Q. **Reference: GRA, Vol. III, Exhibit 18, page 812 pdf**

Citation:

As the calculated average rate increase for Labrador Interconnected customer rates is approximately 8.5 per cent, Government is writing to express support for a rate-smoothing approach of 2.25 per cent per year, for a period of four years to phase in the rate increase within your upcoming General Rate Application. This approach would reduce the impact of potential rate increases and help provide greater predictability for customers.

Preamble:

In the Citation, the Minister expresses support for a rate-smoothing approach but does not direct either Hydro or the PUB to accept it.

a) Please confirm the statement in the Preamble.

b) Please confirm that the letter from the Minister makes no mention of recovering any revenue deficiency resulting from the rate-smoothing approach.

c) Please comment on the proposal that any revenue deficiency that remains after the smoothed increase proposed by the Government be written off to net income.

A. **a)** It is confirmed.

b) It is confirmed.

c) It is premature to determine the disposition of any balance that may remain in the deferral account. Any proposal regarding the treatment of such a balance would be considered in future proceedings, based on the circumstances at that time.