

1 Q. Reference: RSP Rural Deficit Allocation

2 a) Please confirm that the attached Table 1 shows the 1992 PUB  
3 approved revenue requirement and Rural Deficit Allocation from IC-1  
4 (a) in column A, the 2000 RSP revenue requirement and rural deficit  
5 allocation from IC-271 in column B, and the 2001 RSP revenue  
6 requirement and rural deficit allocation from IC-272 (a).

7 b) Please provide a full response to the question in IC-278 (a) and show  
8 the methodology for deriving the RSP rural deficit allocation ratios.

9 c) Table 1 shows an RSP rural deficit allocation in 2000 that allocates  
10 6.15% less of the rural deficit to NP and 8.3% more of the rural deficit  
11 to IC than if based on the current year revenue requirement and  
12 6.77% less to NP and 9.11% more to IC than if based on the PUB  
13 approved rural deficit allocation ratios.

14 i. Please explain fully why the PUB-approved rural deficit allocation  
15 ratios of 76.61% to NP and 17.98% to IC were not used in  
16 allocating the RSP Rural Deficit.

17 ii. Please explain fully why the current year revenue requirement  
18 ratios of 75.99% to NP and 17.79% to IC were not used in  
19 allocating the RSP Rural Deficit.

20 d) Please provide, with full detail and supporting analyses, including all  
21 numbers, sources and calculations, the derivation of the rural deficit  
22 reallocation ratios for the purposes of the RSP from 1992 to 2001.

23 e) Please confirm that the rural rate alteration component of the RSP is  
24 allocated to NP, IC, and Labrador customers on the same basis as the  
25 rural deficit. If not able to confirm, please indicate how this rural rate  
26 alteration component is allocated to these customers, the detailed  
27 rationale for this allocation and the full details on calculation of this  
28 allocation for the purposes of the RSP from 1992 to 2000.

**Table 1: PUB approved Rural Deficit Allocation versus RSP Rural Deficit Allocation**

	Column A			Column B				Column C			
	1992 COS FINAL from IC-1(a) as approved by PUB			2000 RSP from IC-271				2001 RSP from IC-272(a)			
<b>Revenue Requirement</b>	Revenue Requirement for allocation of Rural Deficit	Revenue Requirement Ratio		Current Year Revenue Req. for allocation of Rural Deficit <sup>1</sup>	Revenue Requirement Ratio			Current Year Revenue Req. for allocation of Rural Deficit <sup>1</sup>	Revenue Requirement Ratio		
Newfoundland Power	171,839,067	76.61%		176,721,995	75.99%			215,536,918	76.06%		
Island Industrial	40,327,099	17.98%		43,707,568	18.79%			55,717,197	19.66%		
Labrador Industrial	5,483,047	2.44%		5,483,047	2.36%			5,483,047	1.93%		
Labrador Interconnected Rural	6,640,648	2.96%		6,640,648	2.86%			6,640,648	2.34%		
Total for allocation of rural deficit	224,289,861	100.00%		232,553,258	100.00%			283,377,810	100.00%		
<b>Rural Deficit</b>	Rural Deficit Allocation	Ratio	Diff. from Rev. Req. Ratio	RSP Rural Deficit Allocation <sup>2</sup>	Ratio	Diff. from Rev. Req. Ratio	Diff. from 1992 COS	RSP Rural Deficit Allocation <sup>2</sup>	Ratio	Diff. from Rev. Req. Ratio	Diff. from 1992 COS
Newfoundland Power	22,243,999	76.61%	0.00%	2,161,034	69.85%	-6.15%	-6.77%	4,465,751	71.46%	-4.60%	-5.15%
Island Industrial	5,220,210	17.98%	0.00%	838,268	27.09%	8.30%	9.11%	1,844,415	29.52%	9.85%	11.54%
Labrador Industrial	709,762	2.44%	0.00%	0	0.00%	-2.36%	-2.44%	0	0.00%	-1.93%	-2.44%
Labrador Interconnected Rural	859,610	2.96%	0.00%	94,680	3.06%	0.20%	0.10%	-61,275	-0.98%	-3.32%	-3.94%
Total for allocation of rural deficit	29,033,581	100.00%	0.00%	3,093,982	100.00%	0.00%	0.00%	6,248,891	100.00%	0.00%	0.00%

1 - Revenue Requirement before Rural Deficit allocation. Labrador Industrial and Labrador Interconnected Rural are assumed remain equal from the 1992 COS to the 2001 RSP

2 - Increase in Rural Deficit over 1992 COS.

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- 1 A. Reference: RSP Rural Deficit Allocation
- 2 a) The attached Table 1 shows the 1992 PUB approved revenue
- 3 requirement and Rural Deficit Allocation from IC-1 (a) in column A. The
- 4 2000 RSP revenue requirement before deficit, as shown in Table 1
- 5 column B, is correct for Newfoundland Power and Industrial Customers.
- 6 The amounts shown for Labrador are 1992 revenue requirements, and do
- 7 not reflect the small changes due to the change in rural customers. The
- 8 2000 deficit allocation is correct. The 2001 RSP revenue requirement
- 9 before deficit, as shown in Table 1, column C, is correct for Newfoundland
- 10 Power and Industrial Customers. The amounts shown for Labrador are
- 11 1992 revenue requirements, and do not reflect the small changes due to
- 12 the change in rural customers. The 2001 deficit allocation is correct.
- 13 b) The ratios are the result of the total cost assignment, before deficit
- 14 allocation. Please see attached Page 4 for the calculation of the rural
- 15 deficit allocation in April 2001.
- 16 c) RSP allocations are based on test year data, modified for the current
- 17 RSP activity and current year load data. A revised revenue requirement
- 18 is calculated for the affected customer groups, and the revised revenue
- 19 requirement is used to allocate the rural deficit.
- 20 d) Response to follow.
- 21 e) The rural rate alteration component of the RSP is allocated to NP, IC, and
- 22 Labrador customers on the same basis as the rural deficit.

**Newfoundland and Labrador Hydro  
Rate Stabilization Plan  
April, 2001  
Cost Allocation**

Line  
No.

<b>Deficit to be Allocated</b>		1				
		Rural Deficit	Comments			
1	1992 Test Year Costs	29,033,581	1992 Cost of Service, IC-1(a)			
2	Current Year Deficit Allocation	2,228,549	IC-278, page 5, row 14, column 14			
3	Total to be allocated	31,262,130				
		2	3	4	5	6
		Current Year Allocated	Deficit	Revised Deficit Allocation	Test Year Deficit	Current Year Deficit
		Costs - Before Deficit	Allocation Ratio	(Row 3, Col 1 X Col 3)	Allocation IC-1(a)	Allocation (Col 4 - Col 5)
4	Newfoundland Power	188,447,078	0.7652	23,922,239	22,243,999	1,678,240
5	Industrial Customers	45,696,190	0.1856	5,800,860	5,220,210	580,650
6	Labrador Interconnected	12,123,695	0.0492	1,539,031	1,569,372	(30,341)
7	Total	246,266,963	1.0000	31,262,130	29,033,581	2,228,549

Col 2: IC-278, page 5, row 12, col 5  
Col 2: IC-278, page 5, row 13, col 5  
Col 2: 1992 Cost of Service, IC-1(a)