

1 Q. Wells: (p.1, lines 22-27; and p.2, lines 1-2). Allocate the proposed increase
2 in revenue for 2002 to the underlying cause; cost of No.6 fuel; elimination of
3 rural subsidy; cost of increased capacity and energy; etc.

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6 A. The increase in revenue requirement associated with No. 6 fuel is \$37
7 million, while the increase associated with purchased power costs is \$12
8 million.

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10 Three of the principal issues of this Rate Application are not associated with
11 the proposed increase in Hydro's revenue requirement.

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13 - The elimination of the Rural subsidy does not impact Hydro's overall
14 revenue requirement, but is a reallocation of costs among customer
15 classes. The Industrial rate impact to eliminate the Rural subsidy
16 occurred January 1, 2000. The issue with the current application is to
17 review Industrial rates in full context with all ratepayers to ensure Hydro's
18 proposed revenue requirement is met.

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20 - The rates and regulatory issues, while they do impact various rate
21 increases and decreases for individual customers and rate classes, are
22 generally referring to policy issues, as opposed to an increase in Hydro's
23 overall revenue requirement. Each of the rate changes proposed is fully
24 outlined in the evidence and supporting schedules of Mr. Paul Hamilton.

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26 - Legislative amendments to move Hydro to a rate base/rate of return
27 approach for profit determination are significant, but due to mitigating

1 factors incorporated by Hydro in its application, this amendment does not
2 impact the level of Hydro's proposed revenue requirement.