

1 Q. **2017 General Rate Application - Operations**

2 Page 3.31, lines 22-25 – The rural deficit is forecast to increase by approximately
3 22% from 2015 TY to 2019 TY while Hydro states in footnote 71 that inflation for
4 the same period was 6.4%. Explain how this increase in the rural deficit
5 demonstrates reasonable cost control by Hydro.

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8 A. As noted in Hydro’s response to PUB-NLH-047, the increase in the rural deficit
9 relative to the 2015 Test Year is primarily due to the increased cost of fuel,
10 purchased power, and depreciation expense. Increases in these cost types are
11 typically driven by customer energy requirements, the cost of diesel fuel, and the
12 age of Hydro’s existing assets, all of which are beyond management’s control.

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14 With respect to cost control regarding operations and maintenance expense, please
15 see Chapter 3, Section 3.7 of Hydro’s evidence.