

1 Q. Pages 15-16 of the Evidence – Section B, section 1.3 of the RSP Rules addresses
2 changes in Rural Rates between GRAs as a result of changes in Newfoundland
3 Power rates. Explain in detail how under the “*Current Approach*”
4 decreases/increases in Rural Rates between GRAs impact Newfoundland Power,
5 Labrador Interconnected Customers and Hydro and what differences in impact, if
6 any, there would be for Newfoundland Power, Hydro and Labrador Interconnected
7 Customers with the “*Proactive Approach*” proposed by Hydro.

8
9
10 A. Under current rules of the RSP Section B, section 1.3, (i.e. Current Approach),
11 changes to Rural Customers’ rates between GRAs result in NP RSP activity. In cases
12 where NP rate increases result in increased rural revenue, such increases are
13 credited to the RSP and repaid to NP. In cases where NP rate decreases result in
14 decreased rural revenue, such decreases are charged to the RSP and recovered
15 from NP. The refund to Rural Customers as a result of the RSP Surplus refund in
16 April 2014 will result in a charge to the RSP under the current rules of the RSP
17 Section B, section 1.3 as detailed in response to SR-NP-NLH-038. This charge to the
18 RSP will result in a subsequent rate increase for NP customers on July 1, 2015 as a
19 result of the March 31, 2015 RSP balance being higher than it otherwise would be.
20 This increase, in turn, would also affect Rural Customer rates whose rates are based
21 on NP customers’ rates.

22
23 Under Hydro’s proposed Proactive Approach, it is recommended that the estimated
24 funding for the RSP Surplus refund to Rural Customers be set aside from the RSP
25 Surplus that otherwise would be refunded to NP. A reduction in the April 2014 RSP
26 Surplus to NP, in order to fund the Rural Customers refund, will avoid an increase
27 on July 1, 2015 that otherwise will occur as outlined above.