

1 Q. (Re: Response to PUB-NLH-89) The response indicates that Hydro considered  
2 whether a source of funding was available to facilitate phasing in rate increases for  
3 customers on the Labrador Interconnected Systems, but was unable to identify such  
4 a funding source. Did Hydro consider funding by other customer classes similar to  
5 what is currently being done for the rural deficit, or the \$37.6 million subsidy being  
6 conveyed to the ICs? Please address the pros and cons of using similar  
7 methodologies to fund a rate phase-in for Labrador Interconnected customers.  
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10 A. It is noted that both the funding of the rural deficit and the \$37.6 million subsidy  
11 being conveyed to the ICs were directed by Government. If, however,  
12 consideration was given to funding from other classes, the legislated exclusion of IC  
13 from paying the rural deficit and the Government directed rural rates policies make  
14 it likely that only the customers of NP, and the flow-through effects on rural rates,  
15 could be considered as a source of funding to phase-in rates for Labrador  
16 Interconnected Customers.  
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18 If Labrador Interconnected System customers were to receive funding to reduce the  
19 rate impact the advantage would be lower rates for these customer classes. The  
20 disadvantage would be that other retail customers' rates would be higher. This  
21 would include customers on the Island Interconnected System, Island and Labrador  
22 Rural Isolated Systems as well as the L'Anse au Loup System. The average  
23 residential rate for the majority of these customers is 12.4 cents per kWh<sup>1</sup>, and  
24 these customers have received an increase of 20.2% or 2.0 cents per kWh, since  
25 Hydro's base rates were last set in 2007.

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<sup>1</sup> Based on monthly consumption of 1,517 kWh using rates effective July 1, 2013, excluding taxes.