

1 Q. **Reference: Hydro’s Revised Application for Approval of Construction of Hydro’s long-term**  
2 **supply plan for southern Labrador, *Schedule 2 – Long-Term Supply for Southern Labrador –***  
3 ***Evidence Supporting the Revised Application, May 31, 2023, Page 15, Footnote 20.***

4 *“The forecast rate impact of the total project is approximately 1.5% for the end*  
5 *consumer on the Island Interconnected System and 2.0% for consumers on the*  
6 *Labrador Interconnected System. Assumes the average revenue to cost ratio for*  
7 *customers on the Labrador Isolated System in the 2019 Test Year is 24%, which*  
8 *represents their portion of costs recovered through rates.”*

9 Has Hydro had discussions with the provincial government regarding whether Newfoundland  
10 Power customers’ subsidization of the rural deficit remains appropriate given the need for the  
11 government to subsidize Newfoundland Power customer rates due to the Muskrat Falls Project?  
12 If not, why not?

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15 A. While Newfoundland and Labrador Hydro (“Hydro”) has had discussions with the provincial  
16 government with respect to the overall affordability of customer rates, Hydro has not had  
17 discussions specific to the policy surrounding the rural deficit. The provincial government is  
18 aware that the customers of Newfoundland Power Inc. are the primary source of funding for the  
19 rural deficit. The provincial government has publicly committed to provide funding to mitigate  
20 the impact of the cost of the Muskrat Falls Project on the overall rates of customers on the  
21 Island Interconnected System.