

1 **NLH-IN-002**

2
3 Q. Page 62, Lines 2 to 8: Schedule 1.3 of Exhibit 13 (pages 11 to 13) shows
4 the average cost of energy on the Labrador Interconnected System is less
5 than 0.2¢ per kWh and the average cost of energy on the Island
6 Interconnected System is approximately 5¢ per kWh. Does Mr. Raphals
7 agree that this average energy cost differential materially influences the
8 percentages that O&M expenses comprise of the total cost of serving each
9 system? If not, why not?

10
11 A. The view of Mr Philip Raphals is as follows:

12
13 “The different energy costs between the two systems of course affect the ratio, as do
14 many other factors. For instance, the fact that only 1.6% of the LIS revenue requirement
15 consists of fuel costs, compared to 40.2% for the Island Interconnected System, suggests
16 that the IIS probably has proportionately greater O&M costs with respect to its
17 generators.

18
19 I suggest that it would be more useful to consult the detailed analysis underlying the COS
20 study than to speculate as to the possible causes of this differential.”