

1 Q. Re: Page 32, lines 12 - 14

2 (a) Does Mr. Bowman believe that the correct least cost mix and utilization of
3 energy resources will, more-or-less, prevail in an economy where:

4 i. all pricing in the energy economy reflects marginal cost principles,

5 ii. information barriers are addressed, and

6 iii. externalities have been addressed (for example incorporating the cost
7 of atmospheric emissions through the use of economic instruments).

8 b. Why, or why not?

9 A. Mr. Bowman believes that the correct utilization of energy resources will more-or-
10 less prevail if energy prices reflect marginal cost principles, and marginal costs and
11 externalities are based on the correct least cost mix of energy resources (if
12 information barriers are addressed). Consumers respond to price signals – if the
13 price signals are incorrect (i.e., if they do not reflect the correct least cost mix of
14 resources), consumers will respond in a way that does not lead to the correct use of
15 energy resources.