

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 provide all examples of, which Hydro or its consultants are aware of, similar
7 circumstances where revenue to cost ratios have been used as a measure of
8 fairness in allocating costs which are not part of the cost to serve.

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11 A. Hydro's analysis of fairness in allocation of the rural deficit was not based upon a
12 desire to achieve the same revenue to cost ratios. Please see Hydro's response to
13 NP-NLH-398.

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15 Newfoundland Power's approach to allocation of the rural deficit among its classes
16 of service is comparable to the revenue requirement approach proposed by Hydro.
17 The Cost of Service methodology approved for Newfoundland Power by the Board
18 in allocation of the rural deficit states that the "Rural Surcharge is allocated to Class
19 based upon total cost before Rural Deficit, RSA & MTA."¹

¹ Source: 2011 Cost of Service Study, Section 1.3, page 2 of 2 filed at the Newfoundland Power 2013 GRA.