Q. **Cost of Service**

What is the basis for allocating distribution demand costs on the basis of coincident peak rather than non-coincident peak? Is this common practice elsewhere?

A. The basis of Hydro's approach was presented by Hydro's experts Richard Bellin and Robert Sarikas at the 1992 Cost of Service Methodology hearing. See excerpts below:

The reason for the approach was explained by Mr. Bellin:

> [F]or Hydro's rural feeders, that they – the same feeder serves all classes. And so, and under those circumstances, coincident peak rather than non-coincident peak is – reflects cost behavior.
>
> Source Tape #22, September 17, 1992, page 161 of transcript.

Whether Hydro's proposed method is common practice was addressed by Mr. Sarikas. He stated:

> It's inconsistent perhaps with what the blue book is recommending, but I think you have to look a little more carefully at the particular system to see whether the reason is, the characteristics of that system fit the circumstances that are assumed to exist. We interviewed the distribution people who design their distribution systems for the rural area and the question we posed to them was this? What best describes your distribution system? Do you have separate feeders for each class load? Do you tend to have all the commercial in one area, all of the larger, if you want to call it small industrial rural area loads in another and residential in a third, so that you're essentially the peaks of one don't affect, or certify a single feeder. In which case, the non-coincident peak method would be very appropriate, but the answer we received is that, that does not characterize their distribution system, you tend to leave the substation and sometimes there's only one or

two feeders and they attempt to serve, tend to serve all of the load along the route of that line. All of the different classes and for that reason we felt that it would be more appropriate to use coincident peak. But I don't say that one is right and one is wrong, NCP could be right and if they'd gotten the answer that you have separate commercial feeders, separate industrial feeders, as a norm, I would have used the non-coincident peak.

Source: Tape #22, September 17, 1992 page 162 of transcript.