

- 1 **Q.** Given that the proposed rates to be charged to Hydro's Rural customers do
2 not fully recover the cost of providing service to those customers, please
3 explain how Hydro would be over-collecting rates from these customers.
4
- 5 **A.** By setting Newfoundland Power rates at levels above the cost of supply as
6 proposed by Hydro, rates for Rural customers would collect more than they would
7 if Newfoundland Power rates were set at levels reflecting the cost of supply. Mr.
8 Doug Bowman recommends that Newfoundland Power rates be set at levels
9 reflecting the cost of supply.