WAC 480-85-060 Cost of service methodology. (1) A cost of service study filed with the commission must be calculated using an embedded cost method.

(a) Electric studies shall use the FERC accounts outlined in Table 1 in subsection (3) of this section to functionalize the cost of service. Costs shall be directly functionalized where information is available. Functionalized costs will be classified and allocated by the methods outlined in Table 2 in subsection (3) of this section.

(b) Natural gas studies shall use the FERC accounts outlined in Table 3 in subsection (3) of this section to functionalize the cost of service. Costs shall be directly functionalized where information is available. Functionalized costs will be classified and allocated by the methods outlined in Table 4 in subsection (3) of this section.

(c) FERC accounts not included in Table 1 or Table 3 in subsection (3) of this section but identified in a cost of service study must be accompanied by a rationale for the functional method chosen in the supporting testimony.

(d) If an allocation method in Table 2 or Table 4 in subsection (3) of this section requires direct assignment, any similar remaining costs in the account may not be allocated to the classes included in the direct assignment; except in circumstances where that class derives a direct benefit from the nondirect assigned costs. If a particular account contains several cost items, of which only certain items in the FERC account are directly assigned, the cost items that are not directly assigned will be allocated as appropriate.

(e) The abbreviations for the functionalized costs are:

"Comm" is an abbreviation meaning the common function;

"Cust" is an abbreviation meaning the customer function;

"Dist" is an abbreviation meaning the distribution function;

"Gen" is an abbreviation meaning the generation function, for electric;

"Prod" is an abbreviation meaning the production function, for natural gas;

"Stor" is an abbreviation meaning the storage function, for natural gas; and

"Tran" is an abbreviation meaning the transmission function.

(2) In addition to filing a cost of service study as required in subsection (1) of this section, a party may file a cost of service study based on a system-wide econometric study, a system-wide marginal cost study, or an embedded cost of service study with modifications to the methodologies outlined in Tables 1 through 4 in subsection (3) of this section provided that each modification is explained in narrative testimony and the party shows that each modification materially improves the cost of service study and is in the public interest.

(3) Tables 1 through 4 of this subsection outline the functionalization, classification, and allocation methods required by subsection (1) of this section.

Table 1
Electric Cost of Service Approved
Functionalization Methodologies

Functionalization	FERC Account Numbers
Generation	151, 152, 310-317, 330-337, 340-348, 500-515, 535-545.1, 546-557

Functionalization	FERC Account Numbers
Transmission	350-359.1, 560-573
Distribution	252, 360-374, 580-598
Customer	235, 901-905, 907, 908* 909-910
Common	920-935, working capital allowance
Gen/Tran/Dist/Cust/Comm	301-303, 403, 403.1, 404-407
Gen/Tran/Dist/Comm	105, 107, 108, 111, 154, 165, 281, 282, 389-398
Allocate based on subaccount	182.3, 253, 254

*Expenses included in account 908 that are related to conservation must be functionalized as generation related.

Table 2
Electric Cost of Service Approved Classification and Allocation Methodologies

Functionalized Cost	Classification Method	Allocation Method
Generation	Renewable future peak credit with net power costs allocated on energy	Load net of renewable generation, using 12 coincident peaks. Net power costs are allocated using annual energy usage at the point of generation.
Transmission	Demand	12 coincident peaks.
Distribution Substation	Demand	Direct assignment to large customer classes based on load ratio share of substations they are fed from; for this allocator only, the utility may determine "large customer." All other classes use an average of the relative share of the summer distribution system coincident peak and the relative share of the winter distribution system coincident peak.
Distribution Line Transformers	Demand	Secondary customers directly assigned where practical. All remaining costs are allocated using a relative ratio of transformers at current installation costs. Allocation to the lighting class(es) may be based upon its proportion of noncoincident peak to the sum of noncoincident peaks for all secondary voltage customers.
Distribution Poles and Wires	Demand	Primary system customers are allocated using the same method as distribution substation, where practical. When not practical, allocate using 12 distribution system noncoincident peaks. Secondary system customers are allocated using 12 distribution system noncoincident peaks.
Service Lines	Customer	Average installed cost for new service lines multiplied by customer count relative to total installed cost.
Meters	Customer	Average installed cost for new metering multiplied by customer or meter count.
Customer Service/Billing	Customer	All costs assigned by weighted customer counts.
Administrative & General and General Plant	Depends on functionalization of account	Property insurance and property taxes based on allocated plant; pensions and employee insurance based on salary and wages; FERC fees based on energy; revenue-based fees allocated by class relative share of total revenue. The remainder of administrative & general and general plant costs shall be allocated as deemed appropriate. An explanation of the allocation method used must be included in testimony.
Intangible Plant	Depends on functionalization of account	Each type of intangible and amortization in a separate account, allocated using appropriate factors. A materiality threshold of 0.5% of intangible plant will be applied.

Table 3
Natural Gas Cost of Service Approved Functionalization Methodologies

Functionalization	FERC Account Numbers
Production	800-813
Storage	350-356, 352.1, 352.2, 352.3, 814-826, 830-837, 840-843, 842.1-842.3, 843.1-843.9
Transmission	365.1, 365.2, 366-371, 850-867, 870
Distribution	374-387, 871-881, 885-894
Customer	901-905, 907, 908*, 909-910
Common	920-935, working capital
Prod/Tran/Dist/Stor/ Comm	101.1, 104-108, 111, 114, 115, 117.1-117.4, 165, 182.3, 186, 190, 228.1-228.4, 229, 235, 252, 253, 255, 281-283, 301-303, 389-398, 403
Allocate based on subaccount	182.3, 254

*Expenses included in account 908 that are related to conservation must be functionalized as production related.

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

Functionalized Cost	Classification Method	Allocation Method
Distribution Mains	Demand	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.
Transmission Main	Follows distribution mains	Follows distribution mains.
Distribution Assets	Follows distribution mains	Follows distribution mains.
Storage	Determined on a case-by-case basis	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.
Services	Customer	Allocated to customer class based on the class average service installation cost. 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	Average installed cost for new metering multiplied by customer or meter count.
Customer Service/Billing	Customer	All costs assigned by weighted customer counts.
Administrative & General and General Plant	Depends on functionalization of account	Property insurance and property taxes 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.

Functionalized Cost	Classification Method	Allocation Method
		The remainder of administrative & general and general plant costs shall be allocated as deemed appropriate. An explanation of the allocation method used must be included in testimony.
Intangible Plant	Depends on functionalization of account	Each type of intangible and amortization in a separate account, allocated using appropriate factors. A materiality threshold of 0.5% of intangible plant will be applied.

[Statutory Authority: RCW 80.01.040, 80.04.160 and chapter 80.28 RCW. WSR 20-15-024 (Docket UE-170002 and UG-170003, General Order R-599), § 480-85-060, filed 7/7/20, effective 8/7/20.]