

1 **TOPIC:** **RSP OBJECTIVES**

2 **QUESTION:**

3 Does Mr. Bowman believe that the use of Hydro's recommended cost of services approach or the
4 current RSP assignment approach in the load variation component is more likely to result in a
5 price signal that would promote inappropriate consumption decisions by customers?

6 **RESPONSE:**

7 It depends on the situation experienced and the rate design in place.

8 "Price signals" is a concept that is inherently a rate design question, typically addressed for
9 discretionary or "marginal" consumption. In this regard, price signals are matters addressed by
10 mechanisms such as those reviewed in the IC Rate Design process, which has not been
11 concluded. In that process the focus is on developing appropriate blocked rates reflecting
12 incremental costs, and combining this with elimination of the load variation component of the
13 RSP.