

1 Q. Hydro's Amended GRA, Volume I, Section 4, page 4.14:

2 On lines 20 to 22, it states:

3 *"Hydro is proposing the Rural Deficit commencing January 1, 2014 be allocated by*  
4 *system based upon revenue requirement. Fairness in rates is commonly assessed*  
5 *based on revenue to cost ratios"*

6 Would Hydro agree that revenue to cost ratios are typically used after costs have  
7 been properly assigned to customer classes?

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10 A. Hydro functionalizes, classifies and allocates costs in its Cost of Service study in  
11 accordance with the Board approved methodology.<sup>1</sup> Revenue to cost ratios are  
12 normally calculated by dividing the revenues for a class of service by the costs that  
13 have been allocated to that class of service.

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<sup>1</sup> The proposed methodology for classifying wind energy purchases is currently subject to the Board's review in this proceeding.