

1 **Q. Please provide a detailed explanation of the cost of service methodology used by**
2 **Newfoundland Power to allocate the Rural Deficit among its classes of service.**
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4 A. Newfoundland Power allocates the Rural Deficit among its classes of service
5 proportionally on the basis of the total cost to serve these classes (excluding the costs
6 associated with Rate Stabilization Account adjustments and the Municipal Tax
7 adjustment).
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9 This method is consistent with the recommendation of the Board's expert, Mr. Baker,
10 who proposed the existing allocation methodology. Mr. Baker proposed that the rural
11 deficit totals allocated to the Island interconnected system be prorated on the allocated
12 costs of the subsidizing classes within each cost of service.¹

¹ See response to Request for Information PUB-NLH-113, Attachment 1, page 83, note 2.