

1 **Q. In reference to the evidence of Larry Brockman, page 4, lines 9 to 10 - “I support**  
2 **the Company’s proposal to implement these two changes in the cost of service**  
3 **methodology.” - On what basis does Mr. Brockman support these changes?**  
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5 A. In reference to page 4, lines 9 to 10 of Mr. Brockman’s evidence, the two changes in the  
6 cost of service methodology being referred to are:  
7 • A change in the methodology used to functionalize and classify general expenses, and  
8 • A change from the use of actual revenue and purchased power expenses to the use of  
9 normalized revenue and normalized purchase power expenses (the latter of which are  
10 reported in the Company’s financial statements).  
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12 Mr. Brockman supports the proposed change on the functional classification of general  
13 expenses as it better reflects the cost causation principle, which is a general principle of  
14 ratemaking.  
15

16 With regard to the second proposed change, Mr. Brockman agrees with the statement  
17 made by Mr. Henderson on Page 8 of his pre-filed evidence that the matching of revenue  
18 and purchased power expense reported in the Company’s financial statements to the  
19 revenue and purchased power expense used in the cost of service study is more in line  
20 with Newfoundland Power’s regulatory reporting and simplifies the cost of service study  
21 by making it more auditable. The change has an insignificant impact on revenue to cost  
22 ratios, as shown in Table 2 (Page 9) of Mr. Henderson’s evidence.