

1     Q.     Please confirm that Hydro's proposed change to the rural deficit allocation  
2           methodology will, in effect, lower the contribution from Labrador Interconnected  
3           Rural customers to the rural deficit, effectively offsetting increases in the cost to  
4           serve Labrador Interconnected Rural customers since the 2007 test year. In the  
5           response, please provide the amount of the rural deficit, cost of service and any  
6           credit associated with CFB Goose Bay included in the proposed rates.

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9     A.     Hydro believes that the Existing Methodology does not provide a reasonable  
10           sharing of the Rural Deficit between customers on the Labrador Interconnected  
11           System and customers of Newfoundland Power. Therefore, Hydro has proposed a  
12           change in the rural deficit allocation methodology which requires a reduced  
13           contribution to the rural deficit and a materially lower rate increase for Labrador  
14           Interconnected Rural Customers than if the existing methodology is maintained.  
15           See Section 4.3.1 to the Evidence in Hydro's Amended Application.

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17           See Exhibit 13, Schedule 1.2, page 1 of 6 in Hydro's Amended Application for the  
18           amount of the rural deficit, cost of service and any credit associated with CFB -  
19           Goose Bay Secondary.