

MIPUG/AMC - 1

Section:	Various	Page No.	
Topic:	Revenue		
Sub Topic:			
Issue:			

Preamble to IR (If Any):

Mr. Raphals discusses funding mechanisms for shortfalls arising from low income programming.

Question:

- a) Re: Page 30-31, Mr. Raphals cites that cross-subsidization to support off-grid customers in Newfoundland is implicit in Newfoundland and Labrador's cost structure. Please confirm this applies to geographic community rate zone (off-grid versus on grid) and not customers defined by income. Please also confirm that in Newfoundland and Labrador, no cross-subsidy is permitted to the Island Industrial class, which have rates set specifically at 100% RCC based on the costs of the grid only.
- b) Please confirm, per Appendix 8.1, page 2, that Manitoba Hydro's off-grid communities (diesel zone) are cross-subsidized by the grid communities by way of an RCC ratio of only 81.9%, and there is no proposal in this GRA to move this class to the 95%:105% zone of reasonableness.

RESPONSE:

- a) I confirm that the cross-subsidization I described in Newfoundland and Labrador is based on geographical characteristics – or, more precisely, on the electric

system by which they are served, subject to the exceptions described below --, and not based on income.

OC 2003-347 provides that “the financial deficit resulting from providing electrical service to Newfoundland and 'Labrador Hydro's rural customers” is to be funded through “the electricity rates charged to Newfoundland and Labrador Hydro's other electricity customers, including its Labrador interconnected, retail customers and Newfoundland Power, but excluding the industrial customers”.

- b) Manitoba Hydro’s Cost of Service Study (Appendix 8.1, page 2) does indeed demonstrate that the Revenue Cost Coverage for the “Diesel” category is 81.9%. This value is higher than that of Residential customers (74.9%), and indeed of all other categories other than “General Service – Small Non Demand” (91.9%), SEP, Area & Roadway Lighting, and Exports (1192.7%). I am not aware of any proposal in this GRA to move the Diesel class to a RCC between 95% and 105%.

It is interesting to note that Table 8.12 of Tab 8, which provides the RCC of each rate class, excluding export revenues, does not include the diesel zone.