

- 1 **Q.** Further to IC-CA-1 above, please confirm that the proposed GRA rate  
2 increase for Newfoundland Power, excluding the impact of the RSP Change,  
3 Rate Mitigation Conclusion and Recovery of Supply Cost, of about 19.5% is  
4 impacted by allocation of Rural Deficit which impact Hydro has estimated at  
5 10% [Volume II Rev 4, Exhibit 4, page 2, footnote 3].  
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- 7 **A.** As stated in the response to IC-CA-1, Mr. Doug Bowman defers to Hydro to  
8 defend and explain its estimated rate increases, but does not take issue with its  
9 calculation. However, he notes that the proposed rates are based on a fictitious  
10 future, and as a result, cost allocations to customer classes cannot be considered  
11 fair since they are not based on the costs customers are expected to impose on a  
12 system with off-island purchases displacing much of Holyrood energy production.  
13 Mr. Doug Bowman notes that Hydro's cover letter accompanying the 2017  
14 General Rate Application indicates that a primary purpose of the application is to  
15 manage cost increases for customers (page 2 of cover letter). With this purpose in  
16 mind, Hydro has proposed a rate mitigation plan that is expected to result in a  
17 50.9% rate increase for Newfoundland Power over an 18-month period. This is  
18 very high, and makes one wonder if an additional rate mitigation plan is needed to  
19 manage rate impacts deriving from Hydro's proposed rate mitigation plan.