1	Q.	Page 8, lines 6 to 8 of Mr. Banfield's Pre-filed Evidence, 1st Revision,					
2		indicates that Island and Labrador Isolated systems customers pay 18% and					
3		29% of costs, respectively. W	Vhy is there such a la	rge price discrepancy			
4		between the two systems?					
5							
6							
7	Α.	The Island Isolated system includes eight diesel areas, while there are fifteen					
8		diesel areas in the Labrador Isolated system. Total operating and					
9		maintenance costs, depreciation and return on debt per plant are					
10		approximately the same for each system, based on the Total System					
11		Revenue Requirement shown on Schedule 1.1 of Exhibit RDG-1 Rev. 1:					
12							
13			Island	Labrador			
14			Isolated	Isolated			
15		O&M expenses	\$5,166,240	\$10,011,783			
16		Depreciation	891,817	2,163,918			
17		Return on Debt	907,304	2,186,368			
18		Subtotal	6,965,361	14,362,069			
19		Number of plants	8	15			
20		Cost per plant	\$ 870,670	\$ 957,471			
21							
22		The Island Isolated System has fewer customers and sales than the					
23		Labrador Isolated System, so these relatively fixed costs are allocated to					
24		smaller groups. Allocating these costs among relative energy sales					
25		illustrates the proportionate differences.					

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1			
2		Island	Labrador
3		Isolated	Isolated
4	Subtotal above	\$ 6,965,361	\$ 14,362,069
5	MWh sales	9,908	38,700
6	Cost per MWh	\$ 703	\$ 371
7			

8 Since the rates for both systems are the same, the level of recovery is much9 higher in the Labrador Isolated System.