

1 Q. **2013 General Rate Application, Cost of Service**

2 Provide more details on the 15% rate increase (deferred rate increase) that impacts  
3 rates for both rural Domestic and General Service Customers as referenced in the  
4 Application Section 4.4.2 Isolated Systems.

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7 A. Prior to Hydro's 2006 GRA, the policies for automatic rate changes for isolated  
8 systems did not permit passing on NP's Rate Stabilization Adjustment (RSA) or  
9 Municipal Tax Adjustments (MTA) for electricity consumption above the Lifeline  
10 Block for these customers. Given that there were no rate changes between test  
11 years, Hydro's final 2007 Test Year included a 15% rate increase relating to NP's RSA  
12 and MTA adjustments for the non-lifeline consumption for isolated systems. Since  
13 the previous GRA, the Government directed the deferral of the 2007 increase for  
14 this customer group by providing Hydro with a subsidy in the amount of the  
15 deferred rate increase for customers until an order is received from the PUB with  
16 respect to Hydro's next GRA, which is the current proceeding. Once a final order is  
17 received on Hydro's current GRA, the affected rates will equal what they would  
18 have been had the government directives not been issued.

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20 As part of Hydro's last GRA in 2006, the issue of requiring periodic adjustments was  
21 addressed in the Parties' Agreement on COS, Rate Design, and Other Issues dated  
22 November 23, 2006, Section 10 which stated as follows:

23 *It is recognized that some of Hydro's Isolated Rural customers are not subject*  
24 *to Newfoundland Power's Rate Stabilization Account (RSA) and Municipal*  
25 *Tax Adjustment (MTA) adjustments between Hydro GRAs. The Parties agree*  
26 *that in the future the rates for these Isolated Rural customers should be*  
27 *subject to periodic adjustments by Hydro to reflect Newfoundland Power's*

1                    *periodic RSA and MTA adjustments, including any fuel rider adjustments. A*  
2                    *new provision reflecting this change will be included in revised Rules and*  
3                    *Regulations to be filed with the Board. The following rate classes will be*  
4                    *impacted:*

- 5                    *a. Rural Isolated Domestic Customers (excluding Government Departments)*  
6                    *for consumption greater than the lifeline block;*
- 7                    *b. Isolated Rural General Service Customers (excluding Government*  
8                    *Departments).*

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10                    In its Order No. P.U. 8(2007), page 66, Section 16, the Board accepted the above  
11                    changes proposed by the Parties.