

1 Q. **Reference: RFI V-NLH-O11 - Operations - Transmission and Rural**

2 As Hydro is unable to divide Table 2.9: Transmission and Rural Operations
3 Operating Expenses into transmission expense and rural operations expense, please
4 explain how Hydro ensures that these expenses are appropriately assigned to a
5 particular class of customers.
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8 A. Hydro performs a detailed Cost of Service (COS) Study for each of its five geographic
9 areas to ensure that total costs are equitably distributed among customer classes.
10 It is a four-step process approved by the Board, whereby costs are first separated
11 into systems, then functionalized into generation, transmission and distribution
12 activities, then classified into demand, energy and customer-related based on the
13 nature of the cost and finally, allocated to each customer class based on direct
14 assignment and/or allocation factors. As indicated in the response to IN-NLH-112,
15 Transmission and Rural Operations costs would be apportioned throughout the COS
16 based on this Board-approved methodology. Further details on Hydro's COS Study
17 can be found in Exhibit 9 in the GRA.