

1 Q. Further to response to Requests for Information NP-NLH-101 and NP-NLH-034:
2 Does Hydro believe maintaining the current pricing approach for the L'Anse Au
3 Loup System is appropriate? Please provide reasons in the response.
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6 A. The current pricing approach for the L'Anse Au Loup System (also referred to as the
7 Labrador Straits area) is reflective of the Board's recommendation in its July 12,
8 1996 Report¹ that Island Interconnected rates be applied to the Labrador Straits
9 area and, as well, the Northern Strategic Plan announced by Government on April
10 20, 2007.
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12 During the 1996 hearing into electrical rates in the Labrador Straits area, Hydro's
13 position was that isolated system rates should continue to be charged, even in light
14 of the interconnection to Hydro Québec's Lac Robertson hydro-electric project. On
15 page 32 of the Board's Report it is noted as follows:
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17 *Hydro argues that in addition to the examination of cost recovery ratios it is*
18 *important to consider the actual cost differences between the two systems.*
19 *In support of its argument to maintain isolated system rates, with the*
20 *exception of the proposed rate reduction for general service customers in*
21 *Rate Class 2.5, Hydro cites the higher relative unit cost of energy on the*
22 *L'Anse au Loup system, compared with the Island interconnected system*
23 *(19.8 cents/kWh versus 14.1 cents/kWh).*
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25 In its Report to the Lieutenant-Governor in Council on July 12, 1996 the Board
26 outlined the estimated impact of various scenarios on the rural deficit and

¹ Refer to IN-NLH-103, Attachment 1.

recommended that Island Interconnected rates be applied in the Labrador Straits area. Government in MC 96-0567 accepted the recommendations of the Board's Report.

Subsequently, in 2007 the Government introduced the Northern Strategic Plan whereby rates for a lifeline block of consumption for domestic customers in Labrador Rural Isolated and L'Anse au Loup Systems are the same as those paid by similar customers in Happy Valley Goose Bay.

Hydro's mandate in providing electricity to customers is narrower than that of Government, whose mandate also includes social and economic objectives. As noted above, during the 1996 hearing into electrical rates in the Labrador Straits area, Hydro's position was that isolated system rates should continue to be charged, even in light of the interconnection. Subsequent decisions on this matter have resulted in incenting customers' choice of heating sources which makes it more difficult to make dramatic changes at this point. In Hydro's view, if any changes are made to rates policies on the isolated systems, it should be done in a manner that does not cause undue hardship on customers.