

1 Q. **Reference: IOC-NLH-013; IOC-NLH-014; PUB-NLH-040; PUB-NLH-044; LAB-NLH-012; LAB-NLH-**
2 **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. 205); Vol. I,**
3 **Application, paras. (xvi) and (xviii) (PDF p. 28); Vol. III (Rev. 1), Exhibit 18 (PDF p. 982) and**
4 **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 In the format of PUB-NLH-044, provide the transmission demand rate applicable in each year
16 and the resulting annual revenue deficiency if the Labrador Industrial increase were
17 implemented in equal annual steps over (i) two years, (ii) three years and (iii) four years,
18 commencing July 1, 2027.

19
20
21 A. Please refer to Table 1 for the annual percent increase and revenue deficiency totals. Table 2,
22 Table 3, and Table 4 examine each of the respective scenarios.

23 Under Newfoundland and Labrador Hydro's ("Hydro") proposed approach, the revenue
24 deficiency would be recovered over 42 months ending December 31, 2030. The recovery period
25 would be reduced to 30 months under the two-year phase-in, 18 months under the three-year
26 phase-in, and 6 months under the four-year phase-in. The revenue deficiencies represent
27 deferred, rather than avoided, recovery and would ultimately need to be recovered from

- 1 Labrador Industrial customers, subject to approval by the Board of Commissioners of Public
- 2 Utilities. Any deferred balances would also attract applicable financing costs until recovered.

Table 1: Impact on Transmission Demand Rate and Revenue Deficiency

Description	Annual Transmission Demand	Revenue Deficiency (\$ Millions)
	Rate Increase (%)	
Two-year annual increase	36.1	3.77
Three-year annual increase	22.8	5.73
Four-year annual increase	16.7	7.67

Table 2: Impact on Transmission Demand Rate and Revenue Deficiency (Two-Year Increase)

	Transmission Demand Rate	Revenue Deficiency
	(\$)	(\$ Millions)
2027 Rate	1.47	2.76
2028 Rate	2.00	1.01
Total		3.77

Table 3: Impact on Transmission Demand Rate and Revenue Deficiency (Three-Year Increase)

	Transmission Demand Rate	Revenue Deficiency
	(\$)	(\$ Millions)
2027 Rate	1.33	3.03
2028 Rate	1.63	1.99
2029 Rate	2.00	0.71
Total		5.73

Table 4: Impact on Transmission Demand Rate and Revenue Deficiency (Four-Year Increase)

	Transmission Demand Rate	Revenue Deficiency
	(\$)	(\$ Millions)
2027 Rate	1.26	3.16
2028 Rate	1.47	2.42
2029 Rate	1.71	1.55
2030 Rate	2.00	0.54
Total		7.67