

1 Q.1 How does the existence of the RSP affect the implementation of marginal cost-  
2 based rates?

3

4 ANSWER:

5 The current RSP design complicates the implementation of marginal cost rates in  
6 that it can move rates in a manner that does not necessarily reflect changes in  
7 marginal costs. However, this is something a rate designer would take into  
8 consideration when developing marginal cost-based rate designs.