

IN THE MATTER OF the *Electrical Power Control Act, 1994* (the “EPCA”) and the *Public Utilities Act, R.S.N. 1990, Chapter P-47* (the “Act”) and their subordinate regulations; and

IN THE MATTER OF an Application by Newfoundland and Labrador Hydro (“Hydro”) for approvals of: (1) Under Section 70 of the Act, changes in the rates to be charged for the Supply of power and energy to its Retail Customer, Newfoundland Power, its Rural Customers and its Industrial Customers; (2) Under Section 71 of the Act, its Rules and Regulations applicable to the supply of electricity to its Rural Customers; (3) Under Section 71 of the Act, the contracts setting out the terms and conditions applicable to the supply of electricity to its Industrial Customers; and (4) Under Section 41 of the Act, its 2002 Capital Budget.

RESPONSE TO NLH-96

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NLH-96 **(Re: p.21, lines 14 to 19)**

Q: Please provide further details as to why this secondary sales revenue should be applied to offset the overall rural deficit paying particular attention to the issue of cost causation.

A: Per JAB-1, Schedule 1.2, the Goose Bay secondary revenues (\$2.99 million at line 4, column 2) are calculated in the cost of service study to be well in excess of the costs they cause on the system (\$138 thousand at line 4, column 3) which gives rise to the revenue credit. There is no principled cost causation basis to distribute this revenue credit, just as there is no cost causation basis to distribute the rural deficit in the manner currently proposed. There is merit, however, in treating on a consistent basis both the rural deficit and the Goose Bay secondary sales surplus.