

1 Q. **Re: NLH Evidence, Section 4, page 4.14, lines 10-13**

2 Please explain in detail the regulatory mechanisms in place with respect to the rural
3 deficit, as well as the historical evolution of these mechanisms, making reference to
4 all relevant Board decisions and Newfoundland and Labrador government directives
5 or other actions.

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8 A. Hydro, in responding to this question, has interpreted ‘regulatory mechanisms’ to
9 refer to the means by which, through Government legislation and Board order, the
10 rural deficit is funded through the regulatory process.

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12 Government legislation in the 1990s established that the rural deficit is to be
13 recovered from retail customers. A summary of this funding direction is outlined on
14 Page 28 of the 1996 Report on Rural Electrical Service filed in response to LWHN-
15 NLH-010. The basis and the methodology for allocating the rural deficit between
16 Newfoundland Power and customers on the Labrador Interconnected System are
17 outlined on Pages 51 to 62 of the 1993 Cost of Service Methodology Report filed in
18 response to PUB-NLH-113.