

1 **Q. Re: Cost of Service Study, Exhibit 9, Appendix 2, page A2-1.**

2 The document states: “The portion of the Island Interconnected Recoverable
3 Amount which is initially allocated to Rural Island Interconnected will be
4 added to the Other Plan Recoverable Amount, and then re-allocated
5 between Newfoundland Power and regulated Labrador Interconnected
6 customers in the same proportion which the Rural Deficit was allocated in
7 the approved Test Year Cost of Service Study.

8 “The Labrador Interconnected Recoverable Amount shall be written off to
9 Hydro's net income (loss).”

10 Please explain in detail a) why a portion of the Island Interconnected Recoverable
11 Amount is allocated to regulated Labrador Interconnected customers, b) the
12 amount of the Island Interconnected Recoverable Amount allocated to regulated
13 Labrador Interconnected customers for each year from 2006 through 2013, and c)
14 why this amount is written off, rather than recovered.

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17 **A. A deficit in revenue is incurred to supply service to customers in the Rural Island**
18 Interconnected, L'Anse au Loup, Labrador Isolated and Island Isolated systems.

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20 a) In a Test Year, a portion of the rural deficit¹ is allocated to Labrador
21 Interconnected customers and recovered through their rates. Between test years,
22 when deferred amounts (with a recoverable or refundable mechanism) are
23 assigned to customers in the rural deficit areas, NP and the Labrador
24 Interconnected customers are typically assigned those costs based upon the last
25 Test Year.

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¹ 11.3 % for the 2013 Test Year, per Exhibit 13, Schedule 1.2.1, Page 2 of 2, Line 16

1 b) As the recovery mechanism has not yet been approved, no amount has been
2 allocated to date.

3 c) This amount is written off as there is no recovery mechanism for Labrador
4 Interconnected customers.