

- Q. In reference to page 46 in the report of Grant Thornton LLP on Newfoundland and Labrador Hydro's 2001 General Rate Hearing:
- (a) Provide the basis for the statement that Hydro was "required" to provide the rural customers with the same rebate as that issued to consumers by Newfoundland Power in April, 2001.
 - (b) In your opinion, is it appropriate that Newfoundland Power's customers be asked to pay for the rebate to Hydro's rural customers.
- A. (a) The basis for our statement that Hydro was "required" to provide the rural customers with the same rebate as that issued to consumers by Newfoundland Power in April 2001 was based on a February 1993 report issued by the Board of Commissioners of Public Utilities on a referral by Newfoundland and Labrador Hydro for "the proposed cost of service methodology and a proposed method for adjusting its rate stabilization plan to take into account the variation in Hydro's rural revenues resulting from variations in the rates set by the Board to be charged by Newfoundland Light and Power Co. Limited to its customers."

In this report, Hydro presented a number of provisions to be included in the RSP so that it will be credited with the additional revenue received by Hydro as a result of Newfoundland Power rate adjustments (ref. pg. 63 of the report noted above). The fifth provision stated that "the policy apply to all alterations (increases and decreases) to NP rates that could result in a change in Hydro's rural revenues." Recommendation 24 of this report recommended that Hydro's proposed provision be included in the RSP.

The rebate is in substance the same as a decrease in rates and therefore we agreed with Hydro's treatment of including the rebate within the RSP.

- (b) While it appears unusual for Newfoundland Power customers to have to pay, indirectly, for the rebate to Hydro's rural customers, the current provisions of the RSP require that the increases and decreases in rural revenues attributable to Newfoundland Power rate changes be included. As indicated above the rebate that was issued is essentially a decrease in rates for the 2000 year.