

1 Q. Under Hydro’s proposed Deferral Account Scenario, Newfoundland Power would be
2 allocated more of the rural deficit than it would under the Expected Supply
3 Scenario. Further, Rural and Isolated Customer rates would be higher. Please
4 explain why in Hydro’s view this is fair and justified, and if this is consistent with
5 Government directives on rates and the rural deficit.

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8 A. Hydro has proposed through the Deferral Account Scenario that savings from off-
9 island purchases be set aside to provide benefits to future customers that will be
10 required to pay the costs related to the Muskrat Falls Project. Consistent with
11 Hydro’s proposed Deferral Account Approach, the Rural Deficit allocation under the
12 Deferral Account Scenario is also not impacted by savings from off-island purchases.
13 Hydro believes the proposed approach is reasonable as it results in the same
14 revenue to cost ratio for Newfoundland Power and the Hydro Rural Labrador
15 Interconnected customers, consistent with the findings of the Board in P.U.
16 49(2016).

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18 Hydro notes that Government has not provided direction on the Rural Deficit
19 allocation methodology between Newfoundland Power and the Hydro Rural
20 Labrador Interconnected customers.