

1 Q. **Reference: Schedule 1: Evidence**

2 (a) Has Hydro considered using a “deadband” for the proposed load variation component of the
3 Rural Rate Adjustment? If not, please explain.

4 (b) Will the approval of the proposed Rural Rate Adjustment - Load Variation component have
5 any impact on the calculation of the rural deficit?
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8 A. (a) As the current iteration of the load variation component in the Rate Stabilization Plan does
9 not include a deadband, Newfoundland and Labrador Hydro (“Hydro”) has not proposed a
10 deadband for the load variation component of the proposed Supply Cost Variance Deferral
11 Account, for any customer class. While Hydro would not consider a deadband on overall
12 load variations to be unreasonable, Hydro does not believe it would be reasonable to apply
13 a separate deadband for the revenue variations for each class of customers (i.e., Hydro Rural
14 Interconnected, Utility, and Island Industrial Customers).

15 (b) The proposed Rural Rate Alteration would limit the variability of the rural deficit between
16 test years due to customer load variations. The impact of the proposal on the rural deficit is
17 similar to the impact of the Isolated Systems Supply Cost Variance Deferral Account in that
18 changes in diesel fuel price-related costs relative to those reflected in the test year are
19 debited or credit to the deferral account. Variations in the price of fuel and customer load
20 are beyond the control of Hydro.

21 Approval of the proposed load variation addition to the Rural Rate Alteration would
22 continue to provide Hydro a reasonable opportunity to recover the costs of supplying the
23 Hydro Rural Island Interconnected System. If the proposal is not approved, Hydro’s revenues
24 can change materially due to factors beyond its control, such as weather, and without a
25 corresponding change in supply costs; the result would be a potential volatility in earnings

- 1 and the lost opportunity to earn a just and reasonable return for sales to rural customers.
- 2 Please refer to Hydro's response to PUB-NLH-014 and Section 6.8.2 of the application.¹

¹ "Supply Cost Accounting Application," Newfoundland and Labrador Hydro, July 29, 2021, sch. 1, sec. 6.8.2, pp. 23–24.