

Newfoundland & Labrador Hydro 2001 Rate Hearing

Calculation of Retail Mill Rate Using a 5, 10 & 15 Year Recovery Period Including an Allowance for Interest Expense

Retail portion only based on \$50 million RSP balance

Assumptions:

1. RSP retail balance is frozen at \$50 million and recovered over 5, 10 & 15 year period
2. Straight line recovery
3. Interest is charged on the outstanding balance using an average annual rate of 8% and monthly payments
4. Sales remain constant over the fifteen year period at 4,485,000 kWh/yr

$$\$50,000,000 / 5 \text{ years} = \$12,165,837 / 4,485,000 = 2.71 \text{ mills / kWh}$$

$$\$50,000,000 / 10 \text{ years} = \$7,279,655 / 4,485,000 = 1.62 \text{ mills / kWh}$$

$$\$50,000,000 / 15 \text{ years} = \$5,733,913 / 4,485,000 = 1.28 \text{ mills / kWh}$$