

## DESCRIPTION OF COST-OF-SERVICE ALLOCATION FACTORS

The allocation factors described below are used in the cost-of-service study in this case.

### Direct Assignment Factors

Direct assignment factors are used to allocate items that are directly identifiable to the various rate classes:

#	Factor Name	Description
110	GS	Direct allocation to the firm sales General Service rate class.
120	FS	Direct allocation to the firm sales FS rate class.
170	NGV	Direct allocation to the NGV rate case.

### Volumetric Factors

Volumetric factors are used to allocate items that are related to the amount of volumes sold or transported during peak times or on an annual basis:

#	Factor Name	Description
210	Design-Day	The total design-day demand is determined in the Integrated Resource Plan (IRP) process and is allocated to each firm rate class based on load research and contracted amounts.
220	Throughput	The throughput factor is based on the total of all Dth sold to each rate class for the identified test period.
230	60% Design-Day/40% Throughput	This factor is a 60/40 weighted average of the allocation percentages of the design-day and throughput factors. This combination of design-day and throughput allocation factors is used to allocate compressor station and feeder system costs and is similar to the allocations used in previous cost of service studies. The current, proposed cost of service has also allocated the measurement and regulation station equipment costs and plant using this factor.
240	Firm Sales	The firm sales factor is based on the total of all Dth sold to each firm sales rate class. It is calculated with the same data as the throughput factor.
250	Distribution Throughput	The distribution throughput factor accounts for customers, by class, that are served from the distribution system. To calculate this factor the volumes of gas delivered to customers directly from transmission and feeder lines are excluded from the total throughput data.

**Revenue Factors**

Revenue factors are used to allocate items that are related to the Distribution revenue amount allocated to each rate class:

#	Factor Name	Description
310	Distribution Revenue	The Distribution revenue factor is based on the sum of all Distribution revenue by class.

**Customer Factors**

Customer factors are used to allocate items that are related to the number of customers in each rate class:

#	Factor Name	Description
410	Customers	The customer factor is based on the number of customers in each class.
420	75% Customers 25% Distribution Revenue	This factor is a 75/25 weighted average of the allocation percentages of the customer and distribution revenue factors and is used to allocate some customer accounts and records expenses that are influenced both by the number of customers and by the size of the customers.

**Expense Factors**

The expense factors are used to allocate items that have been specifically studied to estimate the percentage of each category of expense that should be allocated to each rate class:

#	Factor Name	Description
510	Customer Assistance Expense	The customer assistance expense is sub-allocated based on two factors. First the percentage attributed to the account representatives is derived by the percentage of time spent by account representatives to each respective rate class. Second, the remaining portion of the account is allocated based on the customer allocation factor.
550	Distribution O&M Expense	This allocation factor is based on the expenses directly related to operating and maintaining the distribution system.

**Plant Factors**

The plant factors are used to allocate items that are related to the amount of plant that has been allocated to each rate class. Plant is generally accounted for by the Company by function: Production, Utah Distribution, Wyoming Distribution and General. The allocation of the various portions of plant is accomplished using a variety of allocation factors. For example, production plant is generally allocated to the firm sales customers, those that receive the benefit of Company production, based on the Dth sold during the identified test period. Distribution plant is allocated at a more detailed level. Various items of distribution plant are allocated differently. Much of the distribution plant is allocated based on an analysis of plant derived from a random sample. This analysis is explained further below. General plant is allocated to the rate classes based on the amount of gross plant in production and distribution that have been allocated to the rate classes.

The distribution plant factors are based on an analysis that includes a random sample of small meters and a high proportion of large meters. For each identified customer in the sample, the amount of plant at the premises and the average cost of that plant is determined. Additionally, the average cost of main within 1,000 feet of the customer's premises is determined. All costs are then categorized according to the meter size at the customer's premises. The average cost per meter is then utilized to determine distribution costs per customer class based on the number of meters of each size in a particular class.

#	Factor Name	Description
610	Rate Base	This factor is calculated using the total allocated rate base to each rate class.
620	Gross Plant	The gross plant factor is based on the sum of all production and distribution plant, on a gross, or undepreciated basis, that has been allocated to rate classes.
630	Distribution Gross Plant	The distribution gross plant factor is based on the sum of all distribution plant in service in accounts 101, 105 and 106 that have been allocated to rate classes.
640	Direct Distribution Gross Plant	The direct distribution gross plant factor is based on the sum of sub accounts 376 to 383 that have been allocated to rate classes. These sub accounts include the direct distribution plant of mains, service lines, meters and regulators, compressor stations and measuring and regulating equipment.
645	SD Mains	This factor includes the investment in small diameter mains by class as determined by the plant sample analysis.
650	Mains	This factor includes the investment in small diameter mains, large diameter mains and feeder lines by class as determined by the plant sample analysis.
660	Service Lines	This factor includes the investment in service lines by class as determined by the plant sample analysis.
670	Meters & Regulators	This factor includes the investment in meters and regulators by class as determined by the plant sample analysis.
675	Compression Costs - NGV	This factor is calculated based on the total allocation to NGV Plant.
680	Mains & Service Lines	This factor is calculated using the total allocated mains and service line assigned to each rate class.

**Tax Factors: State and Federal Income Taxes**

#	Factor Name	Description
700	Taxes	Taxes by rate class.