

1 **Q. Does Mr. Bowman believe that allocation of the rural deficit must necessarily be**  
2 **somewhat arbitrary? Please explain.**  
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A. Yes, Mr. Doug Bowman believes the allocation of the rural deficit must necessarily be somewhat arbitrary as it comes down to a fairness issue, and there are often different opinions on what is “fair”. He agrees with the Board’s statement in the February 1993 report on Hydro’s Cost of Service Methodology (PUB-NLH-113, Attachment 1, page 56): *“There does not appear to be any competency constraint in the methodology chosen to allocate the rural deficit either by revenue to cost ratio of one, energy allocation or some combination of energy or demand”*. Mr. Doug Bowman likewise agrees with the statement made by Mr. Baker, the author of the unit cost method: *“I am not aware of any generally accepted cost of service methodology for dealing with this particular situation. In finding the best solution, judgment must play a part”* (IN-PUB-2, page 28, lines 2 to 4). These statements imply that allocation of the rural deficit must necessarily be somewhat arbitrary, and for this reason, Mr. Doug Bowman believes a separate hearing on the rural deficit allocation methodology would be of little benefit to consumers. There is really nothing more to say on the issue – it has come to the point where a decision must be made, and if the decision is to continue with the current rural deficit allocation methodology, there will be a need to address how best to implement the 27.8% rate increase for the Labrador Interconnected Customers (Amended 2013 GRA, Volume I, page 4.7, lines 18 to 21).