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

Citation 1:

6.10.4 Rural Labrador Interconnected

The calculated increase in rates for Rural Labrador Interconnected customers is approximately 8.54%. Government has expressed its support for the phase-in of the rate increase at 2.25% per year, over four years, with the first increase implemented on July 1, 2027 for all rate classes except for Street and Area Lighting. The revenue deficiency with the projected rate increase of 8.54% on July 1, 2027 is approximately $1.7 million; the revenue deficiency complying with the Government request to phase in the rate increase is approximately $1.5 million.

Hydro is proposing a Rural Labrador Interconnected – Revenue Deficiency Deferral Account to record the revenue deficiency/sufficiency each month until the balance in the account is settled. The proposed deferral account definition is included within Exhibit 10.

Citation #2 (Vol. I, p. 201 pdf) :

Table 6-10: Projected Revenue Deficiency – Labrador Rural Interconnected Phase In ($ Millions)

Year	Revenue Deficiency
2027	1.5
2028	1.1
2029	0.6
2030	0.1
Cumulative Revenue Deficiency	**3.3**

a) Please confirm that the revenue deficiency of $1.5M with a smoothed rate increase mentioned in Citation 1 represents the revenue deficiency for the first year only, as seen in Citation 2.

b) Please confirm that the comparison to the $1.7M revenue deficiency with a single 8.54% rate increase in 2027 refers to the year 2027 only.

c) Whether or not this understanding is correct, please present year-by-year figures for both scenarios.

d) Please present a table showing the projected balance of the Rural Labrador Interconnected – Revenue Deficiency Deferral Account at the end of each year, including the financing costs as a separate line.

e) Please explain why Hydro thinks it is in the interest of Labrador consumers to defer these costs and pay interest on the deferral amounts.

A. **a)** It is confirmed that the $1.5 million deficiency is calculated for the first year only.

b) The revenue deficiency associated with a single 8.54% rate increase that applies to 2027 only should be $1.0 million, and not $1.7 million as previously reported.[1]

c) If the rate change were a 10% increase, including recovery of the deficiency, there would be no revenue deficiency between 2027 and Newfoundland and Labrador Hydro's ("Hydro") next General Rate Application ("GRA").

d) The projected balance of the Rural Labrador Interconnected – Revenue Deficiency Deferral Account at the end of each year is presented in Chapter 6, Table 6-10 of Hydro's 2026 GRA. Interest charges of approximately $39,000 annually are included in proposed rates and are not accrued annually.

e) Please refer to Hydro's response to IOC-NLH-013 of this proceeding.

[1] An increase of 10% would be required to recover the base rate increase of 8.54% and the revenue deficiency of $1.0 million.