

1 Q. (Rates and Regulation Evidence page 4.14, lines 9 to 13)
2 Please provide an explanation and full accounting of the rural deficit amount, the
3 basis for its assignment to various customers classes and its impact on revenue to
4 cost ratios for each customer class; i.e., the 44% overage in the revenue to cost
5 ratio for the Labrador Interconnected Customers that is stated to be attributable to
6 the portion of the rural deficit allocated to customers on this system.

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9 A. Based on Hydro's Amended Application, Rural Labrador Interconnected customers
10 have a proposed revenue to cost ratio of 1.13 rather than the targeted revenue to
11 cost coverage of 1.44 in the original Application. In its Amended Application, Hydro
12 has proposed to allocate the Rural Deficit based on revenue requirement as
13 described in Section 4.3.1 of the Evidence.

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15 An explanation of the [] previous basis for assignment of the Rural Deficit to the
16 Island Interconnected and Labrador Interconnected systems is outlined in the Cost
17 of Service Methodology report filed in response to PUB-NLH-113, pages 51 to 62.
18 The 2015 Test Year assignment of the rural deficit to the Island Interconnected and
19 Labrador Interconnected systems is shown on Cost of Service Schedule 1.2.1, Page 2
20 of 2 of Exhibit 13. A full accounting of the 2015 Test Year incurrence and allocation
21 of the rural deficit is shown on Cost of Service Schedule 1.2 of Exhibit 13 by amount
22 (Col 5) and revenue to cost ratio (Col 8).