Q. [Mel Dean Evidence, page 10, line 1 to page 12, line 5]
How would changing Hydro's method of allocating O&M costs to plant in service to address Mr. Dean's concern affect Hydro's other customers' rates?

A. The purpose of restating the original plant in service in constant year dollars (say 2013 to match the test year) is to remove the time value of money from the data used to prorate the total O&M expense between customer classes. Using the original costs of assets for the plant in service where the ages differ by nearly 50 years, results in an inequitable distribution of O&M expense.

As stated in my evidence, V-NLH-083 (page 11, lines 10 to 12) requested Hydro to rerun the cost of service study with the plant in service restated in 2013 dollars instead of original costs. Hydro responded that they could not complete this request within the time frame of this proceeding. Without this information, the exact change to customer classes is not known. The general effect on other customers is addressed in the next paragraph.

Restating the plant in service in 2013 dollars will increase the dollar value of the plant in service. Undoubtable the allocation of O&M costs to common, rural and each of the customers that have specifically allocated charges will change. With the current allocation method, the older assets in the system attract less than the equitable amount of the O&M expense, whereas the newer assets get allocated more than their fair share. One would expect that the 2013 cost of service understates the amount O&M costs allocated to common cost and the proposal would increase common O&M costs to the equitable amount. Common costs are allocated to all customers. The effect to rural class and each industrial customer depends on the ratio of old assets to new assets. If a customer has a higher ratio of old assets to new assets, their portion of the O&M costs will increase to the equitable amount.