

1 Q. Why is Hydro recommending that Hydro Rural Customers on the Island  
2 Interconnected System pay the same rates as Newfoundland Power  
3 customers (page 11, lines 4 to 7 of Mr. Osmond's Pre-filed Testimony)? If it  
4 is appropriate to charge customers in the same class and served from the  
5 same grid the same rates, even though Newfoundland Hydro's costs are  
6 different from Hydro's (*sic*) costs. Is it appropriate to charge the same rates  
7 to Labrador customers and Isolated Rural System customers in the same  
8 class? If not, provide an explanation.

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10 A. Cabinet, by an Order-in-Council in 1974, directed that Island Interconnected  
11 Customers whether served by Hydro or Newfoundland Power pay the same  
12 rates as Newfoundland Power's customers. This policy was subsequently  
13 accepted by the Board.

14

15 It is not appropriate to charge the same rates to customers in the same class  
16 on the Labrador Interconnected System and on the Labrador Isolated Rural  
17 System. The Labrador Interconnected System and the Labrador Isolated  
18 Rural Systems are completely different electrical systems, as are the Island  
19 Interconnected and Island Isolated Rural systems with totally different  
20 sources of energy supply. Customers served on the Labrador Isolated Rural  
21 Systems are supplied power through expensive diesel generation.