

1 Q. Please provide the specific language from Section 16 of Hydro's Rules and
2 Regulations, "Policies for Automatic Rate Changes", upon which Hydro relies in
3 concluding that a rebate or refund of the Newfoundland Power RSP Surplus to
4 Newfoundland Power customers requires a flow-through effect to the Hydro Rural
5 customers on the L'Anse au Loup System.

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8 A. The specific language from Section 16 of Hydro's Rules and Regulations, "Policies
9 for Automatic Rate Changes", that Hydro relies on is as follows:

10
11 POLICIES FOR AUTOMATIC RATE CHANGES

12 **(a) Island Interconnected System:**

13 (i) As Newfoundland Power changes its rates, Hydro will automatically adjust all
14 rates such that these customers pay the same rates as Newfoundland Power
15 customers.

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17 **(b) L'Anse au Loup System:**

18 (i) As Newfoundland Power changes its rates, Hydro will automatically adjust all
19 rates such that these customers pay the same rates as Newfoundland Power
20 customers.

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22 **(c) Isolated Systems:**

23 (i) Isolated Rural Domestic customers, excluding Government departments, pay
24 the same rates as Newfoundland Power for the basic customer charge and First
25 Block consumption (outlined in Rate 1.2D). Rates charged for consumption
26 above this block will be automatically adjusted by the average rate of change
27 granted Newfoundland Power from time to time.

(ii) Rates for Isolated Rural General Service customers, excluding Government departments, will increase or decrease by the average rate of change granted Newfoundland Power from time to time.

(iii) As Newfoundland Power changes its rates, Hydro will automatically adjust Rural Isolated street and area lighting rates, excluding those for Government departments, such that these rates are the same as charged Newfoundland Power customers.

It is Hydro's opinion that a refund to Newfoundland Power's customers changes the effective rate paid for electricity and the wording "As Newfoundland Power changes its rates, Hydro will automatically adjust all rates such that these customers pay the same rates as Newfoundland Power customers." requires a change to Rural Customers' rates whose rates are based on Newfoundland Power customers' rates.

Further, the wording in Section (c) (ii) above, for example, whereby Isolated Rural General Service customers' rates "will increase or decrease by the average rate of change granted Newfoundland Power from time to time" is instructive about the spirit and intent of this policy direction. This wording does not point to published Newfoundland Power rates that Isolated Rural General Service customers shall pay, rather, the average, or effective, rate change percentage is applied to the Isolated Rural General Service customers' rate components. Refer also to Hydro's response to SR-PUB-NLH-014.

In Hydro's view, the policy inherent in Section 16 of the Rules and Regulations shown on Pages 13 and 14 of its Evidence is consistent with the Board's views as expressed in Order No. P.U 7(2002/2003). At page 123 of that Order, the Board considered the issue of directives that existed prior to the *Electrical Power Control*

1 *Act, 1994*, and determined that it would "give regard to the established social
2 policies of Government" that is, it would continue the policy that similar rates
3 would be charged to Hydro's Rural Customers as are charged to comparable
4 customers of Newfoundland Power.