

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Rulemaking to Address Electric and
Natural Gas Cost of Service

DOCKETS UE-170002
and UG-170003

COMMENTS OF PUBLIC
COUNSEL

1. The Public Counsel Unit of the Washington Attorney General’s Office (“Public Counsel”) files these comments in response to the Utilities and Transportation Commission’s (UTC or “Commission”) Notice of Informal Draft Rules and Opportunity to File Written Comments dated May 6, 2019 (“Notice”). Public Counsel first addresses the questions posed to all stakeholders, and then addresses the informal draft rules.

**I. PUBLIC COUNSEL’S RESPONSES TO QUESTIONS DIRECTED TO ALL
STAKEHOLDERS**

2. Public Counsel addresses the questions directed to all stakeholders regarding special contracts and load studies. The comments offered herein are consistent with and augmented by our previous written comments provided on March 29, 2018 (electric), May 30, 2018 (natural gas), and September 7, 2018, and our verbal comments provided at the December 3, 2018, and February 21-22, 2019, workshops.

A. Question 1: How should a cost of service study reflect special contracts?

3. Public Counsel's response: The issue of how to reflect special contracts in cost of service studies was discussed at length during the February 22, 2019, workshop.¹ Regarding the allocation of revenues and costs associated with special contracts, Public Counsel, industrial representatives, and utility representatives agreed that the most reasonable approach is to treat the revenues contributed from special contract customers as a credit to all other rate classes. To do this, the revenue side of the cost of service study would reflect the total revenues contributed by special contract customers as a separate line item wherein the total amount of special contract revenues would be allocated (credited) to all traditional rate classes. With regard to the allocation of costs, there should be no separate "class" for special contract customers such that the utility's total costs are allocated across the traditional rate classes.

4. During the February 22, 2019, workshop, Commission Staff asserted that the allocation of revenue and costs associated with special contract customers was simply a matter of "optics." Public Counsel's understanding of Staff's reference to "optics" is that, assuming the level of discounted revenues contributed from special contract customers are justified and reasonable, the allocation of these revenues and any attendant costs of providing service to these customers becomes a matter of optics. However, the need for and level of discounted rates offered to special contract customers presents a revenue requirement issue. That is, to the extent a party opposes a discounted rate, this would be reflected in that party's overall revenue requirement recommendation.

¹ The relevant discussion is found in the workshop's recording at approximately 3:36 through 4:02. Natural Gas Workshop (Feb. 22, 2019), <https://www.utc.wa.gov/layouts/15/CasesPublicWebsite/GetDocument.ashx?docID=73&year=2017&docketNumber=170003>).

5. For example, suppose a special contract rate customer contributed \$1,000,000 under its contract rate, but a party takes a position that this rate is unreasonable and that a more appropriate rate is a revenue contribution from this customer of \$1,200,000 per year. This incremental \$200,000 then simply becomes a revenue requirement issue. In this regard, if a party were to advocate that a special contract customer should be moved to an otherwise full tariff rate and, hence, effectively disallow the special contract altogether, that party may then desire to reflect the revenues and allocated costs of that customer within the appropriate full tariff rate class.

B. Question 1(a): Is it appropriate to treat them [special contracts] as a separate customer class?

6. Public Counsel's response: See response to Question 1, above.

C. Question 1(b): How should revenue from special contracts be included or shown as an offset

7. Public Counsel's response: See response to Question 1, above. In addition, there are two generally accepted approaches to credit special contract customer revenues to full tariff rate classes. First, special contract revenues can be allocated based on current rate revenues. Second, special contract revenues can be allocated based on rate base. Public Counsel recommends the parties be free to advocate their own positions regarding the allocation of revenue credits back to full tariff rate classes in general rate proceedings.

D. Question 1(b)(i): Would this [treatment of special contracts] require a specific adjustment in the revenue requirement model?

8. Public Counsel's response: Assuming the level of discounted revenue is not disputed, no adjustment to the revenue requirement model is needed. To the extent the amount of discounted revenue is disputed, see response to Question 1, above.

