

1 Q. Please explain in full the degree to which Hydro, in assessing alternatives for
2 allocating the rural deficit, has considered the much lower rates paid by customers
3 served by the Labrador interconnected system as opposed to the Island
4 interconnected system.

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7 A. Hydro considered two alternatives reasonable for allocation of the rural deficit:
8 (i) the revenue requirement approach and (ii) the allocation based upon the
9 number of customers. Use of either of these methods would result in the rural
10 deficit reflected in rates on a per customer basis being comparable for customers
11 of Newfoundland Power and customers on the Labrador Interconnected System.
12 Hydro believes the rural deficit should be allocated so that the amount paid per
13 customer per class is relatively comparable whether the customers pay higher or
14 lower rates. Please see Hydro's response to NP-NLH-398; Section 4.3.1 of the
15 Evidence to the Amended Application; and response to CA-NLH-166.