us to -- to implement those.

6 And with all that said, I -- I recommend
7 that the Commission approve the rules, and I'm available
8 for any questions that you may have.

9 CHAIR DANNER: All right. Thank you very
10 much, Mr. Meredith.

11 Are there any questions for PacifiCorp?
12 Okay. I'm hearing none.

13 Thank you again for your comments.

14 Let me turn now to Joni Bosh from Northwest
15 Energy Coalition, are you there?

16 MS. BOSH: Am I -- can you hear me now?

17 CHAIR DANNER: Yes, we can.

18 MS. BOSH: Okay. Thank you. I was having
19 trouble getting off mute.

20 I would -- just wanted to thank you,
21 Mr. Chairman and Commissioners, for giving us the chance
22 to revisit some of the comments we've submitted through
23 this process. It has been indeed a very long process.
24 We acknowledge everyone's involvement in work and want
25 to thank everyone for patience in this process because

1 at the start, we were very committed to finding and
2 believing in the value and standardization as well.

3 Over this process with the comments and
4 edits we've submitted, we have come to a different
5 conclusion than most of the other participants on the
6 call today. We made comments in two major areas; one
7 was on customer-related costs and the other one was on
8 the methodology embedded in the rules a little bit, but
9 definitely the Table 2. And --

10 CHAIR DANNER: Could you --

11 MS. BOSH: -- don't see --

12 CHAIR DANNER: You're kind of fading in and
13 out.

14 MS. BOSH: Hello? Okay. Sorry.

15 CHAIR DANNER: Go on.

16 MS. BOSH: The world's worst connection here
17 on the island. I was going to say we submitted edits
18 and comments --

19 CHAIR DANNER: Joni, we're losing you.

20 MS. BOSH: Let me stand by the window. Let
21 me try that. Is that better?

22 CHAIR DANNER: That is, and you're going to
23 have to go back a few sentences because we really didn't
24 get the gist of anything you said.

25 MS. BOSH: Sure. Okay. Let me just start

1 over. I just was thanking you and the Commissioners for
2 having -- giving us this chance to speak today and that
3 I wanted to acknowledge everyone's involvement and work
4 over the last three or so years that we've been
5 involved. We also started out in this process committed
6 to getting some sort of standardization to make this
7 process simpler.

8 We've come to a different conclusion,
9 though, than Staff, I think, and so I'll be the contrary
10 opinion today. We -- and I can summarize it with --
11 with some of the explanation of the comments and edits
12 we've submitted. We made comments in two general areas;
13 one was on reaffirming customer-related costs and the
14 other was in the allocation methodology itself. And I
15 should say I'm speaking here strictly to the electric
16 side. We didn't have the bandwidth to dig into the gas
17 side much, so I'm speaking to 170002.

18 First of all, we are very concerned that the
19 customer-related costs as the Commission has long
20 required starting I think in 1992 and reaffirming as
21 recently as 2017 basically amounts to service line
22 drops, meters for the parts of meters that are
23 customer-related, meter reading, and billing cost.

24 So with that in mind, we had edited in that
25 Account 904, which is the uncollectible, be removed from

1 the customer cost table that the -- because of that
2 (electronic interference) bill to reduce energy usage
3 components of the bill and not the cost of billing and
4 collection. We ask that Account 908 expenses be removed
5 from customer-related costs as those are energy
6 conservation-related and that's, again, usage-related.

7 We also ask that the specific cost
8 categories of 909 and 910, which are major informational
9 and educational expenses, not be included in the
10 customer costs. And that as we move to AMI meters, that
11 there should be a very careful thinking through and
12 guidance given because the costs are not all related to
13 the customer anymore. These costs enable demand
14 response, they demand -- they demand response, voltage
15 relations, transformer right sizing, phase balancing, a
16 lot of measures that are energy-related that are not
17 customer-related.

18 So we have submitted specific suggestions on
19 all those, and unfortunately, none of them were
20 incorporated as far as we can tell. But the bigger
21 question I think where we had comments was the
22 allocation methodology itself. It seems to be moving
23 backwards in time a bit. It's based on the energy
24 demands, customer framework, and most modern allocation
25 methodologies are moving towards off-peak, on-peak,

1 credible-peak (electronic interference) differentiated
2 periods. The most recent (electronic interference) --

