

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.**