

1 **Q. Mr. Brockman stated on page 11 of his evidence: “Hydro’s cost to serve**  
2 **Newfoundland Power together with the Rural Deficit allocation is proposed to**  
3 **increase by approximately 145%, from approximately \$215 million in the 2002 Test**  
4 **Year to approximately \$526 million in Hydro’s proposed 2015 Test Year. By**  
5 **comparison, Hydro’s cost to serve Labrador Interconnected customers together**  
6 **with the Rural Deficit allocation is proposed to increase by approximately 37%,**  
7 **from approximately \$15 million in the 2002 Test Year to approximately \$20.5**  
8 **million in Hydro’s proposed 2015 Test Year.”**

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10 **Given most of the increased cost of serving Newfoundland Power between the 2002**  
11 **Test Year and the 2015 test Year is a result of the increased fuel cost of generation**  
12 **at the Holyrood Thermal Generating Station, does Mr. Bowman consider the**  
13 **comparison relevant in the evaluation of the fairness of the cost of service**  
14 **methodology for allocation of the Rural Deficit? Please provide the reasons for your**  
15 **response.**

16  
17 **A. Mr. Doug Bowman does not see the relevance of this comparison to the issue of**  
18 **fairness in the allocation of the costs of the rural deficit. The costs allocated to**  
19 **Newfoundland Power and to Labrador Interconnected customers are based on the**  
20 **cost of service, plus the rural deficit. The costs allocated to Newfoundland Power**  
21 **have increased by a larger amount because the cost to serve Newfoundland**  
22 **Power has increased by a larger amount. The cost of service for these customers**  
23 **is independent of the rural deficit.**