

1 **Q. (Brockman June 4, 2015 Pre-filed Evidence, page 16, lines 4 to 11) Mr. Brockman**
2 **states that following completion of the Labrador interconnection, “it is conceivable**
3 **that all interconnected customers would pay uniform rates”. If uniform rates were**
4 **implemented following completion of the Labrador interconnection, how does Mr.**
5 **Brockman conceive that the rural deficit would be allocated to customers – using**
6 **the methodology proposed by Hydro in the Amended 2013 GRA, using the**
7 **Newfoundland Power methodology, using the methodology currently approved by**
8 **the Board, or some other methodology?**
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10 **A.** Mr. Brockman observes that if uniform rates were implemented for all of Hydro’s
11 interconnected customers, such uniform rates would likely reflect equal allocation of
12 demand-related costs, energy-related costs and customer-related costs among those
13 customers. As a result, the unit cost to supply customers in terms of \$/kW, \$/MWh, \$ per
14 customer would be very similar. In that circumstance, there would be little difference in
15 the comparative impact on customers of either a unit cost method or a revenue allocation
16 method for the Rural Deficit.
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18 Mr. Brockman’s objection to a revenue-only method is that it would not properly
19 recognize energy use when applied to systems with widely disparate rates. Of the
20 methodologies which have been considered, the Existing Methodology is the most
21 balanced, as it recognizes all of the customer characteristics (customer, demand and
22 energy) reflected in the cost of service study.
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24 The methodology recommended by Mr. Brockman in 1992, based on allocating the Rural
25 Deficit using 50% energy, and 50% revenue, does recognize energy use; but, the Board
26 rejected that recommendation on the basis that it was arbitrary.
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28 For the foregoing reasons, Mr. Brockman would recommend that the Board consider
29 keeping the current methodology under uniform interconnected rates, but could accept
30 the revenue only method as being reasonable.