

1 **Q. Does Mr. Bowman believe that rational people can hold different but valid**
2 **opinions on fairness? Please explain.**

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4 **A.** Mr. Doug Bowman believes that rational people can hold different, but valid opinions
5 on fairness. An example is Hydro's 1992 cost of service study (PUB-NLH-113,
6 Attachment 1). Cost of service is primarily about the fair allocation of costs to customers,
7 yet the participants in the study had differing views on most all aspects of cost of service.
8 This is particularly true of the allocation of the rural rate subsidy; all participants
9 appeared to agree that the rural rate allocation methodology was not a cost of service
10 issue, but rather an issue of fairness, yet four different methodologies were proposed.
11 Hydro proposed revenue requirement, the Labrador Towns supported use of revenue
12 requirement, Newfoundland Power proposed 50% revenue requirement and 50% energy,
13 the Industrial Customers proposed plant cost, and the Board's consultant proposed the
14 unit cost method. All four approaches were considered fair by the people proposing them,
15 and all four approaches could be considered valid. The difficulty for the Board in such
16 situations is to decide which of the approaches is the "most fair".