

1 **Q. On page 16, second full paragraph, Dr. Wilson states that “Electricity delivery**
2 **systems and the facilities that comprise them (poles, wires, transformers, etc.) are**
3 **designed by their manufacturers and installed by utilities to meet both non-**
4 **coincident demand and energy requirements as well as to achieve customer**
5 **connection to the system.” Is Dr. Wilson suggesting that manufacturers design**
6 **distribution system facilities to also meet energy requirements? If yes, please**
7 **provide evidence in support.**

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10 **A.** Over many years, distribution system facilities have been designed and configured to
11 meet both energy and demand requirements. Over the past century the cost of electric
12 utility distribution facilities has increased at more than double the rate of overall inflation.
13 This is not because the inflation rate for electric distribution equipment has been greater
14 than the overall inflation rate, but because of design changes that have significantly
15 enhanced the standard quality and capability of electric distribution equipment to
16 accommodate increased code requirements, loads and energy flows – not just peak hour
17 demands. Virtually all types of distribution system equipment has been substantially
18 redesigned and upgraded to meet changing codes, growing loads and energy requirements
19 over time. Because these facilities are designed to meet both local peaks and energy
20 requirements over time, distribution facilities costs are appropriately classified as both
21 energy and demand related. One way of accomplishing this is to use average and peak
22 principles, with a demand/energy split based on load factor. The allocation of the energy-
23 related portion of costs would be done in accordance with each class’ energy
24 consumption, and the demand-related portion would be allocated in proportion to each
25 class’ share of non-coincident demand.