

1 Q. (Reference 2017 GRA Volume I, page 1.6) It is stated (lines 8 to 14) that proposed
2 interim customer rate impacts are 9.7% for Newfoundland Power and 6.2% for
3 Island Industrial Customers. Why is the rate impact on Newfoundland Power so
4 much greater than that for the Island Industrial Customers? Please provide a
5 breakdown of the costs that are driving the different rate impacts.

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8 A. The higher required rate change for Newfoundland Power than the Island Industrial
9 Customers is primarily as a result of two of factors:

10 (i) Hydro is proposing a reduction in the specifically assigned charges for Island
11 Industrial Customers which reduces the average rate increase to the
12 Industrial Customer Class by 1.6% relative to the proposed increase for
13 Newfoundland Power (\$600,000 reduction in specifically assigned charges
14 for 2018); and

15 (ii) The amount of the rural deficit allocated for recovery from Newfoundland
16 Power for the 2018 Test Year is approximately \$7.8 million higher than the
17 rural deficit reflected in the current rate to Newfoundland Power (based on
18 the 2015 Test Year). The increase in the rural deficit to be recovered from
19 Newfoundland Power results in an additional increase of 1.8% in the
20 wholesale rate to Newfoundland Power.