



1 **Q. WHAT CLASSIFICATION OR ALLOCATION METHODOLOGY DO YOU**  
 2 **RECOMMEND FOR PRODUCTION INVESTMENT IN THIS CASE?**

3 A. Because production investment is primarily due to the need for and the size of the  
 4 peak demands of customers, it should be assigned to customer classes exclusively, or  
 5 at least primarily, on those classes' contribution to utility system peaks. Allocation by  
 6 this method has widespread support in the industry and is, in my view, a better  
 7 reflection of cost causation than allocation methods that utilize energy usage to any  
 8 significant degree. Furthermore, even when energy usage (as measured by average  
 9 demand) is utilized, a far more appropriate and typical approach is the “average and