

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)." If Mr.**
5 **Brockman was requested to determine a fair method of allocation of the Rural**
6 **Deficit, would this method be his recommendation? Please provide reasons for the**
7 **response.**

8
9 A. The Rural Deficit is not causally related to the customers responsible for funding it. For
10 this reason, it is difficult to assess the "fairness" of any allocation methodology for the
11 Rural Deficit from a traditional cost-of-service perspective.
12

13 In addition, the circumstances of the two groups of customers between which the Rural
14 Deficit must be allocated are different. In Mr. Brockman's opinion, any methodology
15 based on a single criterion or measure may not appropriately take these differences into
16 account.
17

18 For the foregoing reasons, it is Mr. Brockman's view that the Unit Cost Method, or
19 existing allocation methodology, is a reasonable means of allocating the Rural Deficit in
20 the current circumstances.¹ It has the advantage of incorporating a cost of service
21 perspective, which is reflective of the cost of service characteristics of the customers.
22

23 Mr. Brockman believes that the methods he recommended that the Board consider at the
24 1992 generic cost of service hearing would also merit consideration if the Board were to
25 consider changing the existing allocation methodology.

¹ Mr. Brockman's reasons for this view are set out in detail in his pre-filed evidence.