

1 **Q. In reference to the evidence of Larry Brockman, page 15, lines 1 to 2, given that the**
2 **demand ratchet is being eliminated, for cost causation purposes, should demand**
3 **charges be adjusted to appropriately reflect the higher costs of meeting demand in**
4 **the winter months?**

5
6 A. As explained in the Company's response to Request for Information CA-298, the
7 minimum monthly charge structure existed to recover customer-related costs rather than
8 the cost to supply demand. Therefore, there is no cost causation requirement to increase
9 demand charges to offset the decrease in recovery of customer-related costs due to the
10 elimination of the minimum monthly charge.

11
12 The Company is proposing to recover the revenue associated with the change in the
13 minimum monthly charge structure by increasing the tail block energy charges in Rates
14 2.2, 2.3 and 2.4. Increasing the tail block rate will improve the efficiency of the pricing
15 signal provided to customers billed on Rates 2.2, 2.3 and 2.4 by better reflecting marginal
16 costs.