

1 Q. **Reference: NP-NLH-114, Issue Topic: Rural Deficit.**

2 Please explain how the 2027 test year rural deficit for the Island Interconnected System reflects
3 fulsome rate mitigation (that is, on the same basis as all Island Interconnected customers
4 consistent with the 2.25% domestic rate increase limitation). For example, the net difference of
5 Power Purchases – Muskrat Falls, Power Purchases – LTA Costs, Power Purchases – LIL costs,
6 Exports - Revenue Credit, Tariff Revenue Credit and Rate Mitigation provide for a net cost
7 amount of approximately \$14.3 million for the 2027 Cost of Service column.

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10 A. The 2027 Test Year Rural Deficit for the Island Interconnected System reflects fulsome rate
11 mitigation because all customers on the Island Interconnected System, including Rural and
12 Industrial, receive a proportionate share of rate mitigation required to meet the revenue
13 requirement target for Newfoundland Power Inc. This rate mitigation is allocated and taken into
14 account as part of the calculation of the revenue requirement for Island Rural customers, prior
15 to the calculation of the Rural Deficit. Please refer to Newfoundland and Labrador Hydro's
16 response to CA-NLH-251, Table 1 of this proceeding, which shows the proportionate share of
17 costs and rate mitigation for each customer group.