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Q. Page 12, Lines 7 to 13 of Mr. Raphals' Evidence states as follows:

> *The NP rural deficit per customer increased from $149 to $180 (20%), while the LIS rural deficit per customer increased from $183 to $582 (218%). Thus, in 2000, LIS customers paid on average 1.2 times as much as NP customers (in current dollars) for the rural deficit. By 2002, this ratio had increased to 3.2.*
>
> *I have not been able to fully explain these effects, based on the documents in the file. It would be useful to resolve this question, as the effect of this drastic increase in the LIS share of the rural deficit continues to be felt in the present GRA.*

On pages 140 - 141 of Order No. P.U. 7(2002-2003), the Board approved the phase out of the secondary credit from being a direct benefit to the Labrador Interconnected System. The phase out was implemented in customer rates between the period 2007 to 2011. Given that the secondary credit is no longer offsetting the rural deficit allocated to Labrador Interconnected customers, would Mr. Raphals agree that this contributes to the increase in the Labrador Interconnected rates? If not, why not?

A. The view of Mr Philip Raphals is as follows:

"There is no doubt that the change in regulatory treatment of the CFB revenue credit has contributed to an increase in the LIS rates. However, I am not convinced that it fully explains the more-than-threefold jump in the rural deficit allocated to the LIS between 2001 and 2002 (according to LWHN-NLH-056, Att. 1)."