

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 5% and monthly payments
4. Sales remain constant over the fifteen year period at 4,485,000 MWh/yr

$$\$50,000,000 / 5 \text{ years} = \$11,322,740 / 4,485,000 = 2.52 \text{ mills / kWh}$$

$$\$50,000,000 / 10 \text{ years} = \$ 6,363,931 / 4,485,000 = 1.42 \text{ mills / kWh}$$

$$\$50,000,000 / 15 \text{ years} = \$ 4,744,762 / 4,485,000 = 1.06 \text{ mills / kWh}$$

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Assumptions:

1. RSP retail balance is frozen at \$60 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 MWh/yr

$$\$60,000,000 / 5 \text{ years} = \$14,599,004 / 4,485,000 = 3.26 \text{ mills / kWh}$$

$$\$60,000,000 / 10 \text{ years} = \$ 8,735,587 / 4,485,000 = 1.95 \text{ mills / kWh}$$

$$\$60,000,000 / 15 \text{ years} = \$ 6,880,695 / 4,485,000 = 1.53 \text{ mills / kWh}$$

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4. Sales remain constant over the fifteen year period at 4,485,000 MWh/yr

$$\$60,000,000 / 5 \text{ years} = \$13,587,288 / 4,485,000 = 3.03 \text{ mills / kWh}$$

$$\$60,000,000 / 10 \text{ years} = \$ 7,636,717 / 4,485,000 = 1.70 \text{ mills / kWh}$$

$$\$60,000,000 / 15 \text{ years} = \$ 5,693,714 / 4,485,000 = 1.27 \text{ mills / kWh}$$