

1 Q. Reference: CA-NP-213

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Please confirm that the analysis provided in the response demonstrates that the marginal cost of supply for a proportional increase in peak demand and energy is essentially equal to the marginal sales revenue associated with the increase in peak demand and energy. If not, please explain.

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The response to Request for Information CA-NP-213 confirms that, in the test period, the marginal cost of supply for a proportional increase in peak demand and energy is essentially equal to the marginal sales revenue associated with the increase in peak demand and energy.

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Following the test period, marginal cost of supply is expected to exceed the average supply cost recovered in customer rates. These wholesale cost dynamics are explained in *Volume 2, Exhibits & Supporting Materials, Report 9: Supply Cost Dynamics*.