Q. Further to response to Request for Information NP-NLH-097:
OC2003-347 permitted the elimination of the lifeline block and the implementation of a demand/energy rate structure for general service customers on isolated systems. OC2003-347 also directed that the new rates should target the current cost recovery level for these customers.
Please provide the cost recovery level for general service customers on isolated systems for each year from 2003 to 2014 forecast compared to the OC2003-347 targeted cost recovery levels and explain Hydro's process for ensuring the targeted cost recovery level is maintained.

A. OC2003-347 paragraph (iv) states:

> *…proceed, as the Public Utilities Board determines appropriate, with implementation of a demand/energy rate structure for general service (commercial) customers in diesel communities, where such customers currently pay the diesel general service electricity rate. While the rate changes can include elimination of the lifeline block for these general service customers, the new rates should target the current cost recovery level for these customers.*

In Order No. P.U. 14(2004) the Board approved Hydro's proposal to eliminate the lifeline block and to implement a demand/energy rate structure for general service customers on isolated systems. Since that time, Hydro's rate changes have been in accordance with the approved Section 16 of its rules and regulations, unless Government directed otherwise.

NP-NLH-272 Attachment 1 provides the cost recovery level for general service customers on isolated systems for each year from 2003 to 2014 forecast compared to the 2004 Test Year targeted cost recovery levels.

Combined Island Isolated and Labrador Isolated Systems
Revenue to Cost Ratio

Rate Class	2004 Test Year	2003[1]	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 Test Year	2014 Forecast
2.1 General Service 0-10 kW	0.42	N/A	0.36	0.35	0.30	0.33	0.29	0.36	0.32	0.32	0.32	0.32	0.32
2.2 GS 10-100 kW	0.42	0.22	0.35	0.37	0.32	0.41	0.35	0.47	0.37	0.35	0.37	0.37	0.38
2.3 GS 110-1,000 kVa	0.26	0.25	0.16	0.16	0.24	0.16	0.17	0.21	0.20	0.19	0.18	0.15	0.14
2.4 General Service Over 1,000 kVa	0.22	0.22	0.16	0.16	0.16	0.14	0.14	0.18	0.28	0.14	0.15	0.14	0.12
2.5 GS Diesel	N/A	0.41	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

[1] Rate Classes were changed as the lifeline block was eliminated and a demand/energy rate structure implemented.