

Q. Re: p. 28, line 4

Mr. Brockman indicates that Hydro's rate design goals, as outlined by Mr. Osmond on p. 7 of his evidence, are appropriate. These goals include the continuance of lifeline block rates for Domestic customers in Isolated Rural System areas, yet on p. 27, lines 1 – 2 Mr. Brockman states "I see no economically justifiable reason for having a long term goal of serving any class of customer at 20% - 50% of their cost of service." Please indicate how Mr. Brockman expects to increase the cost recovery for the Domestic rate class above 20% through rate design given the class currently recovers approximately 16% of their cost of service.

A. Mr. Brockman sees no prohibition in Mr. Osmond's goals against raising the tail-block rate in the Hydro Rural Isolated areas. Raising the tail-block energy rate would presumably allow higher cost recovery ratios. Mr. Brockman understands that this is not an easily solved problem, nor one that Hydro created, but hopes that Hydro will continue to do whatever it can to reduce the costs in the Isolated areas, and not simply accept that 20% recovery is the best they can do.