

1 Q. [J.W. Wilson Evidence, pages 29-30]

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3 Please provide any other evidence that Dr. Wilson relies upon to support his
4 assessment of the relative importance of efficient demand vs. energy price effects.
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8 A. As stated in the Report:
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10 While a case can be made for a demand rate that reflects the incremental cost of
11 capacity expansion, especially at the present time when Hydro must deal with
12 increased capacity costs as a result of growing demand, there is little evidence that
13 marginal cost capacity rates have as significant an impact on efficient capacity
14 demand as marginal energy rates do on efficient energy demand. An efficient
15 demand level occurs when the marginal cost of increased production is equal to the
16 marginal benefit of increased consumption. Consumers are better able to calibrate
17 this equilibrium with direct energy price signals that can be weighed against the
18 benefit derived from increased energy consumption than they are with an estimated
19 marginal demand cost applied as the price for maximum monthly demand. If a choice
20 must be made between efficient energy price signals and efficient capacity price
21 signals, it is likely that conservation and resource efficiency objectives would best be
22 served with prices that reflect marginal energy costs.
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24 Dr. Wilson has nothing further to add to this explanation at this time.