

1 **Q. Exhibit LBB-3, page 15, Table 3, indicates that Newfoundland and Labrador Hydro**  
2 **classifies 27.5% of its distribution system costs as customer related for the purposes**  
3 **of determining its BCC, while Newfoundland Power uses 31.9%. Is this discrepancy**  
4 **a direct result of Newfoundland and Labrador Hydro using the zero intercept**  
5 **method versus Newfoundland Power using the minimum size method? If no, please**  
6 **explain the reason for the variance.**

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8 A. No, the discrepancy is not a direct result of Newfoundland and Labrador Hydro using the  
9 zero intercept method versus Newfoundland Power using the minimum size method.  
10 Both the minimum size method and the zero intercept method are calculated based on the  
11 actual distribution conductors, lines, and fixtures employed by a utility. Newfoundland  
12 Power and Newfoundland Hydro have different distribution systems based on different  
13 costs and inherently will have different classification factors for classifying the portion of  
14 the distribution systems between distribution substations and a customers service drop.

15  
16 However, the comparable results for Hydro and Newfoundland Power give comfort in the  
17 reasonableness of the method employed.