

1 **Q. Page 12 states "The Unit Cost Method is consistent with the allocation of costs**
 2 **within a system which are typically shared equally depending on the customer use of**
 3 **peak demand (i.e. \$/kW), the customer use of energy (i.e. \$/kWh) and equal**
 4 **allocation of customer-related costs to customers (i.e. \$/customer)." Please explain**
 5 **the \$/customer approach employed in the Rural Deficit allocation methodology and**
 6 **Mr. Brockman's view of the appropriateness of the number of customers for each**
 7 **system used in the calculation.**

8
 9 A. The \$/customer approach employed in the existing Rural Deficit allocation methodology
 10 is used to allocate costs between Hydro's customer, Newfoundland Power, and Hydro's
 11 rural Labrador Interconnected System.¹ It does not allocate costs between Newfoundland
 12 Power's customers and Hydro's rural Labrador Interconnected System customers.

13
 14 The method determines an equivalent number of customers represented by the
 15 specifically assigned customer-related charges to Newfoundland Power and Hydro's rural
 16 Labrador Interconnected System customers.² This is a proxy number of customers for
 17 purposes of allocation of \$/customer costs.

18
 19 The equivalent number of customers for Newfoundland Power is determined by dividing
 20 the customer-related charges specifically assigned to Newfoundland Power by the
 21 average customer-related costs per Hydro's rural **Island** interconnected customer. As
 22 applied to rural Labrador Interconnected customers, the method results in a total
 23 equivalent number of customers equal to the actual total number of rural **Labrador**
 24 Interconnected customers.

25
 26 Mr. Brockman believes that, in the context of allocating the \$/customer cost between
 27 Labrador Interconnected customers and Newfoundland Power, the calculation of a proxy
 28 equivalent number of customers for Newfoundland Power is a reasonable approach.

¹ See the response to Request for Information LWHN-NLH-011, lines 15-18 (original version before revision).

² See the response to Request for Information PUB-NLH-113, Attachment 1, page 82, Item 2.