

1 Q. **Reference: Vol. I, secs. 6.10 and 6.10.5 (PDF pp. 204–205); Vol. I, Application, para. (xix) (PDF**
2 **p. 29); Vol. III (Rev. 1), Exhibit 19 (PDF p. 984); Vol. I, Table 5-12 (PDF p.161); Vol III (Rev. 1),**
3 **Exhibit 10 (PDF pp. 693-694); IOC-NLH-019; Board Order No. P.U. 30(2019).**

4 Preamble:

5 Section 6.10.5 proposes to recover from Labrador Industrial customers a revenue deficiency of
6 approximately \$1.8 million, being the difference between existing rates and the proposed rates
7 for the period January 1 to June 30, 2027, through a GRA Recovery Rider amortized over 42
8 months (approximately \$42,000 per month per IOC-NLH-019). Paragraph (xix) of the Application
9 proposes that the corresponding timing-related deficiencies for Newfoundland Power and Island
10 Industrial customers be transferred to the Supply Cost Variance Deferral Account, and that the
11 Rural Labrador Interconnected deficiency be transferred to a proposed Revenue Deficiency
12 Deferral Account.

13 With respect to the GRA Recovery Rider proposed in section 6.10.5:

- 14 **a)** State the regulatory basis on which Hydro proposes to recover from Labrador Industrial
15 customers the difference between existing and proposed rates for a period preceding
16 the effective date of the proposed rates; and
- 17 **b)** identify any Board Order approving equivalent recovery from this class in a prior
18 proceeding, including the treatment of the corresponding timing-related deficiency for
19 Labrador Industrial customers in Hydro's 2017 General Rate Application, for which rates
20 became effective October 1, 2019.

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23 A. **a)** Newfoundland and Labrador Hydro ("Hydro") proposes to recover the estimated Labrador
24 Industrial revenue deficiency arising from the difference between existing rates and
25 approved rates for the period January 1, 2027, through June 30, 2027, through a General
26 Rate Application ("GRA") Recovery Rider amortized over 42 months which corresponds to

1 the period July 1, 2027, through December 31, 2030, consistent with Hydro's proposal that
2 2031 be the next rate setting year.

3 Rates set in the test year are annual rates based on the 2027 revenue requirement. Any
4 timing difference between January 1 and the rate implementation date represents an
5 amount which must be settled with customers.

6 **b)** In Hydro's 2017 GRA Compliance Application proceeding that resulted in rates becoming
7 effective October 1, 2019, Labrador Industrial Transmission customers did not have a
8 revenue deficiency requiring recovery. Rather, Hydro's compliance application showed a
9 2019 Test Year Labrador Industrial revenue excess of approximately \$0.3 million and
10 proposed that the excess be returned to customers through a one-time billing credit.

11 Board of Commissioners of Public Utilities Order No. P.U. 30(2019) approved Hydro's
12 proposal to credit Labrador Industrial Transmission customers excess revenues of
13 \$0.3 million through a one-time adjustment on the October 2019 billing based on firm
14 demand billings for the period January 1, 2018, to September 30, 2019.

15 The same process is used to calculate the current deficiency, but the recovery from
16 customers is proposed over 42 months instead of the one-time credit that was refunded to
17 customers on their October 2019 bill.