

1 Q. 2013 Amended General Rate Application, November 10, 2014, in reference to
2 Section 4.8.2, Isolated Systems, page 4.41, lines 4-7, it is stated "...in the Amended
3 Application, the proposed rate increases are higher than that resulting from the
4 proposed wholesale rate for NP." Please provide a detailed explanation for this
5 statement, including calculations that support the statement.
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8 A. Hydro's rates for Rural Domestic Customers, excluding Government departments,
9 are the same as Newfoundland Power's (NP's) rates for the basic customer charge
10 and first block consumption (lifeline consumption¹), but non-lifeline consumption is
11 adjusted by the average rate of change granted to NP.
12

13 Rates for Rural General Service Customers on the isolated systems are normally
14 adjusted by the average rate of change approved for the customers of NP.
15 However, in the Amended Application, the proposed rate increases are higher than
16 that resulting from the proposed wholesale rate for NP. This is because the
17 proposed rates for the 2015 Test Year for Domestic and General Service customers
18 on Isolated Diesel Systems reflect the cumulative effect of the 2007 Test Year cost
19 increases and the average retail rate change resulting from the proposed change in
20 the NP wholesale rate.
21

22 The non-lifeline portion of the Domestic energy rate² and both small and large
23 general service diesel rates³ were forecast to increase by 15% in 2007 to reflect the

¹ The lifeline block is designed to provide Domestic Customers with access to electricity at non-discriminatory prices for essential services. Essential services include most electrical appliances and hot water heating, but not electric heat.

² 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%.

³ Prior to 2007, there was no annual RSP adjustment reflecting the rate change to the customers of NP.

1 increased cost of fuel since the previous GRA. These rate changes were not
2 implemented as the revenue requirement effects of the cost increases reflected in
3 the 2007 Test Year for Domestic and General Service diesel customers have been
4 offset by Government funding resulting from a 2007 Government directive. Hydro's
5 Amended Application assumed this funding will cease upon new rates being
6 approved upon conclusion of the current GRA. The rate increase of 7.1% for
7 Domestic Diesel customers and approximately 19% for General Service Diesel
8 customers reflect the cumulative rate impact of the deferred 2007 rate increase
9 and the 2015 proposed rate increase.

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11 Detailed calculations supporting the proposed rate changes are provided in Hydro's
12 response to PUB-NLH-401.