E. Question 2: Are there proposed input data types (advanced metering infrastructure, special contracts, load studies) sufficient, or should there be other types of data?

9. Public Counsel's response: Public Counsel interprets this question to refer to electric load information and not energy usage, number of customers, etc. Electric utilities should utilize the most accurate data available to estimate class contributions to load. For example, if smart meters are fully deployed, or deployed in proportion to a total class's population, actual smart meter data should be utilized. To the extent that actual meter data is not available through smart meters or interval demand reader records, the analyses conducted from sample load studies should be utilized for electric utilities.

10. With regard to natural gas distribution companies, statistical or econometric analyses should be utilized for those classes that actual metered loads are unknown. In this circumstance, statistical or econometric analysis can provide reasonable estimates of load that can be used in a cost of service study.

11. With regard to special contracts, loads should be evaluated on a case-by-case basis such that the estimation of contributions to load will depend on the individual circumstances and may vary depending on whether a particular customer takes firm or interruptible service, has maximum contract demand limitations, actual demand exceeds contract demand, etc.

12. Please also see response to Question 1 and Public Counsel’s discussion of proposed rule WAC 480-xxx-060, below.

F. Question 3: How often should load studies be performed?

13. Public Counsel’s response: The UTC posed the same question in its notice dated July 23, 2018, under “Questions affecting both electric and natural gas companies.” Question (2)(c) asked “How frequently should companies perform load studies.” Public Counsel answered the question in its comments dated September 7, 2018, as follows: “While some Washington utilities (such as Puget Sound Energy) maintain ongoing load research, others periodically conduct or update their load studies. Public Counsel recommends that load studies be conducted every five years, at a minimum.”²

II. PUBLIC COUNSEL’S COMMENTS REGARDING INFORMAL DRAFT RULES

14. Public Counsel addresses the informal draft rules on cost of service studies, and we appreciate the efforts to provide guidance and clarity through rule. As with our comments above, our approach to the draft rules is consistent with and augmented by our previous written and oral comments offered in these dockets. Our hope is to continue productive dialogue with all stakeholders as this proceeding continues in order to arrive at rules that meet the Commission’s directive to form a collaborative in Dockets UE-160228 and UG-160229, balance stakeholder interests, provide direction to companies seeking rate changes, and ultimately provide the Commission with flexibility to maintain decision-making authority. We look forward to continued progress in this matter.

² Public Counsel’s Comments at 4 (Sept. 7, 2019).
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DOCKETS UE-170002 and UG-170003

A. WAC 480-07-510(6)

15. At this time, Public Counsel does not have objection or substantive edits to the proposed modification of WAC 480-07-510(6), which requires cost of service studies to comply with rules governing such studies. We look forward to reading the comments of other stakeholders and may offer input at a future workshop regarding this provision.

B. WAC 480-xxx-010 (Purpose)

16. WAC 480-xxx-010(1) states that the intent is to allow for direct comparison of cost of service studies. It is unclear what direct comparison is contemplated. For example, is the comparison sought between companies, between rate cases filed by the same company, or some other comparison?

17. WAC 480-xxx-010(2) states that a cost of service study is one factor and that the UTC may consider other factors, such as fairness, equity, economic conditions, gradualism, and rate stability. Public Counsel agrees, and the Commission has long recognized the need to consider multiple factors in determining rate spread.³ Public Counsel supports the language in WAC 480-xxx-010(2).

C. WAC 480-xxx-020 (Applicability)

18. At this time, Public Counsel does not have objection or substantive edits to the proposed informal draft rule, WAC 480-xxx-020. We look forward to reading the comments of other stakeholders and may offer input at a future workshop regarding this provision.

³ See *WUTC v. Pacific Power & Light Co.*, Docket 100749, Final Order No. 06 ¶¶ 315, 316 (Mar. 25, 2011).

