

NLH 34 (Re: p. 7, lines 4-8) To what extent does the timing of the peak and the allocation method for demand costs influence the need for seasonal rates? Is it Dr. Wilson's recommendation that the seasonally differentiated rates be based on marginal or embedded costs?

RESPONSE:

The need for seasonal rates is driven by the extent to which demand and costs vary by season, not by the timing of the peak or the demand cost allocation method. Seasonally differentiated rates should reflect marginal costs and the embedded cost revenue requirement.