

1 **Q. The current Rural Deficit Allocation was recommended by the Board's Consultant**
2 **in 1992. The existing methodology in place since 1993 will result in the Rural Deficit**
3 **per customer being approximately three times higher for customers on the**
4 **Labrador Interconnected System than for customers of Newfoundland Power. Does**
5 **Dr. Wilson believe the existing methodology provides a fair allocation of the Rural**
6 **Deficit between customers of Newfoundland Power and the Hydro Rural Customers**
7 **on the Labrador Interconnected System? Please explain the reasons for your**
8 **answer.**

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11 **A. The large rate increase for the Labrador Interconnected System is eliminated in the**
12 **Amended GRA by allocating The Rural Deficit in proportion to revenues rather than**
13 **billing determinants. The now-proposed revenue allocation results in only a 2.1% rate**
14 **increase for the Labrador Interconnected System instead of a 28.1% increase using billing**
15 **determinants. This proposed re-allocation of the Rural Deficit also causes NP's rate**
16 **increase to change from 2.1% to 2.8%.**