

1 **Q. Price Signals**

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3 **(a) In Mr. Brockman's view, would any RSP credit as a result of decreased**
4 **system loads constitute an adverse price signal?**
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6 A. (a) Not necessarily. In Mr. Brockman's view, the question of whether any regulated
7 price or rate provides an adverse price signal, ought to be considered in light of
8 Bonbright's criteria of good ratemaking. Mr. Brockman would therefore consider
9 the effect of an RSP credit on the rates the customers pay after the credit is
10 applied in light of those generally accepted principles of ratemaking.
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12 Bonbright's criteria of a sound rate structure were succinctly summarized by
13 Phillips¹ as:
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- 15 1. The related, "practical" attributes of simplicity, understandability, public
- 16 acceptability, and feasibility of application.
- 17 2. Freedom from controversies as to proper interpretation.
- 18 3. Effectiveness in yielding total revenue requirements under the fair return
- 19 standard.
- 20 4. Revenue stability from year to year.
- 21 5. Stability of the rates themselves, with minimum of unexpected changes
- 22 seriously adverse to existing customers.
- 23 6. Fairness of the specific rates in the apportionment of total costs of service
- 24 among the different consumers.
- 25 7. Avoidance of "undue discrimination" in rate relationships.
- 26 8. Efficiency of the rate classes and rate blocks in discouraging wasteful use of
- 27 service while promoting all justified types and amounts of use:
 - 28 i. In the control of the total amounts of service supplied by the company
 - 29 ii. In the control of the relative uses of alternative types of service (on-
 - 30 peak versus off-peak electricity...etc.)
- 31

32 In Mr. Brockman's view, the current proceeding principally engages
33 consideration of: sufficiency of revenue; stability of rates and revenues; fairness
34 in apportioning total costs of service; and the efficiency of the resulting customer
35 rates (i.e., base rate plus RSP adjustments).
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37 For Mr. Brockman to provide a conclusion on the effects of any RSP credit on the
38 reasonableness of the price signal to the customer, he would need to consider the
39 specifics of the RSP credit under consideration in light of the appropriate criteria.

¹ "The Regulation of Public Utilities," Second Edition, Charles F. Phillips, Jr., Public Utilities Reports Inc, 1988, pages 410-411.