

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 provide for
5 fair apportionment of costs (i.e., Board approved embedded costs) among customer classes?

6 **RESPONSE:**

7 Neither. Fair apportionment of costs is a matter addressed by the design of base rates at a GRA.

8 Outside of GRAs, the typical main consideration with respect to costs is not on changes in
9 embedded costs (related to "fair" rates), but rather reflecting marginal or incremental costs in
10 rate designs (related to "efficient" rates) so that customers see the incremental effect of their
11 consumption decisions. Rates remain fair to the extent they reflect approved costs at the last
12 GRA, and are adjusted for events that drive material changes in the utility's overall cost structure
13 (such as major load changes, which normally lead to a requirement for new GRA reviews).