D. WAC 480-xxx-030 (Definitions)

19. WAC 480-xxx-030(1) defines “allocation factor” as “a mathematical description of the specific cost relationship among revenue requirement and rate schedules.” This definition is not correct. An allocation factor is simply a percentage of a total used to allocate a particular FERC account. An allocation factor does not measure the cost relationship among “revenue requirement,” but rather is a factor to allocate a jointly incurred FERC account across rate schedules. Public Counsel proposes the following edit to WAC 480-xxx-030(1):

“Allocation factor” means class (or rate schedule) percentage contributions to the total utility amount of a particular attribute used to allocate joint incurred costs. a mathematical description of the specific cost relationship among revenue requirement and rate schedules.

20. WAC 480-xxx-030(3) defines “cost of service study” as “a study that identifies and calculates the extent to which various rate schedules cause a utility’s costs using regulatory principles.” The informal draft rule also states that the study “correlates a utility’s costs and revenues with the service provided to the customers in each rate schedule.”

21. The allocation of utility costs is not a precise science, but rather requires judgment. Often, there is no single right answer to how costs should be allocated. The U.S. Supreme Court has stated, “But where, as here, several classes of services have a common use of the same property, difficulties of separation are obvious. Allocation of costs is not a matter for the slide-rule. It involves judgment on a myriad of facts. It has no claim to an exact science.”⁴

22. As discussed during the workshops held in these dockets on February 21 and 22, 2019, Public Counsel opposes a definitional framework that indicates any allocation to individual

⁴ *Colorado Interstate Co. v. Comm’n*, 324 U.S. 581, 589, 65 S. Ct. 829, 833 (1945).
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classes is truly the result of causing a utility's costs. Public Counsel proposes the following edit to WAC 480-xxx-030(3):

“Cost of service study” means an embedded study that allocates revenues, operating income, and rate base items to individual customer or rate classes based on direct assignments where practical. Costs are allocated based on cost causative factors to the extent that such cost causative factors can be identified and quantified or allocated based on what can be considered fair and reasonable. ~~a study that identifies and calculates the extent to which various rate schedules cause a utility's costs using regulatory principles. This study correlates a utility's costs and revenues with the service provided to the customers in each rate schedule.~~

23. WAC 480-xxx-030(5) defines “marginal cost study” as an “analysis of the cost for a customer to bypass a utility’s system compared to the incremental cost needed for the utility to serve that customer.” Public Counsel recommends that the definition of “marginal cost study” in WAC 480-xxx-030(5) be deleted in its entirety. The definition of marginal cost is unnecessary because the proposed rules are only concerned with the allocation of embedded cost. Moreover, the proposed definition is incorrect. The term marginal cost has a specific meaning in economics. Marginal cost is the incremental change in cost as a result of an incremental change in output. Furthermore, marginal costs may be expressed as “short run” or “long run” marginal costs, which also have specific meanings. The proposed definition conflicts with the universal definition of marginal cost and should be deleted.

24. WAC 480-xxx-030(8) defines “special contract” as “a service agreement between a utility and a customer that includes a rate schedule unique to that customer.” An important characteristic of special contracts is that they are negotiated between the customer and the utility. Public Counsel proposes the following edit to WAC 480-xxx-030(8):

“Special contract” means a negotiated service agreement between a utility and a customer that includes a rate schedule unique to that customer.

25. WAC 480-xxx-030(9) defines “system peak” as “the maximum energy usage of the Washington portion of a utility’s distribution system within an identified time frame.” This definition would be more accurate stated as follows:

“System peak” means the maximum ~~load energy usage~~ of the Washington portion of a utility’s ~~distribution~~ system within an identified time frame.

E. WAC 480-xxx-040 (Subsequent Review of Cost of Service)

26. WAC 480-xxx-040 would require the UTC to commence a rulemaking every five years to review the rules in the proposed chapter. Additionally, the proposed language states that the UTC could postpone a rulemaking if it found that initiating such a rulemaking is not in the public interest. Further, the language requires that the rulemaking be completed within 12 months.

