

1    Q.    Does Mr. Greneman believe that using revenue to cost ratios as a measure of  
2            fairness is appropriate when costs which are not properly functionalized and  
3            allocated are used in the determination of the revenue to cost ratios?  
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6    A.    Mr. Greneman notes that Hydro is not proposing to allocate the rural deficit based  
7            on revenue to cost ratios, but rather on revenues. It has been generally accepted  
8            by the parties that allocation of the rural deficit is not a cost allocation issue, but  
9            rather one of fairness. On page 84 of the 1992 Cost of Service Methodology Order  
10          the Board concluded:

11                            Fairness cannot be assessed as due to the method used but instead we  
12                            must assess fairness on the basis of the result, a shared burden among  
13                            the classes of customers that is fair to all and not discriminatory.  
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16          Hydro functionalizes, classifies and allocates costs in its Cost of Service study in  
17          accordance with the Board approved methodology. However, whether costs are or  
18          are not properly functionalized and allocated is not pertinent in this context.