Q. Please explain whether the CP of two unconnected systems has any significance with respect to sound utility practice.

A. Further to the response to LWHN-NLH-014, CP, or coincident peak, is used to allocate the demand cost portion of the rural deficit between Newfoundland Power and Rural Labrador Interconnected. In the 1993 Cost of Service Methodology Report, filed in response to PUB-NLH-113, the Board ruled in Recommendation 7 that generation demand costs be allocated using a coincident peak allocator and in Recommendation 18, that transmission and sub transmission costs be allocated using 1 CP allocator.

In its decision on the matter of allocating the rural deficit, the Board accepted the approach of Mr. George C. Baker, Consulting Engineer. On page 62 of the 1993 Cost of Service Methodology Report it is stated:

> *"Mr. Baker has presented in his evidence a method of allocating the deficit on the basis of a mini cost of service…The result of this approach is to increase unit costs equally in the two Interconnected Systems."*

Given that the rural deficit allocation was discussed in the context of the 1992/93 Generic Cost of Service Methodology proceeding and the CP was chosen by the Board to be used to allocate the demand cost portion of the rural deficit between Newfoundland Power and Rural Labrador Interconnected, it can be said that a reasoned decision has been made on this matter.