27. Public Counsel believes informal draft rule WAC 480-xxx-040 is unnecessary as it is duplicative of existing authorities held by the UTC. RCW 80.04.160 provides the UTC with the authority to commence a rulemaking at any time to promulgate new rules or modify existing rules. The provisions of WAC 480-xxx-040 limit the Commission’s authority and is needlessly prescriptive. Instituting a mandatory review every five years may create an unnecessary administrative burden for the Commission, Staff, and other stakeholders by both requiring a rulemaking every five years and also creating a process through which the UTC could evaluate whether the rulemaking should be postponed for good cause. The UTC should commence a rulemaking when it deems necessary rather than on a mandated time schedule that may or may not coincide with when changes are warranted.

28. Moreover, the requirement to complete the rulemaking within 12 months is arbitrary, and the provision that the Commission may – upon finding good cause – extend the rulemaking

longer than 12 months is superfluous. When the Commission engages in rulemaking, it may do so in its discretion and within the time needed. Public Counsel notes that the current dockets were initiated in 2016 and are still ongoing. WAC 480-xxx-040 should be deleted in its entirety.

F. WAC 480-xxx-050 (Minimum Filing Requirements)

29. Public Counsel appreciates the need to establish minimum filing requirements and recognizes that minimum filing requirements standardize filings, clarify expectations, and increase efficiencies. WAC 480-xxx-050(1)(a) requires that cost of service studies be filed with supporting testimony that cites to work papers. Public Counsel agrees with this, but also believes that both testimony and schedules should cite to a witness’s work papers. Public Counsel proposes the following edit to WAC 480-xxx-050(1)(a):

All cost of service studies must be filed with supporting testimony. If supporting testimony or schedules reference or discuss ~~references or discusses~~ data, models, calculations, or associated information that is found only in the supporting work papers, the supporting testimony or schedules must cite to the work papers.

30. WAC 480-xxx-050(1)(b)(iii) requires that each electronic workbook have an index identifying each spreadsheet and its relationship to other spreadsheets. Public Counsel recommends deleting the proposed language in WAC 480-xxx-050(1)(b)(iii) because the provision is overly burdensome to all parties. Furthermore, each party’s expert will understand each spreadsheet’s relationship to other spreadsheets because parties are required to file electronic versions with all formulae intact.

G. WAC 480-xxx-060 (Cost of Service Study Inputs)

31. WAC 480-xxx-060 states that rate schedule usage data “must come from one of the following sources, which are ranked from most to least preferred: advanced metering

infrastructure; special contracts; or, a load study.” Of the sources listed, a utility would be required, under the informal draft rule, to use the most preferred source of data available.

32. The proposed language signals a strong preference for information from advanced meter infrastructure (AMI), but all Washington utilities do not have AMI installed, even though some are implementing plans to install AMI. Additionally, data from a load study or econometric analysis would provide more accurate information absent AMI. Public Counsel agrees that the best information available should be used and proposes the following edits to WAC 480-xxx-060(1):

The rate schedule ~~usage load~~ data utilized as a basis to allocate costs for any cost of service study ~~must~~ should come from one of the following sources to the extent available, which are ranked from most to least preferred: advanced metering infrastructure; load study; econometric analysis; or, contract demands. ~~special contracts; or, a load study.~~

H. WAC 480-xxx-070 (Cost of Service Methodology)

33. WAC 480-xxx-070 addresses the methodologies parties should use in conducting cost of service studies. WAC 480-xxx-070(1)(d) addresses direct allocation of costs and provides that “if an allocation method in Table 2 or Table 4 requires direct assignment, any remaining costs in the account may not be allocated to the classes included in the direct assignment.” Public Counsel interprets the intent of the informal draft rule to be to avoid double allocating costs. Because there are occasionally costs that are not fully allocated directly, modification of the proposed language is necessary. Public Counsel proposes the following edit to WAC 480-xxx-070(1)(d):

If an allocation method in Table 2 or Table 4 requires direct assignment, any similar remaining costs in the account may not be allocated to the classes included in the direct assignment. If a particular account contains several cost items and only

certain cost items in the FERC account are directly-assigned, the cost items that are not directly-assigned will be allocated as appropriate.

34. Additionally, draft WAC 480-xxx-070 contains four tables. Public Counsel offers comments and suggested revisions to the proposed Tables 1 through 4. For each proposed table, Public Counsel provides comments and rationale for each recommended change followed by a legislative version of the table showing edits.

