Q. In the Discussion Paper on the Rural Deficit, page 3 of 14, provided as Schedule II to Corporate Overview evidence, it is stated that “Customers on the Labrador Interconnected system pay 49% more than their cost of service as their share of the rural deficit”. Please reconcile this statement with the 2004 forecast revenue to cost ratio of 1.19 for Rural Labrador Interconnected (Cost of Service evidence, Exhibit RDG-1, page 3, line 5).

A. As indicated in the response to CA-29 NLH, the 49% refers to the final 2002 Forecast Cost of Service (Schedule G, August 2002). Based on the 2004 Forecast Cost of Service (Exhibit RDG-1), the current number is 45%, calculated as follows:

(a)	Rural Labrador Interconnected Deficit Allocation (COS, p. 3, c. 5, l. 5)	$ 4,760,039
(b)	Rural Labrador Interconnected Cost of Service (COS, p. 3, c. 3, l. 5)	10,694,710
(c)	Deficit as a Percent of Costs (a) / (b)	45%

The calculation for the revenue to cost coverage ratio of 1.19 can be found on the same page of the Cost of Service, and is based on revenues and costs:

(d)	Rural Labrador Interconnected Revenues (COS, p. 3, c. 2, l. 5)	$ 12,705,760
(e)	Revenue to Cost Coverage Ratio (d) / (b)	1.19

The difference in ratios arises from the CFB Goose Bay Revenue Credit of $2,748,588, which is applied to Rural Labrador Interconnected customer classes.