

1 Q. Further to the response to PUB-NLH-077, have any directions been received from
2 Government on rural rates since the date of the original response? If yes, update
3 this response to include them.
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6 A. On December 23, 2014, Government issued Order in Council (OC) 2014-372
7 providing direction on rates to Hydro's Non-Government Rural Isolated Domestic
8 and General Service customers for 2015 and 2016.
9

10 Hydro's Amended Application proposes a rate increase of 7.1% for Domestic Diesel
11 customers and approximately 19% for General Service Diesel customers. These
12 proposals compare to the estimated 2.8% proposed increase for other Hydro Rural
13 customers whose rate change is based on the rate change approved for the
14 customers of Newfoundland Power.
15

16 The proposed higher rate increases to the non-government customers on isolated
17 systems reflect the cumulative rate impact of the deferred 2007 rate increase and
18 the 2015 proposed rate increase. The non-lifeline portion of the Domestic energy
19 rate¹ and both small and large general service diesel rates were forecast to increase
20 by 15% in 2007 to reflect the increased cost of fuel since the previous GRA. These
21 rate changes were not implemented as the revenue requirement effects of the cost
22 increases reflected in the 2007 Test Year for Domestic and General Service diesel
23 customers have been offset by Government funding. This funding was to be
24 discontinued upon new rates being approved upon conclusion of the current GRA.

¹ For Domestic Customers, the 15% is applicable to only non-lifeline energy rates. The 2007 deferred rate increase for Domestic Customers would have resulted in an overall increase of 4%.

Government has continued funding to Hydro to avoid implementing above-average increases to these isolated system customers for 2015. OC 2014-372 does not provide direction from Government for rates after 2015.

Please refer to PUB-NLH-383 Attachments 1 to 4 for copies of the relevant directives. A dollar value of the impact on the 2015 rural deficit is not readily determinable, as there is no reasonable basis for determining what most of these rural rates would be absent such directives. OC2007-304, OC2012-329 and OC2014-372 do not directly impact the rural deficit, as the subsidies are paid by the Government. While subsidization of rates by the Government may increase electricity consumption in the Labrador diesel areas, any impact on the rural deficit is not quantifiable. In particular, it should be noted that load growth in L'Anse au Loup is primarily related to electric heat, which is not included in the subsidized lifeline block. The relevant directives are listed below.

Directive	Year	Nature
OC2003-347	2003	Fish plants in diesel areas are charged Island Interconnected rates.
OC2003-347	2003	Churches and community halls in diesel areas are charged diesel domestic rates.
OC2003-347	2003	First block rates for domestic diesel customers are equal to NP domestic rates.
OC2003-347	2003	Implement demand/energy rate structure for general service customers in diesel areas.
OC2003-347	2003	Finance the rural deficit through electricity rates charged to NP and Labrador Interconnected customers, excluding Industrial Customers.
OC2003-347	2003	Charge preferential electricity rates to schools, health facilities and the Burgeo school and library.
OC2007-304	2007	Charge Labrador East rates for lifeline block consumption in Labrador Isolated and L'Anse au Loup Systems.
OC2012-329	2006-2012	Defer 2007 rate increase for isolated customers until Hydro's next GRA.
OC2014-372	2015 -2016	Defer above average increase reflected in Amended Application to 2016.

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2003/07/08

OC2003-347

MC2003-0226. ME2003-008; TBM2003-149.

Under the authority of section 5.1 of the Electric Power Control Act, 1994, the Lieutenant Governor in Council hereby directs the Board of Commissioners of Public Utilities to:

- i) continue to charge fish plants in diesel-serviced communities and with demand of 30 kilowatts or more the Island interconnected electricity rate;
- ii) continue to charge churches and community halls in diesel-serviced communities the diesel domestic electricity rate and to continue to charge to the various customer groups in diesel communities, rates calculated on the same basis as existing practice;
- iii) continue the allocation of a monthly block of energy for domestic residential customers in diesel-serviced communities, and that such service be priced at Newfoundland Power's interconnected domestic electricity rate. The monthly lifeline block should be satisfactory provide for the necessary monthly household requirements, excluding space heating. Subsequent monthly energy blocks for these customers to be charged incrementally higher rates as historically structured and determined. Such rates would increase as per any percentage increase to Island interconnected rates for Newfoundland Power customers;
- iv) proceed, as the Public Utilities Board determines appropriate, with implementation of demand/energy rate structure for general service (commercial) customers in diesel communities, where such customers currently pay the diesel general service electricity rate. While the rate changes can include elimination of the lifeline block for these general service customers, the new rates should target the current cost recovery level for these customers;
- v) continue to fund the financial deficit resulting from providing electrical service to Newfoundland and Labrador Hydro's rural customers through the electricity rates charged to Newfoundland and Labrador Hydro's other electricity customers, including its Labrador interconnected retail customers and Newfoundland Power, but excluding the industrial

