

1 Q. Re: Wilson Pre-Filed Testimony, page 23. Dr. Wilson provides a proposed
2 NP rate design reflecting a revised approach to setting the NP first and
3 second block sizes.
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5 Please provide a calculation since 2007 of how the proposed NP
6 rate design would work, as compared to actual practice over
7 that time, and indicate for each year whether the NP amounts
8 paid would be greater than or less than the actual amounts
9 paid. If the amounts paid would have differed under the
10 proposed NP rate design, please indicate the rationale as to
11 why this outcome is reasonable.
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14 A. Dr. Wilson has not undertaken the requested analysis. In general, with periodic
15 rate reviews, it can be expected that NP revenues would remain approximately
16 the same but marginal and first block rates would change (in opposite directions)
17 as marginal cost changes. This is so because any rate design modification would
18 be structured to recover the authorized revenue requirement, regardless of the
19 marginal cost level. The outcome is reasonable because it satisfies both objectives
20 of rate design – revenue adequacy and economically efficient prices