

1 Q. **Re: 2017 GRA Compliance Application, Exhibit 7, pages 13 (p. 201 pdf)**

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3 Citation :

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5 To address the revenue excess of approximately \$1.5 million for Hydro Rural Customers
6 on the Labrador Interconnected System (as detailed in Exhibit 5: Revenue
7 Deficiency/Excess Revenue and Deferred Supply Costs) and the remaining balance
8 owed to customers in accordance with Board Order P.U. 22(2017), Hydro is proposing
9 to provide a customer refund in February 2020. Hydro plans to base the refund on the
10 percentage of actual billings for the period of January 1, 2018 to September 30, 2019.
11 Hydro estimates the refund percentage will be approximately 4.3% of the billings for
12 the 21-month period.

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14 a) Please explain the reasons supporting Hydro's decision to return the revenue surplus to
15 Labrador consumers (both Industrial and rural) through a one-time lump-sum billing
16 credit, rather than through a rate rider or some other mechanism which would spread
17 the return out over time and integrate this true-up into the rate structure.

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19 b) Please provide an estimate or range of the amount of this refund for an individual
20 customer, expressed as a percentage of that customer's average winter bill.

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23 A. a) Providing customers with a one-time lump-sum billing credit provides several benefits
24 for both customers and Newfoundland and Labrador Hydro ("Hydro"). For customers,
25 these funds are returned more quickly than through an adjustment to billing rates over
26 a longer period of time. February bill credits also provide customers with funds while
27 their monthly bills are peaking during the winter season.

1 From Hydro's perspective, a one-time bill credit provides administrative benefits as the
2 revenue excess adjustment to cost based rates does not need to be computed, tracked,
3 and amortized over the life of the refund. Further, integrating this refund into base
4 rates would require a rate increase at the conclusion of the refund period. This creates
5 additional administration costs for Hydro and eliminates the rate stability for customers
6 offered by Hydro's proposed approach.

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8 b) For an average all electric domestic customer on the Labrador Interconnected System,
9 Hydro estimates that the one-time credit would be approximately \$80, or
10 approximately 60% of a single winter month's bill including HST¹.

¹ Average winter consumption was calculated using average kWh for the months of December through April. Average kWh per month was calculated using the Test Year load forecast and Test Year number of customers in the all electric domestic rate class.