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Witness: Amparo Nieto
Request from: Public Utilities Regulatory Authority

Question:

(ACOS) Application, Ex. CLP-ACOS-1, Dir. Test. Nieto, p. 6. Explain how the Company's allocation methodology of demand-related costs is traditional. Identify and explain other industry-accepted demand allocation methodologies and explain why the Company utilizes relative class non-coincident demand (NCPs) instead of other methodologies

Response:

The Company's allocated cost of service ("ACOS") study allocates demand-related distribution plant on the basis of class non-coincident peaks ("NCPs"). Class NCP has been commonly used as a distribution demand-related cost allocator in ACOS studies across utilities for many decades. The Company has also relied on class NCP allocators for all distribution plant accounts in past rate cases. Such allocators, coupled with the methodologies for classification employed in this study, are traditional in that they have been recognized and supported in previous regulatory proceedings before PURA, and there is also precedent in numerous other states where commissions have endorsed the use of class NCPs for allocation of distribution costs. It is also one of the approaches recommended by the National Association of Regulatory Utility Commissioners ("NARUC") in its Electric Utility Cost Allocation Manual. In NARUC's "Electric Utility Cost Allocation Manual", Chapter 6, section III, p. 97., NARUC states: "Consequently. customer-class noncoincident demands (NCPS) and individual customer maximum demands are the load characteristics that are normally used to allocate the demand component of distribution facilities."

Other industry-accepted demand allocation methodologies include the allocation of station plant (Acc. 360) on the basis of various measures of coincident system peak hours; however, these are less commonly found in the industry.

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