3 THE COURT REPORTER: This is the court
4 reporter. I can't hear what she's saying at all.

5 CHAIR DANNER: Neither can I.

6 We just lost you again.

7 MS. BOSH: How is that?

8 CHAIR DANNER: So far so good.

9 MS. BOSH: Okay. If it drops again, let me
10 know.

11 We don't see in this proposal any of the
12 information or methodology and history I think that is
13 embedded in the electric cost allocation for a newer era
14 manual in this approach. So bottom line (electronic
15 interference) --

16 CHAIR DANNER: We're losing you again now.

17 MS. BOSH: Okay. So bottom line, we would
18 urge you not to adopt today but to continue the process
19 and at least go back through and look at a
20 time-differentiated approach to cost allocations.
21 That's the way the grid is going. It allows the use of
22 the much more granular data we're going to be getting
23 from AMI. The load studies will eventually be replaced
24 by actual data, so we should be -- we should be creating
25 a cost of study approach that's going to the future and

1 not looking backwards.

2 CHAIR DANNER: All right. Anything else?

3 Okay. Thank you very much --

4 MS. BOSH: I'm sorry, is someone saying
5 something?

6 CHAIR DANNER: Well, I was just -- I wasn't
7 sure if you were done or if we had lost you again.

8 MS. BOSH: I think you said am I done and
9 I'm saying yes, thank you.

10 CHAIR DANNER: Okay. Thank you very much.

11 Let me turn to my colleagues, do you have
12 any questions for Ms. Bosh?

13 Okay. I'm hearing nothing. Thank you very
14 much for your comments.

15 I think that brings us to the end of those
16 who have signed in. Let me turn to those -- there are
17 some who are attending who did not wish to speak. Let
18 me confirm that.

19 Mr. ffitich, anything that you want to add?

20 Okay. Mr. Lazar?

21 MR. LAZAR: No, Your Honor. Thank you.

22 CHAIR DANNER: Okay. Thank you.

23 UNIDENTIFIED SPEAKER: (Inaudible)

24 participation of the Commission. If you want to hear
25 from me, you have to ask.

1 CHAIR DANNER: Okay. I have no questions
2 for you at this time, so thank you very much.

3 And then finally, Mr. Miller or Tarra Knox
4 from Avista?

5 MR. MILLER: Nothing more on behalf of
6 Avista. We'd just like to reiterate our thanks to the
7 parties for all the good work in the dockets.

8 CHAIR DANNER: All right. Thank you very
9 much.

10 Is -- is there anyone else on the line who
11 has not had a chance to talk to us who wishes to do so
12 today?

13 Okay. Hearing none, that takes us to the
14 end of the comment section. Let me now turn to my
15 colleagues.

16 Would you like Staff to address any of the
17 comments we've heard today?

18 COMMISSIONER RENDAHL: This is Commissioner
19 Rendahl. No, I -- I think there has been a full amount
20 of discussion on all of these topics, both in the
21 workshops and the comments, and I think it is now time
22 for us to take this under advisement.

23 CHAIR DANNER: All right. Thank you very
24 much.

25 Commissioner Balasbas, anything in addition?

1 COMMISSIONER BALASBAS: At this point, no,
2 nothing more. I would agree with my colleague,
3 Commissioner Rendahl, and yes, I believe we will take
4 all of this -- we will take all of this under
5 advisement.

6 CHAIR DANNER: Yes, we will.

7 All right. Thank you very much. So I
8 appreciate everybody's participation over the last
9 two-plus years, I appreciate everybody's participation
10 today. This is a complex undertaking. I think it's --
11 the message I've gotten today is that everybody has
12 worked very well together, very collaboratively and --
13 and not in an adversarial manner, even though obviously
14 some disagreements remain.

15 We are going to take this under advisement.
16 We will issue an order in due course and bring this
17 matter to its proper conclusion at some point in the
18 near future.

19 So I think unless there's anything else to
20 come before the Commission this afternoon, I am prepared
21 to adjourn. So this is a last call for Mr. Ball or my
22 colleagues, is there anything else we need to do this
23 afternoon?

24 MR. BALL: This is Jason. No. Thank you,
25 Chairman, and thank you, Commissioners, for a wonderful

1 hearing.

2 CHAIR DANNER: All right. Thank you.

3 In that case, we are adjourned. Thank you,
4 everybody, for your participation today.

5 (Adjourned at 2:36 p.m.)
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

C E R T I F I C A T E

STATE OF WASHINGTON
COUNTY OF THURSTON

I, Tayler Garlinghouse, a Certified Shorthand Reporter in and for the State of Washington, do hereby certify that the foregoing transcript is true and accurate to the best of my knowledge, skill and ability.

Tayler Garlinghouse

Tayler Garlinghouse, CCR 3358