Table 1 – Electric Cost of Service Approved Functionalization Methodologies

35. Public Counsel questions the need for Table 1 as the functionalization process of cost allocation is rarely, if ever, a point of controversy or directly relevant within the ultimate allocation of costs across classes. Moreover, the FERC Uniform System of Accounts prescribes the specific investments or costs included in each account wherein these accounts are categorized (grouped) within the generally recognized functional purpose of investments or costs, e.g., production, transmission, distribution, general, etc. With this understanding, all class cost of service studies are structured and presented in the order of the FERC system of accounts that are separated by major function (Production, Transmission, Distribution, General, etc.).
36. Public Counsel’s largest concern with including Table 1 is that it could be interpreted that a rule would require the specific separation by specific functional category for every rate base and expense account, including those accounts that serve multiple functions, e.g., general plant. Such a requirement would be unnecessarily burdensome, as it provides no additional useful information and adds to the complexity of the presentation of cost of service studies.

37. However, should the Commission find that Table 1 is necessary, Public Counsel recommends one change: The current proposed functional category named “Customer” is more appropriately named “Customer Service and Information.” Public Counsel’s edit to Table 1 is shown below:

Functionalization	FERC Account Numbers
Generation	151, 253, 310 – 317, 330 – 337, 340 – 348, 500 – 515, 535 – 545.1. 546 – 557
Transmission	350 – 359.1, 560 – 573
Distribution	252, 360 – 374, 580 – 598
<u>Customer Service & Information</u>	235, 901 – 905, 907 – 910
Common	920 – 935, working capital allowance
Gn/Tr/Dist/Cust/Comm	301 – 303, 403, 403.1, 404 – 407
Gn/Tr/Dist/General	105, 107, 108, 111
Gn/Tr/Dist/Comm	154, 165, 281, 282
Allocate based on sub-account	182.3, 254

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

38. **Substations** – The issue of allocating substation costs was discussed at length during the February 21, 2019, workshop.⁵ During these discussions, it was revealed that each of the three electric utilities preferred different approaches to allocate substation costs. Avista preferred a 12-NCP approach. PacifiCorp objected to the 12-NCP approach and favored a weighted distribution CP allocation method. PSE uses a detailed and robust analysis based on each individual substation’s load coupled with an analysis of the customer classes’ load profiles that use each substation. During these discussions, Avista responded to PacifiCorp’s and PSE’s

⁵ Reference recording from approximately 2:07:35 to 2:24:00.

preferred approaches by stating they do not currently have the data available to conduct such analyses and that it would be extremely time consuming and expensive to do so even if the required data could be obtained. PacifiCorp then concluded that the allocation of substations should be reflective of data availability. Staff concurred that there should be flexibility based on data availability.

39. Public Counsel agrees with the conclusion that the allocation of substation costs should be flexible, based on data availability. To the extent detailed data and analyses are available to more accurately reflect the cost incidence of substations, such data and analyses should clearly be used. To the extent data is not available, less rigorous analyses must be employed. The proposed rule relating to the allocation of substation costs is a one size fits all approach that would ignore and prevent the use of more detailed and accurate analyses of cost incidence when such data is available to an individual utility. While Public Counsel appreciates a desire for unified approaches across all utilities, it should not be done so simply for that reason or as a matter of convenience, especially when better methods are available for some utilities. As such, Public Counsel recommends flexibility on this matter based on data and resource availability.

40. **Distribution Line Transformers** – Line transformers are typically allocated in Washington based on a weighted average of the size (KVA) and types of transformers serving individual customer classes. While the actual (embedded) installed costs of transformers by specific size and type may not be known for some utilities, it is more appropriate to use actual (embedded) installed cost amounts by size and type if such information and data is available for a particular utility. This is because a method based on actual investment costs more accurately reflects the costs included in a utility's rate base than does a surrogate weighting based on

estimated current installation costs. However, many – if not most – utilities do not have sufficient and detailed records of the gross investment by size, type, and number of transformers in service. As a result, the use of estimated current costs is a reasonable approach. Public Counsel recommends that detailed actual investment data is preferred over estimated current installation costs, if the appropriate data is available.

