

1 **Q. You conclude Section 3 (Rural Deficit) of your pre-filed evidence by stating at page**
 2 **18, lines 8-9, that "... it may be appropriate at this time for Hydro to consider rate**
 3 **design solutions to moderate the rate impact on the Labrador Interconnected**
 4 **customers." Please provide detailed examples of what rate design solutions may**
 5 **moderate the rate impact on Labrador Interconnected customers.**

6
 7 A. Mr. Brockman suggests a rate design solution that could be used to moderate the rate
 8 impact on Labrador interconnected customers of the Board's determinations in Hydro's
 9 Amended GRA is to limit the increase to Labrador interconnected customers so as to
 10 avoid rate shock.¹

11
 12 Determining an appropriate cap for the overall rate increase to Labrador interconnected
 13 customers would allay immediate rate impact concerns while enabling the Board to defer
 14 consideration of certain cost of service issues for later assessment. The method for
 15 allocating the Rural Deficit could be considered as part of the rate design and cost of
 16 service reviews that will be required in the very near future to reflect the significant cost
 17 changes that will occur with the Labrador interconnection.²

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 19 In Mr. Brockman's view, such an approach is preferable to changing the Rural Deficit
 20 allocation methodology to address what is essentially a rate design issue.³

¹ What constitutes rate shock in specific circumstances is a matter for the Board to judge. In a submission to the Board in relation to Hydro's application for revised interim rates for Island Industrial Customers to be effective January 1, 2015, the Island Industrial Customer group noted regulatory practices in Canadian jurisdictions that included rate impact thresholds of up to 15%. (See Stewart McKelvey letter to the Board dated December 11, 2014, at pages 3 to 5.)

² For a summary of these requirements, see **2.0 Context for Regulatory Decision Making**, Brockman evidence, Pages 2 - 3.

³ See the response to Request for Information NLH-NP-024.