

1 Q. Regarding the calculation for allocating the rural deficit (Exhibit 13, Schedule 1.2.1,
2 p.1 of 2), please explain why the customer amount for the Labrador Interconnected
3 System, at \$4,725,549 (line 2, column 5) is larger than the customer amount for
4 Newfoundland Power, at \$4,401,167 (line 1, column 5).

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7 A. The customer amount for NP used for allocating the rural deficit is a derived
8 number, and is not related to NP's actual customers, but relates to the specifically
9 assigned plant in service which is depicted on Exhibit 3, Schedule 2 and listed in
10 response to IC-NLH-088. The customer amount for the Labrador Interconnected
11 System results from the application of the "Classification and Allocation of
12 Distribution Costs" methodology approved by the Board in its 1993 Cost of Service
13 Methodology report, pages 47 to 48 filed in response to PUB-NLH-113.

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15 The basis and methodology for allocating the Rural Deficit between Newfoundland
16 Power and customers on the Labrador Interconnected System are contained on
17 Pages 51 to 62 of the 1993 Cost of Service Methodology Report filed in response to
18 PUB-NLH-113.