Date Filed: September 22, 2026

**Witness: Amparo Nieto**
**Request from: Public Utilities Regulatory Authority**

**Question:**

(MCOS) Application, Ex. CLP-MCOS-1, Dir. Test. Nieto, p. 14. Explain the phrase "the large differential suggests an excessive incentive to conserve". Specifically, conserve what?

**Response:**

The statement refers to an excessive (not cost-reflective) incentive to conserve electricity usage, due to the per-kWh charges currently recovering well in excess of the estimated system-wide marginal cost of serving an additional kWh. Such excessive unit cost essentially means that customers who desire to electrify space heating or add other electric loads may either face a higher bill, where the change in their bills exceeds the change in cost to the utility to serve the additional electricity. The customer, may alternatively decide against expanding electricity even though that additional usage would have provided value to the customer that exceeds the cost for the utility to serve. This is an inefficient outcome.