

## **Proposed 12 CP v. 4 CP. v 1 CP Test**

In the cost allocation study, certain demand costs are allocated to each rate class on a Coincidental Peak ("CP") basis. The following CP tests identify the specific CP method an LDC should use in allocating these demand costs.

### CP Test #1

This test calculates the average of the twelve monthly peaks as a percentage of the greatest monthly peak as shown below:

$$\text{CP Test \#1 Result} = \text{Average of 12 Monthly Peaks} \div \text{Annual Peak}$$

A CP Test #1 result of 81 percent or greater indicates that the LDC should use a 12 CP method for allocating demand costs that are to be allocated on a CP basis. In the event of a test result of less than 81 percent, CP Test #2 should be conducted.

### CP Test #2

This test calculates the average of the four highest monthly peaks as a percentage of the greatest monthly peak as shown below:

$$\text{CP Test \#2 Result} = \text{Average of 4 highest Monthly Peaks} \div \text{Annual Peak}$$

A CP Test #2 result of 86 percent or greater indicates that the LDC should use a 4 CP method for allocating demand costs that are to be allocated on a CP basis.

A CP Test #2 result of less than 86 percent indicates that the LDC should use a 1 CP method for allocating demand costs that are to be allocated on a CP basis.

November 2, 2005  
Cost Allocation Technical Workshop