Q. **Reference: Application**

Provide a table that compares the Rural Deficit allocated (in both $ and %) to each customer class flowing from the 2017 approved GRA and the proposed 2027 Test Year. As part of the response, also include a column that provides a brief description of the drivers of material variances.

A. Table 1 compares the Rural Deficit by customer class between the 2027 and 2019 Cost of Service Studies.

Table 1 Comparison of 2027 Test Year Deficit vs 2019 Test Year Deficit[1]

Customer	Deficit 2027 Cost of Service	Deficit 2019 Cost of Service	Variance	Variance %
Newfoundland Power[2]	62,778,788	61,762,933	1,015,855	1.64%
Island Industrial	-	-	-	-
Labrador Industrial	-	-	-	-
Rural Labrador Interconnected	2,191,541	2,514,051	(322,510)	(12.83)%
Total	**64,970,329**	**64,276,984**	**693,345**	**1.08%**
Island Interconnected	(18,406,371)	(22,002,500)	3,596,129	(16.34%)
Island Isolated	(8,686,453)	(9,066,353)	379,900	(4.19%)
Labrador Isolated	(32,196,145)	(28,922,376)	(3,273,769)	11.32%
L'Anse-au-Loup	(5,681,359)	(4,285,755)	(1,395,604)	32.56%
Total	**(64,970,328)**	**(64,276,984)**	**(693,345)**	**1.08%**

The total Rural Deficit increases by approximately $0.7 million, or 1.08%, between the 2019 and 2027 Test Years. This relatively small net change reflects offsetting movements among the rural systems. The deficits associated with the Island Interconnected and Island Isolated systems decrease by approximately $3.6 million and $0.4 million, respectively. In contrast, the deficits

[1] Numbers may not add due to rounding.
[2] Newfoundland Power Inc. ("Newfoundland Power").

associated with the Labrador Isolated and L'Anse-au-Loup systems increase by approximately $3.3 million and $1.4 million, respectively.

Since the 2019 Test Year, rates applicable to Rural Deficit customers have changed by (i) an increase of 2.5% effective July 1, 2021, (ii) a decrease of 0.3% effective July 1, 2022, (iii) an increase of 6.9% effective July 1, 2023 and 7.0% effective August 1, 2024, and (iv) an increase of 7.0% effective July 1, 2025. These rates, which change each year with the annual Newfoundland Power rate changes, increased the revenue forecast from rural customers relative to the 2019 Test Year and, therefore, reduced the Rural Deficit relative to what it otherwise would have been. For the Island Interconnected and Island Isolated systems, the increase in customer revenue, together with changes in allocated costs, resulted in lower forecast deficits.

For the Labrador Isolated and L'Anse-au-Loup systems, increases in the forecast cost of providing service exceeded the increase in customer revenue, resulting in higher deficits.

Please refer to Newfoundland and Labrador Hydro's response to NP-NLH-114 of this proceeding for further detail of the components of the Rural Deficit.