

1 Q. **Reference: GRA, Vol. I, page 205 pdf**

2 Follow up to LAB-NLH-014

3 In response to part c), NLH states that a 10% one-time increase (including deficiency recovery)
4 would leave no deficiency between 2027 and the next GRA.

5 Please provide year-by-year figures for the scenarios listed in a) and b) of NLH-014.

6 In response to part e), NLH refers to NLH's response to IOC-NLH-013.

7 Please explain why Hydro thinks it is in the interest of Labrador consumers to defer the costs
8 listed in Table 6-10 and to pay interest on the deferral amounts.

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11 A. Under Newfoundland and Labrador Hydro's ("Hydro") proposal, the revenue deficiency for the
12 Labrador Interconnected System is projected to be approximately \$1.5 million in 2027, with the
13 deficiency declining each year through 2030, as shown in Chapter 6, Table 6-10. The deficiency
14 represents the difference between the revenue that would be collected under the proposed
15 rates, beginning July 1, 2027, and the full revenue requirement needed to recover the cost of
16 serving the Labrador Interconnected System. As annual rate increases of 2.25% are
17 implemented, revenues will gradually increase and move closer to the 2027 Test Year revenue
18 requirement, resulting in a decreasing deficiency over time. The calculations for the deficiency
19 for each year were provided in Hydro's response to LAB-NLH-012 of this proceeding.

20 If a single 8.54% rate increase were implemented on July 1, 2027, the only deficiency would be
21 approximately \$1.0 million in 2027. This deficiency would arise solely because the new rates
22 would not take effect until halfway through the year. As a result, revenues collected during the
23 first six months of 2027 would be based on existing rates rather than the full test year rates,
24 creating a one-time shortfall between revenues collected and the cost of service.

1 As stated in Hydro's response to IOC-NLH-013 of this proceeding, *"The proposed rate increase*
2 *for Rural Labrador Interconnected customers is 8.54% and, while not considered a rate shock, is*
3 *significant for a customer group whose last rate change was a 3.1% decrease effective October*
4 *1, 2019."* By implementing annual rate increases of 2.25%, the impact of the required rate
5 adjustment will be phased in over time, reducing the effect on Labrador Interconnected
6 customers.