

1 Q. With regard to the response to CA-130 NLH, on pages 2, 3 and 5, why do the
2 increases/decreases not total zero and is the net effect of these changes that
3 the revenue allocated to NP, Island Industrials and Labrador Industrials is
4 reduced, and for the Rural Labrador Interconnected is increased, along with
5 an increase in the rural deficit? If so, by how much is the rural deficit
6 increased?

7
8
9 A. CA-130 NLH, Page 2: Customer impacts are presented for the proposed
10 change to allocate Hydro Place across all five systems (Island
11 Interconnected, Island Isolated, Labrador Isolated, L'Anse au Loup, and
12 Labrador Interconnected). This proposed change reallocates assets/costs
13 from the Island Interconnected system to the remaining systems. There is a
14 resulting increase in rate base for Island Isolated, Labrador Isolated and
15 L'Anse au Loup, only partially offset by a reduction in Rural Island
16 Interconnected rate base. Because there is no return on equity from Rural
17 assets, there is an overall decrease in revenue requirement.

18
19 CA-130 NLH, Page 3: Customer impacts are presented for the proposed
20 change to allocate general plant on the basis of direct expenses instead of
21 direct plant. This creates a shifting of assets/costs within each system from
22 common generation and transmission to Rural distribution and customer
23 accounting. Again, no return on equity is applied to rate base assets shifted
24 to Rural, and there is an overall decrease in revenue requirement.

25
26 CA-130 NLH, Page 5: Customer impacts are presented for all three
27 proposed changes, and the overall reduction in revenue requirement is the
28 result of combining the re-systemization of Hydro Place with the reallocation

1 of general plant on the basis of direct expenses. For the reasons outlined
2 above, there is an overall decrease in revenue requirement due to the
3 reduction in return on equity.

4

5 Customer impacts after revenue credit and deficit allocation are shown on
6 Page 5, Column 6. The revenue requirement is reduced for NP, Island
7 Industrials and Labrador Industrial, and the revenue requirement is increased
8 for Rural Labrador Interconnected customers. The increase in Rural deficit is
9 \$489,757 (Page 5, Column 3, Line 10).