

1 Q. How does Hydro ensure in its cost of service analysis that early payment
2 customers (referred to in PUB 139 NLH) are not allocated incremental
3 working capital costs caused by customers who do not qualify for the early
4 payment discount?

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7 A. The total working capital requirement is calculated based on a comparison of
8 the weighted average of expenditure and revenue leads and lags. See PUB-
9 13 NLH for details of the calculations. Separate cash working capital
10 calculations are not performed for each customer or customer type.

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12 Hydro's Cost of Service classifies return on rate base as demand, energy
13 and customer-related as shown on Schedules 2.6A, B, C, D, and E of Exhibit
14 RDG-1. These classified amounts are allocated among rate classes based
15 on the coincident peaks, energy and customer allocation factors shown on
16 Schedules 3.1A, B, C, D, and E of Exhibit RDG-1. No separate analysis of
17 rate base components, including working capital, is performed in the Cost of
18 Service study.