41. **Distribution Poles and Wires** – Public Counsel recommends significant changes to the proposed allocation method for distribution poles and wires. First, there should be a distinction between primary and secondary voltage systems. Second, it is incorrect to allocate distribution poles and wires on the same basis as transformers, because transformers are allocated based on a weighted average of transformer costs, which are not correlated in any way to the cost incidence of distribution poles, conductors, and conduit (wires).

42. Public Counsel recommends that primary sub-system costs be allocated to both primary and secondary voltage customers based on class non-coincident peak (NCP) demands. With regard to the secondary voltage sub-system, only those customers and classes taking service at secondary voltage should be responsible for secondary voltage system-related costs. These secondary voltage subsystem costs should be allocated to classes based either on class NCPs or the sum of individual customer peak demands.

43. **Service Lines** – Public Counsel recommends minor edits relating to the allocation of service lines. Furthermore, Public Counsel agrees that the use of the estimated cost of new service lines is a reasonable proxy since virtually no utility knows the actual installed cost of service lines by class, and often not even by size.

44. **Meters** – As is the case for service lines, utilities rarely have detailed records of the types and costs of meters actually installed by class. As such, estimates of new meter costs, by size and type, and then applied to specific classes is a reasonable approach. Public Counsel recommends minor edits relating to the allocation of meters.

45. **Administrative & General and General Plant** – The proposed rule would classify these overhead costs as “customer” related. Public Counsel disagrees with this characterization as these overhead costs are incurred to support the overall operations of a utility, and therefore cannot (and should not) be specifically classified as demand related, customer related, or energy related. Public Counsel recommends edits to the classification of these amounts in Table 2.

46. Public Counsel’s edits to Table 2 are shown below:

Functionalized Cost	Classification Method	Allocation Method
Generation	Scenarios	Scenarios
Transmission	Scenarios	Scenarios
Distribution Substation	TBD based on the results from the scenarios	<u>Flexible based on the availability of data and resources. Direct assignment to large customer classes based on load ratio share of substations they are fed from. All other classes use an average of the relative share of the summer coincident peak and the relative share of the winter coincident peak.</u>
Distribution Line Transformers	TBD based on the results from the scenarios	Secondary customers directly assigned where possible. All remaining costs are allocated using a relative <u>cost ratio of transformers (actual embedded cost if available or at current installation costs if actual embedded costs are not known).</u>
Distribution Poles and Wires	TBD based on the results from the scenarios	<u>Primary system costs customers are allocated to primary and secondary voltage customers based on class NCPs, using the same method as distribution substation.</u> Secondary system costs customers are allocated <u>only to secondary voltage system customers on the basis of class NCPs (at the secondary voltage level) or the sum of individual customer peak demands, using the same method as distribution line transformers.</u>

Service Lines	Customer	<u>Weighted average installed cost for a new service lines by class considering both size and length multiplied by customer count relative to average installed cost.</u>
Meters	Customer	<u>Weighted average installed cost of new meters by size and type for each class new metering multiplied by customer count.</u>
Customer Service/Billing	Customer	All costs assigned by weighted customer counts.
Administrative & General and General Plant	Customer <u>Supports total utility operations that have been classified as demand, energy or customer related</u>	Property insurance based on allocated plant; pensions and employee insurance based on salary and wages; FERC fees based on energy; revenue-based fees allocated by class relative share of total revenue.
Intangible Plant	Depends on functionalization of account	Each type of intangible and amortization in a separate account, allocated using appropriate factors. A materiality threshold of 0.5% of intangible plant or \$750,000 will be applied.

Table 3 – Natural Gas Cost of Service Approved Functionalization Methodologies

47. For the same reasons as discussed for Table 1, Public Counsel questions the need for Table 3, which relates to the functionalization of natural gas accounts.

