

1    **Q.    Preamble: [Pre-filed Evidence of John Wilson, June 1, 2015]**

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3       **At pages 40-41 of his pre-filed evidence, Mr Wilson states:**

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5           **In the original GRA in this case, Hydro proposed to fully apply the CFB**  
6           **Goose Bay revenue credit directly to the rural deficit. According to Hydro,**  
7           **that would mean that the Rural Rate Alteration calculation (Rural Labrador**  
8           **Interconnected Automatic Rate Adjustment) related to the Labrador**  
9           **Interconnected system would be removed from the RSP. In the Amended**  
10          **GRA filing Hydro again fully applies the CFB Revenue Credit to the Rural**  
11          **Deficit in the updated cost of service, just as it was applied in the original**  
12          **GRA cost of service. See Updated Exhibit 13, Schedule 1.2, page 1 of 6 at line**  
13          **13.**

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15          **This treatment of the CFB Goose Bay secondary sales revenue credit benefits**  
16          **NP. Before 2004, the credit was used to offset the Labrador Revenue**  
17          **requirement. From 2004 through 2006 the credit was partially used to offset**  
18          **the Labrador Interconnected system's share of the rural deficit subsidy and**  
19          **partially to phase in uniform rates for customers on the Labrador**  
20          **Interconnected System. As noted above, in 2007 the credit was partially used**  
21          **to maintain existing (2006) rates paid by Customers on the Labrador**  
22          **Interconnected system and the remainder was applied directly to the rural**  
23          **deficit balance. In subsequent years the credit continued to be partially used**  
24          **to phase in uniform rates, based on the 2007 test year revenue requirement,**  
25          **for all Rural customers on the Labrador Interconnected system by 2011, with**  
26          **the balance being directly applied to the rural deficit. The cost of service**  
27          **study provided with the Amended GRA filing applies the full CFB Goose Bay**  
28          **revenue credit directly to the rural deficit burden, so that a large portion of**  
29          **the benefit of that credit (88.7%) goes to NP. This is so because the rural**  
30          **deficit burden is allocated between NP and the Labrador Interconnected**  
31          **system in proportion to energy consumption on each system.**

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33       **In Mr Wilson's view, is this treatment of the CFB revenue credit equitable to**  
34       **Labrador customers? Why or why not?**

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37    **A.    Other than the historical fact that the CFB Goose Bay revenue credit has been wholly or**  
38           **partially used to offset certain Labrador revenue requirements in the past, Dr. Wilson is**  
39           **aware of no economic or other logical reason why it would be more fair or equitable to**  
40           **assign this credit more significantly to Labrador customers than to Island customers. This**  
41           **seems especially true now that Hydro proposes to substantially reduce rate increases for**  
42           **the Labrador Interconnected System by allocating the rural deficit on the basis of**  
43           **revenues rather than billing determinants.**