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customers;

vi) ensure Newfoundland and Labrador Hydro's communication to its retail customers, regarding rate changes and customer impacts, is carried out in a timely and suitable manne and,

vii) continue to charge the preferential electricity rates historically charged to provincial government facilities, including schools, health facilities and government agencies, in rural isolated diesel serviced communities and the Burgeo school and library.

Clerk of the Executive Council

(Forwarded August 14, 2003 - To replace OC2003-347 previously forwarded)

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2007/07/05

OC2007-304

MC2007-0454. NR2007-021; TBM2007-218.

Under the authority of section 5.1 of the Electric Power Control Act, 1994, the Lieutenant Governor in Council is pleased to direct the Board of Commissioners of Public Utilities, upon application from Newfoundland and Labrador Hydro, to adopt a policy resulting in the implementation of an energy rebate to offset the costs of the monthly basic customer charge and lifeline block (or equivalent) of energy consumption for Newfoundland and Labrador Hydro's Labrador rural isolated diesel and Labrador Straits/L'Anse-au-Loup area residential electricity customers. This policy will bring these customers' costs for the basic customer charge and the lifeline energy block equivalent to that paid by Newfoundland and Labrador Hydro's residential Happy Valley – Goose Bay Labrador Interconnected electricity customers. None of the rebate or other associated costs shall be recovered through rates or charges to electricity customers. The Board of Commissioners of Public Utilities will take the necessary steps to ensure implementation of this rebate to impact customer electricity bills issued on and after July 1, 2007.

Gary Norris

Clerk of the Executive Council

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2012/12/28

OC2012-329

MC2012-0522.

Under the authority of section 5.1 of the Electrical Control Power Act, 1994, the Lieutenant Governor in Council is pleased to direct the Board of Commissioners of Public Utilities to adopt a policy for Non-Government Rural Isolated Domestic and General Service customers of Newfoundland and Labrador Hydro that:

- i) any changes in rates charged to these customers shall be equal to changes approved for equivalent rate classes of Newfoundland Power customers on or after January 1, 2007;
- ii) notwithstanding (i), commencing January 1, 2015 rates for these customers shall be those that would have come into effect but for this directive and directives OC2006-512 and OC2008-365 and OC2009-390 and OC2010-322; and
- iii) the provisions of this directive do not apply to rates to be established for these customers following the earlier of an Order of the Board of Commissioners of Public Utilities with respect to a subsequent general rate application of Newfoundland and Labrador Hydro or an application for interim rates for all customers, or December 31, 2014.

A handwritten signature in dark ink, appearing to be 'A. J. S.' or similar.

Deputy Clerk of the Executive Council

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2014/12/23

OC2014-372

NR/DM
E Martin/Nalcor
A Wells/PUB
TB/Secretary
FIN/DM
Deputy Clerk
File

MC2014-0585. XX2014-140.

Under the authority of section 5.1 of the Electrical Control Power Act, 1994, the Lieutenant Governor in Council is pleased to direct the Board of Commissioners of Public Utilities to adopt a policy for Non-Government Rural Isolated Domestic and General Service customers of Newfoundland and Labrador Hydro that:

- i) any changes in rates charged to these customers shall be equal to changes approved for equivalent rate classes of Newfoundland Power customers on or after January 1, 2007;
- ii) notwithstanding (i), commencing January 1, 2016 rates for these customers shall be those that would have come into effect but for this directive and directives OC2006-512, OC2008-365, OC2009-390, OC2010-322 and OC2012-329; and
- iii) the provisions of this directive do not apply to rates to be established for these customers following December 31, 2015.

Julia Mullaney
Clerk of the Executive Council