

1 **Q. [InterGroup Consultants Evidence, page 64, lines 3 to 9]**

2 **Please confirm that InterGroup believe that Industrial customers should be able to**
3 **capture the marginal cost savings from conservation initiatives, and not share**
4 **those savings with other customers. If the witnesses are unable to provide the**
5 **confirmation requested, please explain in full.**

6 **A.**

7 Messrs. Bowman and Najmidinov's pre-filed testimony is based on the following
8 principles:

- 9 1) The major customers NP and IC should face fair and nondiscriminatory treatment
10 in respect of capturing the savings from their CDM activities.
- 11 2) To the extent that the customer participating in CDM captures a large share of
12 the marginal savings, for at least a period of time, the incentives to participate in
13 CDM are increased.
- 14 3) Under the current system of cost and benefit allocation, NP captures (through
15 rates or RSP) the vast majority of the marginal cost savings of their CDM
16 activities (98.9%). This is primarily due to the RSP, not to the two-block rate
17 design for NP. In contrast, IC customers participating in CDM capture only a
18 minority share of the benefits delivered by the CDM activity (39%).

19 Please see the Pre-filed Testimony of P. Bowman and H. Najmidinov, page 63, lines 11-
20 24 for the relevant calculations.