

1       **Q.** Mr. Brockman stated on page 5 of his evidence: “Finally, I believe it is important  
2 to keep rate design separate from cost of service. A cost of service allocation should  
3 not be chosen based on the amount of the resulting cost assignments to a class. As  
4 the Board pointed out in its 1993 report arising out of the 1992 COS Hearing (the  
5 “1993 COS Report”), the customer impact of cost of service allocations is more  
6 properly addressed as a rate design issue.” Does Mr. Bowman believe the selection  
7 of a cost of service methodology for the Rural Deficit allocation is a cost of service  
8 issue or a rate design issue?

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10      **A.** Mr. Doug Bowman agrees with Mr. Baker, the author of the unit cost method, who  
11 said “*I am not aware of any generally accepted cost of service methodology for dealing*  
12 *with this particular situation. In finding the best solution, judgment must play a part*”  
13 (IN-PUB-2, page 28, lines 2 to 4). Mr. Doug Bowman believes that the rural deficit is a  
14 subsidy, a cost over which the customers who are forced to pay the subsidy have no  
15 control, and no way to avoid. Therefore, in Mr. Doug Bowman’s opinion, allocation of  
16 the rural deficit is a fairness issue, and the Board will have to use “judgement” to decide  
17 which of the allocation methodologies produces the fairest result. Mr. Doug Bowman  
18 believes that the fairness of an allocation methodology cannot be judged without  
19 considering customer impacts such as revenue to cost ratio and the magnitude of the  
20 impact in dollars/customer.