

Undertaking 36

Undertake to advise if Hydro ever received any written comment from Government on the Rural Deficit issues following the March 2003 report

P.U. 7 (2002-2003), page 127, states as follows:

The Board will direct NLH to assume responsibility for the development of an evidentiary record involving the rural deficit. This record should involve appropriate consultation with Government and should address the magnitude of the rural subsidy, comparative practices elsewhere, as well as future funding options for the rural deficit. The record should also contain a concise statement of other public policy initiatives being implemented by NLH on behalf of Government and their associated costs. The Board will require NLH to file this evidentiary record at its next rate hearing.

In its Corporate Overview evidence filed in May, 2003, revised August 12, 2003, Hydro stated as follows:

Hydro has, at various times prior to its 2001 GRA, and in conjunction with that Application, discussed the issue of the rural subsidy with government at the departmental level, the Department of Mines and Energy, and at the Cabinet Committee level.

Following P.U. 7, in July of 2002 Hydro briefed the Minister of Mines and Energy and his officials with respect to the Board's decision and in particular the references to the rural deficit. Subsequently, a briefing was provided to the Policy and Priority Committee of the Provincial Cabinet.

In addition the correspondence, Schedule II attached, has been directed to the Minister and officials of the Department of Mines and Energy. This includes the direction of the Board arising from P.U. 7, as well as a summary of the facts and issues related to isolated systems and the quantum of the deficit, and the other related items as defined by the Board. The issues were reviewed with the Minister of Mines and Energy who, with his officials and representatives of Hydro's Board of Directors, was provided with a briefing on February 28, 2003.

In July 2003, the Government gave direction that the preferential rates paid by Rural Customers are to continue and the rural deficit is to continue to be funded by Newfoundland Power and Labrador Interconnected Rural customers.

Government's direction on these matters is outlined in OC2003-347 which has been filed in response to CA-NLH-024. Hydro is unaware of any further correspondence or documentation from Government relating to the Rural Deficit.