

- 1 **Q. Reference Prefiled Evidence of Larry Brockman, page 4, lines 17-18:**
2 (i) **Please provide citations in the 1992 NARUC Manual cited in footnote 4, the**
3 **Bonbright *et. al.* book cited in footnote 5 and any other reference that**
4 **supports the statement: “[c]ost causation, or the principle of cost causality, is**
5 **mostly referred to in the classification stage of a cost of service study.”**
6 (ii) **Does cost causation play a role in the allocation stage of a cost of service**
7 **study?**
8 (iii) **Does cost causation play a role in the functionalization stage of a cost of**
9 **service study?**
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11 A. (i) Mr. Brockman’s statement that cost causation, or the principle of cost causality, is
12 mostly referred to in the classification stage of a cost of service study is not based
13 on a specific passage from the NARUC Manual, or any other reference. The
14 statement is Mr. Brockman’s observation based on his own experience.
15
16 (ii) Yes. The allocators used in the allocation stage of a cost of service study will
17 assign a proportion of the cost to the various rate classes based on their usage
18 characteristics. The relevant usage characteristics are determined in the
19 classification stage based on a consideration of cost causality.
20
21 (iii) Yes. At the functionalization stage of a cost of service study, it will generally be
22 appropriate that the cost of assets be functionalized in accordance with their
23 accounting designation under the Uniform System of Accounts. This is because
24 the accounting designations will typically reflect the cost causation of the assets.
25 However, in some instances, the accounting designation may not be reflective of
26 causality, such as in the functionalization of a transmission line that functions as a
27 generator lead. In such cases, judgment may be employed to ensure the cost of
28 service treatment of the asset accords with the cost causation.