

Q. Does Dr. Feehan believe it is not appropriate for the Board to consider efficient pricing in relation to the allocation of the rural deficit? Please explain.

A. On the contrary, I think consideration of efficient pricing ought to be a goal in relation to the allocation of the rural deficit. This is reflected in my report. Under my report's Alternative A, each customer would pay an equal monthly fixed charge to fully finance the rural deficit. To the extent that the energy and, where applicable, demand charges are set by the Board to reflect efficiency then adding a fixed charge to customers' bills would avoid distorting those charges. My recommended approach, Alternative D, also had a fixed charge element, which is also consistent with efficiency.

Mr. Bowman in his pre-filed evidence dated June 1, 2015, raises a concern with respect to this matter. He points out (p. 25) that the large size of the rural deficit results in a serious distortion of the price signal. I agree with his concern. If the rural deficit continues to grow then the efficiency argument for implementing fixed charges (Alternative A) as a means to finance the rural deficit would become more compelling. Beyond the Board's purview, the case for the provincial government reconsidering or designing the rural deficit policy would also become more compelling.