

1 Q. **Reference: Reference: IOC-NLH-013; IOC-NLH-014; PUB-NLH-040; PUB-NLH-044; LAB-NLH-012;**
2 **LAB-NLH-015; Vol. I, sec. 6.8.3 and Table 6-10 (PDF p. 201); Vol. I, secs. 6.10.4–6.10.5 (PDF p.**
3 **205); Vol. I, Application, paras. (xvi) and (xviii) (PDF p. 28); Vol. III (Rev. 1), Exhibit 18 (PDF p.**
4 **982) and Exhibit 19 (PDF p. 984).**

5 Preamble:

6 Section 6.8.3 phases the 8.54% increase for Rural Labrador Interconnected customers at 2.25%
7 per year over four years, citing Government's support for rate smoothing to ease cost-of-living
8 pressures (Exhibit 18), with the resulting deficiency recorded in a Revenue Deficiency Deferral
9 Account (section 6.10.4) and a residual of approximately \$3.3 million deferred to the next
10 general rate application (Table 6-10). IOC-NLH-013 states that the 8.54% increase is "not
11 considered a rate shock". The Labrador Industrial transmission demand rate is proposed to
12 increase from \$1.08 to \$2.00 per kW per month (85.9% per IOC-NLH-011, Table 1) in a single
13 step effective July 1, 2027. IOC-NLH-013, IOC-NLH-014 and PUB-NLH-040 do not address
14 whether a phase-in was considered for the Labrador Industrial class.

15 State the criteria, other than Government's expressed support, that Hydro applied in deciding to
16 phase in the Rural Labrador Interconnected increase, and state whether and how each criterion
17 was considered in respect of the Labrador Industrial class.

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20 A. For Rural Labrador Interconnected customers, Newfoundland and Labrador Hydro ("Hydro")
21 proposed to phase in the 8.54%¹ increase over four years. Although Hydro indicated in
22 IOC-NLH-013 of this proceeding that the increase would not constitute "rate shock," Hydro
23 considered that the increase represented a substantial adjustment for this customer group,
24 particularly given that Rural Labrador Interconnected customers have not experienced a base
25 rate change since 2019, which was a 3.1% decrease. Consistent with Government of

¹ Please refer to Hydro's response to LAB-NLH-014 of this proceeding; an increase of 10% would be required to recover the base rate increase of 8.54% and the revenue deficiency of \$1.0 million.

1 Newfoundland and Labrador's expressed support for rate smoothing measures to help mitigate
2 cost-of-living pressures, Hydro concluded that a phase-in approach was appropriate.

3 Hydro also considered whether a phase-in was warranted for the Labrador Industrial customer
4 class. The proposed increase for this class reflects an increase in the transmission demand rate
5 from \$1.08/kW per month to \$2.00/kW per month. Hydro noted that, when considered in the
6 context of the overall rates paid by Labrador Industrial customers, the resulting bill impact is
7 relatively modest, approximately 6.1%. In addition, Labrador Industrial customers are
8 accustomed to annual changes in energy rates through the operation of annual rate
9 adjustments. On this basis, Hydro did not consider the proposed increase to warrant a phase-in
10 mechanism and therefore proposed implementation in a single step effective July 1, 2027.