

1 Q. Reconcile the Newfoundland Power revenue to cost ratio guidelines in PRH,
2 page 5, lines 12 – 18, with guidelines of the Board set out on page 87 of P.U.
3 7 (1996-97).

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5 A. The table included on page 87 of P.U. 7 (1996-97) indicates a revenue to
6 cost ratio of approximately 95% for the Domestic rate class and from 100.5%
7 to 110.8% for the various General Service rate classes. The Board in its
8 determination “agrees that the ratios are satisfactory.”

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10 The 95% cost recovery for the Domestic rate class was used as the starting
11 point to determine the level of cost recovery necessary from the General
12 Service classes on the Labrador Interconnected System to yield the revenue
13 requirement because it is the mid-point of the 90% to 100% range. Based on
14 the 2002 COS Study, this results in an average revenue to cost ratio for
15 General Service rate classes of just over 108%. Hydro therefore proposed
16 the range of 105% to 115% as it was close to the mid-point of for that range
17 as included in the guidelines as outlined in PRH, page 5, lines 12 – 18.