

1 system cost was approximately 63% of PSE's total transmission and
2 distribution system costs. What this implies is that 63% of transmission and distribution
3 system costs should be classified ~~allocated on~~ as commodity-related
4 ~~basis~~, not the 42% that the peak-and-average method classifies as commodity-related.

5
6 **Q. Please summarize the point of your argument.**

7 A. My point is that peak capacity costs on an LDC's system are relatively small, and
8 capacity is not linear with costs, as the peak-and-average method implies. The
9 Commission should continue to be wary, as it has through prior decisions, of
10 arguments that assign excessive costs on a peak basis. I bring this argument up
11 because the peak-and-average calculation result is materially different today than
12 when it was first adopted by the Commission in 1993 (49/51 vs 42/58). In addition,
13 the method I discuss above would result in more a stable classification of distribution
14 main costs over time than does the peak-and-average method.

15
16 **Q. Does this conclude your testimony?**

17 A. Yes.

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