

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 Please indicate Hydro's view of the potential hazards created by using revenue to
7 cost ratios as a measure of fairness when costs, which are not properly
8 functionalized and allocated, are used in the determination of the revenue to cost
9 ratios.

10

11

12 A. Hydro functionalizes, classifies and allocates costs in its Cost of Service study in
13 accordance with the Board approved methodology.¹ Hydro's analysis of fairness in
14 allocation of the rural deficit is not based upon a desire to achieve the same
15 revenue to cost ratios. Please see Hydro's response to NP-NLH-398.

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