

1 **Q. CDM Re: Amended Application, p. 1.20, lines 8-18**

2 Citation:

3 The net electricity requirements for isolated diesel systems are projected to
4 increase by 16.3 GWh or 26.6% in the 2015 Test Year relative to the 2007
5 Test Year. The primary driver is the increasing customer load in Labrador, in
6 particular, on the L'Anse au Loup System. The L'Anse au Loup System has
7 experienced strong electricity sales growth following the introduction of
8 lower electricity rates as a result of the interconnection of the L'Anse au
9 Loup System to Hydro Québec's Lac Robertson System. Approximately one
10 half of the homes on the L'Anse au Loup System now have electricity as the
11 main heating source whereas prior to the rate change very few homes were
12 heated by electricity. Given the cost to consumers of heating fuel compared
13 to electricity costs, further conversion to electric heat is anticipated and
14 additional capital expenditures will likely be required.

15 Please confirm that the L'Anse au Loup system contributes to the rural deficit, and
16 explain why subsidizing rates that lead to additional conversion to electric heat
17 represent a good policy choice.

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20 **A.** Hydro confirms that the L'Anse au Loup system contributes to the rural deficit.
21 Hydro's Evidence shows that the L'Anse au Loup system comprises \$3,563,032 of
22 the total rural deficit of \$64,070,303 and that the cost recovery on this system is
23 45%.

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25 The current pricing approach for the L'Anse Au Loup System (also referred to as the
26 Labrador Straits area) is reflective of the Board's recommendation in its July 12,

1 1996 Report¹ that Island Interconnected rates be applied to the Labrador Straits
2 area and, as well, the Northern Strategic Plan announced by Government on April
3 20, 2007.
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5 Please also Hydro's response to NP-NLH-171.

¹ Refer to IN-NLH-103, Attachment 1.