

1 Q. **2013 General Rate Application, Rural Rates**

2 Did Hydro consider phasing in the rate increases proposed for the customers on the
3 Labrador Interconnected Systems as was done in Hydro's 2003 GRA and its 2006
4 GRA? If not, why not? If yes, explain why Hydro did not propose a phase in of the
5 proposed rate increases.

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8 A. In Hydro's 2003 GRA, funding from secondary energy sales to CFB Goose Bay was
9 used to phase in rate increases for customers on the Labrador Interconnected
10 System.

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12 In Order No P.U. 7 (2002-2003) it is stated as follows:

13 *The Board finds that the credit from secondary energy sales to CFB Goose*
14 *Bay (5 Wing) would be more appropriately applied against the rural deficit*
15 *before allocation to NP and Labrador Interconnected customers. However,*
16 *because of the magnitude of this adjustment relative to the total revenue*
17 *requirement on the Labrador Interconnected, together with the impact of*
18 *other decisions of the Board, the Board believes that implementation of this*
19 *decision would introduce rate shock for the Labrador Interconnected*
20 *customers. For the 2002 test year, the credit should be applied to the*
21 *Labrador Interconnected system as proposed by NLH. The Board will require*
22 *NLH to include, as part of its five year rate plan to be submitted at the next*
23 *rate hearing, a plan which phases in to the Labrador Interconnected*
24 *customers, the impact of applying the credit for secondary energy sales to*
25 *the rural deficit.*

1 In 2003, in response to the Board's order above, Hydro proposed the phase-in of
2 uniform rates which limited average rate increases for each class to a maximum of
3 20% in years 2005 to 2008. However, the revenue requirement necessitated a 28%
4 increase in 2004 for Labrador West. The Board, in Order No. P.U. 14(2004),
5 accepted Hydro's proposed five-year plan to implement uniform rates for Labrador
6 Interconnected customers as set out in its Application.

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8 In 2006, a settlement agreement was reached among the Parties and approved by
9 the Board, such that a portion of the CFB Goose Bay Revenue Credit was used to
10 maintain existing rates paid by Rural Customers on the Labrador Interconnected
11 system for 2007.

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13 In leading up to the present filing, Hydro did consider whether a source of funding
14 was available, such as the secondary energy sales to CFB Goose Bay which was used
15 previously, that would facilitate phasing in rate increases for the customers on the
16 Labrador Interconnected Systems. Hydro was unable to identify such a funding
17 source.