

1 Q. Further to the response to CA-NLH-027 does Hydro consider the rural subsidy to be  
2 a true cost to be reflected in the Cost of Service revenue to cost ratio?

3  
4

5 A. The revenue to cost ratio, by definition, reflects the ratio of revenues to actual, or  
6 estimated, costs of serving the customer class. Since the rural deficit is not a cost of  
7 serving the customer class, it is appropriately excluded from the cost ratio.

8 However, in accordance with rates policies in the province, an amount of rural  
9 deficit is included in the revenues of those customer classes providing the subsidy,  
10 and thus is appropriately included in the revenue ratio.