

Q. 2013-2014 General Rate Application, Company Evidence

Volume 2, Report 5, Cost of Service Study, Schedule 1.3 - Column H shows the Rural Subsidy allocated to each customer class based on actual costs and revenues incurred in 2011. Provide a table showing the percentage of the revenue derived from each customer class in 2011 attributable to the Rural Subsidy and the forecast percentage for 2013 and 2014.

A. The Rural Subsidy used in the Cost of Service Study equals the forecast rural deficit of approximately \$36 million provided in Newfoundland and Labrador Hydro's ("Hydro's") 2007 test year. The Rural Subsidy is allocated to each customer class based upon costs.¹ The Rural Subsidy will not be updated until Hydro's rates are updated to reflect a new test year.

Table 1 provides the allocated Rural Subsidy as a percentage of 2011 revenue from final rates for each customer class.

Table 1
Allocated Rural Subsidy as % of 2011 Revenue
from Final Rates

Customer Class	Rate Code	% of Revenue from Final Rates²
Domestic	1.1	6.1%
General Service		
(0 – 10 kW)	2.1	6.1%
(10 – 100 kW)	2.2	6.0%
(110 – 1000 kVA)	2.3	6.0%
(1000 kVA and over)	2.4	5.9%
Street and Area Lighting	4.1	6.3%
Total		6.1%

Table 1 indicates the forecast 2007 rural deficit reflected in current rates comprised approximately 6.1% of 2011 final rate revenue. Under proposed rates, the forecast

¹ See Volume 2, Exhibits and Supporting Materials, Tab 5, Cost of Service Study, Appendix A, Schedule 1.3, page 2 of 2, Note H.

² Revenue from Final Rates includes revenue from the rate stabilization adjustment (RSA) and the municipal tax adjustment (MTA).

- 1 percentage declines to 5.0% in 2013 and 4.9% in 2014.³ This decline reflects an increase
2 in revenue under proposed rates and no change in the Rural Subsidy.

³ 5.0% = Rural Deficit in customer rates (\$36,325,000) divided by Proposed 2013 Revenue from Rates (\$719,402,000). 4.9% = Rural Deficit in customer rates (\$36,325,000) divided by Proposed 2014 Revenue from Rates (\$738,433,000).