

1 Q. Table 8 on page 19 of Mr. Banfield's Pre-filed Evidence indicates that
2 customers on the Isolated Rural Systems receive a lower average rate
3 increase than Rural Island Interconnected customers who are paying
4 substantially more than costs as a result of the rural deficit. Why is this the
5 case when the goal is to reduce the rural deficit?
6
7

8 A. The question implies that Rural Interconnected Customers are paying more
9 than their cost however the revenue to cost ratio for this customer group is
10 0.64. Based on Hydro's revised 2003 GRA dated August 12, 2003, non-
11 Government rates on the Isolated Rural Systems are projected to increase
12 by 7.4%. However as a result of some proposed decreases to Government
13 Departments the overall increase for the Rural Isolated Customers is forecast
14 to be 3.3%.