Table 4 – Natural Gas Cost of Service Approved Classification and Allocation Methodologies

48. **Measuring and Regulating Station Equipment** – Public Counsel disagrees with the proposed allocation of measuring and regulating station equipment utilized by non-large industrial customers. The proposed allocation method suggests that the allocation of distribution mains will exclude large industrial customers from cost responsibility associated with small diameter mains costs. As noted in the proposed Table 4, the allocation of distribution mains is yet to be determined. As such, it is premature to suggest that distribution mains will exempt large industrial customers from the allocation of small-sized mains.

49. **Services** – Public Counsel recommends minor edits relating to the allocation of service lines and agrees that the use of the estimated cost of new service lines is a reasonable proxy. Virtually no utility knows the actual installed cost of service lines by class, and often not even by size.
50. **Meters** – As is the case for service lines, utilities rarely have detailed records of the types and costs of installed meters by class. As such, estimates of new meter costs, by size and type and then applied to specific classes, is a reasonable approach. Public Counsel recommends minor edits relating to the allocation of meters.
51. **Administrative & General and General Plant** – The proposed rule would classify these overhead costs as “customer” related. Public Counsel disagrees with this characterization as these overhead costs are incurred to support the overall operations of a utility, and therefore cannot (and should not) be specifically classified as demand related, customer related, or energy related. Public Counsel recommends edits to the classification of these amounts in Table 4.
52. Public Counsel’s edits to Table 4 are shown below:

Functionalized Cost	Classification Method	Allocation Method
Distribution Mains	Scenarios	Scenarios
Transportation Main	Scenarios	Scenarios
Distribution Assets	TBD based on the results from the scenarios	Measuring and regulating station equipment is allocated the same as distribution mains [TBD on methodology] except <u>large industrial measuring and regulating equipment will be allocated only to industrial customers.</u> are allocated all average related costs, unlike the distribution main allocator which excludes small pipe.
Services	Customer	<u>Weighted average installed cost for a new service line by class considering both size and length multiplied by customer count. Allocated to rate schedule based on the class average service installation cost.</u>

		Large customers are directly assigned based on a special study; for only this allocator, it is up to the utility to determine “large customer.”
Meters	Customer	<u>Weighted average installed cost of new meters by size and type for each class new metering multiplied by customer count.</u>
Customer Service/Billing	Customer	All costs assigned by weighted customer counts.
Administrative & General and General Plant	Customer <u>Supports total utility operations that have been classified as demand, energy or customer related</u>	Property insurance based on allocated plant; pensions and employee insurance based on salary and wages; FERC fees based on energy; revenue-based fees allocated by class relative share of total revenue.
Intangible Plant	Depends on functionalization of account	Each type of intangible and amortization in a separate account, allocated using appropriate factors. A materiality threshold of 0.5% of intangible plant or \$750,000 will be applied.

I. WAC 480-xxx-080 (Exemptions)

53. WAC 480-xxx-080 allows the Commission to grant exemptions from the rules in the new proposed chapter. This rule is unnecessary because it is duplicative of WAC 480-07-110, which allows the Commission to grant exemptions of any of its rules if doing so is in the public interest.

54. The provisions in WAC 480-xxx-080(2)(b) and (3) appear to be too restrictive. These provisions set a standard for alternative cost of service study presentations that require significant and compelling improvements and allow the UTC to reject cost of service studies that are not compliant with the rules. This seems to conflict with provisions in WAC 480-xxx-070(2) that allow parties to file additional or alternative cost of service studies in addition to a cost of service study that complies with the rules.

55. While Public Counsel understands the preference for standardizing presentations, we recognize that parties may have different views of what an appropriate cost of service study should include in any given case. Public Counsel believes that parties should have the ability to

submit their case and justification. If the justification is inadequate, the Commission will afford it the weight that is appropriate. Public Counsel recommends deleting WAC 480-xxx-080 in its entirety.

III. CONCLUSION

56. Public Counsel appreciates the opportunity to comment on the informal draft rules. We look forward to reading the comments filed by other stakeholders and participating in workshops as scheduled by the Commission. Questions regarding Public Counsel's comments should be directed to Lisa Gafken, Nina Suetake, Corey Dahl, and Glenn Watkins.

DATED this 14th day of June 2019.

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