

December 3, 2020

Reserve Margin Considerations

The Companies carry generating resources in excess of their forecasted peak demand to account for the uncertainty in peak demand due to weather and the uncertainty in generating unit availability. The Companies' minimum target reserve margin, calculated as $(\text{Capacity} - \text{Forecasted Peak Demand}) / (\text{Forecasted Peak Demand})$, is 17%. The avoided capacity costs for one-time expense programs were computed with the assumption that a 1 MW reduction from the program would enable the Companies to avoid building 1.17 MW of new generating capacity. Because dispatchable programs contain the risk of communications equipment failure, the avoided capacity costs for dispatchable programs were computed with the assumption that a 1 MW reduction from the program would enable the Companies to avoid building 1.085 MW of new generating capacity.