

1 Q. (Expert Evidence – JT Browne Consulting, page 9) Reference is made to a Cost of
2 Service Standard documented in a recent Supreme Court of Canada decision. Please
3 explain how Hydro’s proposed 2019 test year cost of service study meets this
4 standard considering the following:

- 5 i) Rates will significantly over-collect the revenue requirement,
- 6 ii) Costs will be allocated, and rates established, for Island customer classes that do
7 not reflect Hydro’s best forecast of the costs that the customer classes are expected
8 to impose on the system,
- 9 iii) Newfoundland Power customer rates will be set at levels well above the revenue
10 requirement, so will attract a higher portion of the rural deficit since Labrador
11 Interconnected customers rates will be set at levels reflecting the revenue
12 requirement, and
- 13 iv) Rates for Rural and Isolated customers that are pegged to Newfoundland Power
14 rates will over-collect since Newfoundland Power rates will be set at levels that
15 over-collect the revenue requirement.

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18 A. This response has been provided by JT Browne Consulting.

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20 i), ii), iii), iv) Based on information provided by Hydro, it is Mr. Browne’s
21 understanding that it is expected that the Off-Island Purchases Deferral Account
22 will not affect Hydro’s opportunity to recover its cost of service. The net amounts
23 deferred will be used to reduce Hydro’s future revenue requirements.