

1 Q. Please explain whether Bonbright contends that rate stability and  
2 predictability at prices below marginal cost are important objectives.

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5 A. It was not suggested that there was any link between: (a) energy rates at  
6 marginal cost and (b) rate stability and predictability. In fact, as marginal  
7 energy rates tend to more closely follow costs, greater stability is implied.

8 What was suggested was that in the marginal cost study, changes in the  
9 price of fuel oil tend to overly-leverage capacity costs, resulting in a high  
10 degree of instability in marginal capacity costs.