

1 Q. **Re: IN-NLH-132, p. 2 of 2**

2 “For the purposes of this scenario, Hydro has assumed that all of the rural deficit
3 would be assigned to NP.”

4 For Labrador Interconnected rates, the difference between the column “Proposed
5 Average Increase (Decrease)” and the column “Average Increase (Decrease)
6 assuming Rural Deficit removed from Labrador Interconnected Rates” ranges from
7 27.5% (General Service 10-100 kW) to 58.4% (Street and Area Lighting). For the
8 other systems, the difference is under 2%.

9 Please explain why the consequences of the rural deficit for Labrador
10 Interconnected Customers is so large.

11 Please prepare a similar table in which it is assumed that all of the rural deficit
12 would be assigned to Labrador Interconnected Customers.

13

14

15 A. IN-NLH-132 asks:

16 “Please describe the implications that would occur for each rate class of each
17 system, before and after the Northern Strategic Plan subsidy, if the allocated rural
18 deficit for Labrador Interconnected Customers were reduced to 1.0”.

19

20 The allocated rural deficit for Labrador Interconnected Customers cannot simply be
21 stated as 1.0. Hydro assumed the question related to reallocating the rural deficit
22 which was originally allocated to the Labrador Interconnected System.

23

24 The impact of the rural deficit on the Labrador Interconnected System is larger than
25 that of NP mainly because the Labrador Interconnected revenue requirement is
26 much smaller than that of NP, and the rural deficit makes up a larger share of the
27 Labrador Interconnected revenue requirement, than it does for NP. The reallocation

1 of the \$6.8 million rural deficit originally allocated to Labrador Interconnected as
2 provided in response to IN-NLH-132, represents an overall reduction in revenue
3 requirement to that system of 30.7%, while the same \$6.8 million reallocation to NP
4 represents an increase of 1.5%.

5
6 In assuming the entire rural deficit of \$60.7 million is assigned to the Labrador
7 Interconnected System, a much more dramatic increase can be observed for that
8 system. This assumption yields an overall increase to the Labrador Interconnected
9 System revenue requirement of 320.9% from revenues at existing rates, as can be
10 seen in IN-NLH-222 Attachment 1.

Newfoundland and Labrador Hydro

Rural Deficit Adjustments:

Line No	A	B Cost of Service Before Deficit and Revenue Credit Allocation (\$) Exhibit 13, Schedule 1.2 Page 6 of 6	C Current Percentage Share of Deficit Allocation	D Deficit Allocation	E Revenue Requirement Col B + Col C	F Cost Recovery Target (%) Evidence, Page 4.13	G Target Revenue (\$) Col B x Col F	H Revenue at Existing Rates (\$) Evidence, Table 4.4	I Change (\$) Col G - Col H	J Change (%) Col I / Col H
Rural										
1	1.1 Domestic	9,689,608	63%	38,024,667	47,714,275	95%	45,328,561	10,539,517	34,789,044	330.1%
2	2.1 General Service 0-10 kW	293,249	2%	1,150,790	1,444,039	105%	1,516,241	345,523	1,170,718	338.8%
3	2.2 General Service 10-100 kW	1,495,529	10%	5,868,864	7,364,393	113%	8,321,764	2,092,676	6,229,088	297.7%
4	2.3 General Service 110-1,000 kVa	2,192,754	14%	8,604,964	10,797,718	109%	11,769,513	2,948,842	8,820,671	299.1%
5	2.4 General Service Over 1,000 kVa	1,514,647	10%	5,943,890	7,458,537	105%	7,831,463	1,884,055	5,947,408	315.7%
6	4.1 Street and Area Lighting	288,336	2%	1,131,507	1,419,843	100%	1,419,843	291,185	1,128,658	387.6%
Subtotal Rural		15,474,123	100%	60,724,682	76,198,805	100%	76,187,386	18,101,798	58,085,588	320.9%

	A	B Revenue at Existing Rates (\$) Evidence, Table 4.4	C Revised Revenue at Proposed Rates (\$)	D Change (\$) Col C - Col B	E Change (%) Col D / Col C
Newfoundland Power					
7	Firm	381,524,259	399,121,887	17,597,628	4.6%
8	RSP	29,817,619	-61,593,243	-91,410,862	-306.6%
9	Total Firm NP	411,341,878	337,528,644	-73,813,234	-17.9%
10	Retail Share				66.8%
11	End Consumer Impact				-12.0%

Rate Class Impacts before Northern Strategic Plan

	2007 Deferred Rate Increase (%)	End Consumer Impact (%)	Total Increase (decrease) (%)	Source
12	Island Interconnected System - all rate classes	-12.0%	-12.0%	Line 11
13	L'Anse au Loup - all rate classes	-12.0%	-12.0%	Line 11
14	Isolated Systems			
15	Domestic	4.0%	-12.0%	-8.0% Deferred Rate Increase + Line 11
16	General Service	15.0%	-12.0%	3.0% Deferred Rate Increase + Line 11
17	Streetlights		-12.0%	-12.0% Line 11