

1 Q. **Re: Rates Schedules, page 35 of 47.**

2 Please explain in detail the interaction between (i) the regulatory policies embodied
3 in paragraph 16 of the Rules and Regulations, which bases rates for isolated
4 customers on Newfoundland Power rates, and (ii) the Northern Strategic Plan
5 subsidy, referred to in notes 3 and 4 on page 3 of the cover letter dated July 30,
6 2013, which results in customers paying rates equal to the Labrador Interconnected
7 Rate.

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9 A. Paragraph 16 of the Rules and Regulations originates from Government directive,
10 and remains the basis of Hydro's billing to customers on the Isolated Labrador and
11 Island and the L'Anse au Loup Systems. Hydro's billing to these customers base the
12 calculation of the Lifeline Block consumption on the same rates that Newfoundland
13 Power charges its customers. Billing customers on Isolated and L'Anse au Loup
14 Systems, based on Newfoundland Power rates, contributes to an increase in the
15 rural deficit. The rural deficit is funded by Newfoundland Power and Labrador
16 Interconnected System customers. (Refer to Exhibit 13, Schedule 1.2 Page 1).

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18 Effective July 1, 2007, on behalf of Government, Hydro implemented the Northern
19 Strategic Plan subsidy. Hydro's billing to Labrador Isolated and the L'Anse au Loup
20 Systems' customers includes a rebate for Lifeline Block consumption, based on the
21 same rates as are paid by Labrador Interconnected System customers. The
22 reduction in rates paid by Labrador Isolated and the L'Anse au Loup Systems'
23 customers is shown as a single line item credit on the bill as shown in the response
24 to IN-NLH-004. Charging customers on the Labrador Isolated and L'Anse au Loup
25 Systems the same rates as is paid by Labrador Interconnected System customers
26 results in the NSP subsidy. The NSP subsidy is funded by Government.

27 Also please see Hydro's response to IN-NLH-137.