

1 Q. Further to NP-134, would surplus earnings exist for the Wabush area if the
2 Wabush cost of service methodology included estimates of overhead cost
3 allocation, margin allocation, and rural deficit allocation (consistent with the
4 Board's recommendations from the 1993 Report on Cost of Service)?

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7 A. As outlined in NP-134, over the past number of years costs for Wabush have
8 been compiled based on the accounting records and these costs do not
9 include any overhead cost allocation, margin allocation or rural deficit
10 allocation. Since a separate cost of service study for Wabush has not been
11 completed, or required, using the 1993 cost of service methodology, there
12 cannot be a proper estimate of these allocations.

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14 However, based on 1999 accounting data Hydro has available and upon
15 reviewing the Actual 1999 Cost of Service Study (Revised) it is unlikely that a
16 surplus would exist for that year, or any year 1989 to 2000, if estimates of
17 overhead cost allocation, margin allocation, and rural deficit allocation were
18 included consistent with the Board's recommendations from the 1993 Report
19 on Cost of Service.