

1 Q. Re: Page 36, lines 5-9. It is stated that the Handy-Whitman indexed approach is
2 more appropriate than the current system for calculating specifically assigned
3 charges if a system is to be used that does not rely on tracking actual O&M.

4 In Mr. Bowman's opinion are there other approaches to the calculation of
5 specifically assigned charges that would also be better approaches than the
6 current one and is a system based on tracking actual O&M the preferred
7 approach?

8 A. In Mr. P.Bowman's opinion, the lack of information on the actual O&M effort
9 expended in a normal year makes a full assessment of the above question difficult.
10 Mr. Bowman's experience is that Jurisdiction that do not endeavor to track and
11 allocate O&M costs to Specifically Assigned Assets (such as Manitoba) have a
12 simpler and more clear cost allocation process, and it is not apparent that any
13 material prejudice exists for any customer group under this approach. This should
14 be particularly true for NLH, which serves almost all load at the industrial or
15 wholesale level, each of which have some complement of specifically assigned
16 assets.

17 A tracking of actual O&M expense for activities actually undertaken in a year (a
18 simple cost recovery model) would be far preferable to the complicated cost of
19 service adjustment now used. Hydro likely has mechanisms for cost recovery of
20 actual O&M that it uses with any number of municipal, highway, contractor,
21 homeowner or business customer direct services (such as oversize highway load
22 moves, line locates, repair of third party damages to Hydro poles or equipment, or
23 charges to auto insurance providers for collision damage, etc.). If so, it would not
24 appear difficult to extend this model to services provided to specifically assigned
25 assets.

26 If there were today any available data about how much O&M is actually expended
27 on these assets (such as recent timesheet data) it may become clear that the effort
28 for even this level of tracking is in fact very small and even a cost recovery model
29 is more effort than benefit.