

1    Q.    Regarding the use of a 1CP factor to allocate costs to classes, other than the  
2           precedent of the Board's acceptance of this factor in NLH's last case, list and  
3           discuss any reasons for continuing to favour this factor for allocating  
4           generation and transmission costs.

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7    A.    Hydro's Cost of Service methodology was adopted as a result of the Board's  
8           February, 1993 Report arising from a generic methodology hearing when a  
9           wide range of views on embedded cost functionalization, classification and  
10          allocation were considered. Since that time, the methodology used in  
11          Hydro's General Rate Applications in 2001, 2003 and in its current  
12          application before the Board has been consistent with the 1993 report. At  
13          each of these proceedings, Hydro's costing methodology has been accepted.

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15          Since 1993, Hydro's generation, transmission, and distribution systems have  
16          not undergone any fundamental change, nor have the load characteristics of  
17          its major customer groupings changed.

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19          Hydro believes that in addition to regulatory precedent, both customer  
20          acceptance and a fundamentally unchanged system continue to favour the  
21          existing Cost of Service methodology.