

1 Q. **Reference: GRA, Vol. III, page 693 pdf**

2 Citation:

3 **Rural Labrador Interconnected – Revenue Deficiency Deferral Account Definition**

4 This account shall be charged on a monthly basis for the difference between (i) 2027 Test Year
5 revenue calculated at Test Year Rates, and (ii) revenue at Current Rates, with both amounts
6 determined using the 2027 Test Year load.

7 Please provide a detailed account of the **Rural Labrador Interconnected – Revenue Deficiency**
8 **Deferral Account**, showing all deferred amounts and their allocation each year from creation
9 through the test year.

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12 A. The Rural Labrador Interconnected Revenue Deficiency Deferral Account is proposed to become
13 effective January 1, 2027, and is intended to record the revenue deficiency associated with the
14 phased implementation of Rural Labrador Interconnected customer rate increases. The account
15 records the difference between revenues calculated using the 2027 Test Year rates and
16 revenues calculated using the rates actually charged to customers under the approved phase-in
17 approach.

18 As described in Chapter 6, Section 6.10.4 of Newfoundland and Labrador Hydro's ("Hydro")
19 General Rate Application, Rural Labrador Interconnected customer rates are proposed to
20 increase by an average of 2.25% annually over four years rather than implementing the full
21 calculated increase immediately. As a result, annual additions to the deferral account are
22 expected to decrease each year because successive annual rate increases reduce the revenue
23 shortfall. Hydro projects that the cumulative balance in the account at the end of the four-year
24 phase-in period will be approximately \$3.3 million.

25 The projected operation of the account is summarized in Table 1.

**Table 1: Balance of Rural Labrador Interconnected
Revenue Deficiency Deferral Account
(\$ Millions)**

Year	Opening Balance	Annual Addition	Closing Balance
2027	-	1.5	1.5
2028	1.5	1.0	2.5
2029	2.5	0.5	3.0
2030	3.0	0.3	3.3

- 1 Please refer to Hydro's response to LAB-NLH-015 of this proceeding for the disposition of the
- 2 balance remaining in the deferral account at the end of the period.