

1 Q. **LAB-NLH-76 Re: Additional Cost of Service Information, pages 12-14**

2

3 Citation 1 (pp. 12-13):

4 While the use of the Expected Supply Scenario reduces the billings from customer
5 rates for the Island Interconnected System for 2018, there is an increase of
6 approximately \$43,000³⁰ in the revenue requirement for the Labrador
7 Interconnected System as a result of an increased allocated percentage of the Rural
8 Deficit.³¹

9 ³⁰ 2018 Revised Deferral Account Scenario Revenue Requirement of
10 \$21,535,274 to \$21,578,504 under the 2018 Expected Supply Scenario =
11 \$43,230.

12 ³¹ The reduction in revenue requirement for the Island Interconnected System
13 under the Expected Supply Scenario reduces the percentage of the Rural Deficit
14 allocated to the Island Interconnected System and increases the percentage of
15 the Rural Deficit allocated to the Labrador Interconnected System.

16

17 Preamble:

18 The figures mentioned in note 30 are found in Schedule 1.2 of Appendices B and H,
19 respectively, in line 12 (Subtotal Rural), Column 6 (Revenue Requirement after
20 Deficit and Revenue Credit Allocation).

21

22 Citation 2 (p. 14):

23 Table 11 provides a comparison of the Rural Deficit allocation under both the
24 Revised Deferral Account Scenario and the Expected Supply Scenario.

Table 11 Comparison of Rural Deficit by Customer Class

	2018 Test Year		2019 Test Year	
	\$000s	% of Deficit	\$000s	% of Deficit
Revised Deferral Account Scenario				
Newfoundland Power	62,461	95.8%	65,904	95.6%
Hydro Rural Lab. Interconnected	2,762	4.2%	3,063	4.4%
Total	65,223		68,967	
Expected Supply Scenario				
Newfoundland Power	62,490	95.7%	66,210	95.2%
Hydro Rural Lab. Interconnected	2,829	4.3%	3,350	4.8%
Total	65,320		69,560	

1 Preamble:
2 Table 11 shows that the rural deficit allocated to Hydro Rural Lab. Interconnected
3 for the 2018 TY is about \$67,000 greater under the Expected Supply Scenario
4 (\$2,829k – \$2,762k), and that the rural deficit allocated to Hydro Rural Lab.
5 Interconnected for the 2019 TY is about \$287,000 greater under the Expected
6 Supply Scenario (\$3,350k – \$3,063k).

7
8 a) Please explain why the difference in Rural Deficit Allocation to Rural Labrador
9 Interconnected between the two scenarios for 2018 in Table 11 (\$67,000) is
10 greater than the amount mentioned in Citation 1 (\$43,000).

11
12 b) Please explain why the difference in Rural Deficit Allocation to Rural Labrador
13 Interconnected between the two scenarios is so much greater in 2019TY
14 (\$287,000) than in 2018TY (\$67,000).

- 1 A.
 2 a) Table 1 compares the revenue requirements for the Hydro Rural Labrador
 3 Interconnected class between the 2018 Revised Deferral Account Scenario and the
 4 2018 Expected Supply Scenario.

Table 1: 2018 Revenue Requirement Comparison Hydro Rural Labrador Interconnected

	Cost of Service Revenue Requirement Before Rural Deficit	Rural Deficit	Total Revenue Requirement
Revised Deferral Account Scenario	18,773,126	2,762,148	21,535,274
Expected Supply Scenario	18,749,163	2,829,341	21,578,504
Difference	(23,963)	67,193	43,230

5 As stated on page 12 of the Summary Report – Additional Cost of Service
 6 information, there is an increase of approximately \$43,000 in customer billings
 7 under the Expected Supply Scenario. The \$43,000 reflects the net impact of a
 8 reduction of \$24,000 in the cost of service (before Rural Deficit) due to fuel savings
 9 and an approximate \$67,000 increase in the rural deficit allocation to the Hydro
 10 Rural Labrador Interconnected class.

- 11
 12 b) Table 2 compares the revenue requirements for the Hydro Rural Labrador
 13 Interconnected class between the 2019 Revised Deferral Account Scenario and the
 14 2019 Expected Supply Scenario.

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Table 2: 2019 Revenue Requirement Comparison Hydro Rural Labrador Interconnected

	Cost of Service Revenue Requirement Before Rural Deficit	Rural Deficit	Total Revenue Requirement
Revised Deferral Account Scenario	19,629,560	3,062,876	22,692,436
Expected Supply Scenario	19,622,299	3,350,441	22,972,740
Difference	(7,261)	287,565	280,304

1 As stated on page 13 of the Summary Report – Additional Cost of Service
2 information, there is an increase of approximately \$0.3 million (\$280,000) in
3 customer billings under the Expected Supply Scenario. The \$280,000 reflects the net
4 impact of a reduction of \$7,000 in the cost of service (before Rural Deficit) due to
5 fuel savings and an approximate \$287,000 increase in the rural deficit allocation to
6 the Hydro Rural Labrador Interconnected class.

7
8 Under the Expected Supply Scenario, there is a material reduction in revenue
9 requirement for Newfoundland Power in the 2019 Test Year relative to the 2018
10 Test Year.¹ This reduced cost of service revenue requirement resulted in a reduced
11 Rural Deficit allocation percentage for Newfoundland Power (from 95.7% in the
12 2018 Test Year to 95.2% in the 2019 Test Year) and an increased Rural Deficit
13 allocation percentage for the Hydro Rural Labrador Interconnected System (i.e.,
14 from 4.3% in the 2018 Test Year to 4.8% in the 2019 Test Year). The basis for the
15 allocation is provided in Table 11 on page 14 of Hydro’s Summary Report.

¹ Please see Table 7 in the Summary Report – Additional Cost of Service Information.