

1 Q. Further to the response to Request for Information PUB-NLH-383:

2 Please explain the effect of (OC) 2014-372 on Newfoundland Power in 2014, 2015
3 and 2016. Include in the response any specific cost allocation to Newfoundland
4 Power as a result of (OC) 2014-372.

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7 A. An annual amount of \$400,000 in Government funding has been used during the
8 period 2007 to 2014 to offset the the deferred 2007 rate increase to Rural Isolated
9 Domestic and General Service customers. Any shortfall between the amount of
10 \$400,000 and the actual cost of the deferred 2007 rate increase to these customers
11 will be absorbed by Hydro and thus there has been no related cross-subsidization
12 by other customers, including Newfoundland Power in 2014.

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14 In the 2015 Test Year filed in the current GRA, it is assumed that Rural Isolated
15 Domestic and General Service customers will pay their proposed rates and thus
16 there is no additional cross-subsidization by other customers, including
17 Newfoundland Power.

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19 On a forecast basis, in 2015 Government will provide a total of \$400,000 to fund the
20 deferred 2007 rate increase to Rural Isolated Domestic and General Service
21 customers. Any shortfall between the amount of \$400,000 and the actual cost of
22 the deferred 2007 rate increase to these customers will be absorbed by Hydro and
23 thus, there will be no additional cross-subsidization by other customers, including
24 Newfoundland Power.

1 As indicated in Government's directive OC2013-372 filed in Hydro's response to
2 PUB-NLH-383¹, commencing January 1, 2016 the Government directive that
3 deferred the 2007 rate increase for Rural Isolated Domestic and General Service
4 customers will no longer apply. Therefore, it will be necessary that new rates come
5 into effect on January 1, 2016 for these customers. In 2016, as is the case in 2014
6 and 2015, there will be no additional cross-subsidization by other customers,
7 including Newfoundland Power.

¹ PUB-NLH-383, Attachment 4, Page 1 of 1.