

1 Q. (Re: Deferred Charges - Table 3.9 Page 3.30)  
2 Hydro includes in deferred charges foreign exchange and GRA costs which are being  
3 recovered by an annualized amortization amount included in operating expense.  
4 Hydro also includes CDM costs which are being recovered by an amortization  
5 amount and a customer specific rate rider. The foreign exchange and GRA costs  
6 could reasonably be assumed to be common to all customers from a cost causality  
7 perspective. However the CDM costs are more customer specific related costs.  
8 Please discuss if Hydro believes this to be fair to all customers.

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11 A. Hydro's operating expenses do not include deferred CDM costs. One seventh of  
12 these costs are proposed to be recovered annually through a customer class (Utility  
13 and Industrial Customer classes) specific rate rider. While the CDM costs may be  
14 attributable to customer classes, the rationale for the CDM programs currently in  
15 place relates to fuel savings. As fuel costs are common, Hydro is proposing that the  
16 CDM costs be common as well.