

1 Q. Hydro has stated in its evidence and in various responses to requests for
2 information (Evidence, section 4.3., page 4.10 and CA-NLH-166 (Revision 3, Mar 24-
3 15) and NP-NLH-349 that the current approved methodology does not provide a
4 “reasonable sharing” of the Rural Deficit between Labrador Interconnected
5 Customers and Newfoundland Power Customers. However, Hydro did not apply to
6 change the current methodology in its original July 13, 2013 General Rate
7 Application. Explain in detail the factors and considerations that caused Hydro to
8 change its position on the allocation methodology for the Rural Deficit, from its July,
9 2013 application to its November, 2014 application. Include in the response an
10 explanation of any changed circumstances that influenced the changed position.
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13 A. The Cost of Service study allocation for the rural deficit reflected in Hydro’s original
14 July 13, 2013 General Rate Application reflected the approved methodology that
15 resulted from the 1992 Cost of Service Methodology Hearing (COS Hearing). At the
16 COS Hearing, Hydro did not support the use of the rural deficit methodology
17 ultimately approved by the Board. Hydro proposed that the rural deficit be
18 allocated on the basis of revenue requirement at the COS Hearing. The revenue
19 requirement allocation approach recommended in 1992 is consistent with the
20 methodology proposed in Hydro's Amended Application. Hydro has not changed its
21 position on what it views as the most reasonable approach to allocation of the rural
22 deficit.
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24 In preparation for filing the original 2013 General Rate Application, Hydro did not
25 undertake a review of the fairness of the rural deficit allocation methodology.
26 Hydro was asked in Request for Information CA-NLH-166 to comment on the
27 “fairness” of using the rural deficit allocation method today versus 20 years ago. In

1 Hydro's response to CA-NLH-166, Hydro completed an analysis to assess whether
2 the allocation methodology approved in 1993 currently provides a reasonable
3 allocation of the rural deficit between the customers of Newfoundland Power and
4 the Hydro Rural customers on the Labrador Interconnected System. Hydro
5 concluded based upon that analysis that the current approved methodology does
6 not provide a reasonable sharing of the rural deficit between customers on the
7 Labrador Interconnected System and the customers of Newfoundland Power for
8 the 2015 Test Year.

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10 The results of Hydro's analysis are provided in Section 4.3.1 of the Evidence to
11 Hydro's Amended Application and its response to CA-NLH-166.