

1 Q. The Board recommended in its July 29, 1996 report *'Referral by the*
2 *Lieutenant Governor in Council Concerning Rural Electrical Service'* "that a
3 new rate be designed for federal and provincial departments and agencies
4 and these rates, phased in over five years, should recover full costs" (page
5 32). Why has Hydro waited five years to start the phase out of government
6 rates?

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9 A. Any changes in rates requires approval by the Public Utilities Board during a
10 formal hearing process. Hydro's current rate application is the first rate
11 application that it has deemed necessary for financial reasons, to seek
12 revisions in rates, since its last rate application in 1992.