

1 Q. RE: Revenue requirement

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3 56.1 Provide details of all adjustments to revenue requirement related to  
4 non-regulatory costs, the effect of export sales by Hydro to Hydro-  
5 Quebec and Hydro's investment in subsidiary companies. (JCR, pg. 1,  
6 line 26 to pg. 2, line 2)

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8 56.2 Does Hydro allocate any administrative costs, including any portion of  
9 Executive salaries, to the non-regulated export sales to Hydro-  
10 Quebec?

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13 A. 56.1 The details of all adjustments are contained in the attached  
14 reconciliation of net operating income to revenue requirement.

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16 56.2 The administrative effort associated with the non-regulated export  
17 sales to Hydro-Quebec is not considered significant enough to warrant  
18 separate tracking.

Newfoundland and Labrador Hydro  
Reconciliation of Net Operating  
Income to Revenue Requirement  
(\$ 000)

Line No.	Description	2002		
		Financial Statement	Revenue Requirement	Increase (Decrease)
1	Depreciation & amortization	31,790	31,790	0
2	Fuel			
3	Bunker "C"	100,585	100,585	0
4	Additives & Indirects	185	185	0
5	Environmental fee	102	102	0
6	Ignition	112	112	0
7	Gas Turbines	471	471	0
8	Diesel	6,323	6,323	0
9	Other		0	0
10	RSP	(25,490)	(25,490)	0
11	Total Fuels	<u>82,288</u>	<u>82,288</u>	0
12	Power Purchased	18,900	15,266	(3,634)
13	Other Costs			
14	Salaries	56,051	56,051	0
15	SEM	16,778	16,763	(15)
16	Office Supplies	1,939	1,939	0
17	Professional Services	4,340	4,340	0
18	Insurance	848	848	0
19	Equipment Rentals	1,558	1,558	0
20	Travel	2,375	2,375	0
21	Miscellaneous	4,267	4,458	191
22	Building Rentals and Maintenance	626	626	0
23	Transportation	1,923	1,923	0
24	Customer Costs	325	0	(325)
25	Loss (gain) on Disposal of Assets	791	791	0
26	sub-total	<u>91,821</u>	<u>91,672</u>	(149)
27	Cost Recoveries			
28	CF(L)Co	(1,910)	(1,910)	0
29	External		0	0
30	sub-total	<u>(1,910)</u>	<u>(1,910)</u>	0
31	Total Other Costs	<u>89,911</u>	<u>89,762</u>	(149)
32	Interest	92,784	93,584	800
33	Margin	<u>36,481</u>	<u>9,610</u>	(26,871)
34	Revenue requirement	<u><u>352,154</u></u>	<u><u>322,300</u></u>	<u><u>(29,854)</u></u>

Newfoundland and Labrador Hydro  
 Adjusting Entries to Restate Actual 2002  
 Net Operating Income to Revenue Requirement re COS  
 (\$ 000)

Description	Debit	Credit
1. Margin	(26,871)	
SEM		(15)
Miscellaneous		(134)
Power Purchased		(3,634)
Interest	800	
Energy sales	29,854	
	3,783	(3,783)
Miscellaneous	325	
Customer Costs		(325)

Summary	Muskrat Falls	Donations/ Contributions	Reclass Entries	Hydro Quebec	Total
Power Purchased				(3,634)	(3,634)
Total Other Costs	(15)	(134)	0	0	(149)
Interest	0	0	0	800	800
Margin	15	134	0	(27,020)	(26,871)
Revenue Requirement	0	0	0	(29,854)	(29,854)

Nfld and Labrador Hydro  
Eliminations from Revenue Requirements  
For the Year Ended December 2002

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	<u>2002</u>
Contributions & Donations	193,500
Contributions Bay D'Espoir Street Lighting	(60,000)
Eliminations	<u>133,500</u>
Muskrat Falls SEM	<u>15,000</u> <u>15,000</u>
Hydro Quebec Recall Revenue	29,854,383
Interest avoided	800,000
Power Purchased - Interest Share	(240,542)
Power Purchased - Recall	<u>(3,393,937)</u>
	<u>27,019,904</u>

**Newfoundland and Labrador Hydro**  
**Balance Sheet**  
(excluding CF(L)Co, LCDC and Contributed Capital Muskrat Falls)  
(000's)

	2002	Debit	Credit	Net 2002
<b>ASSETS</b>				
Fixed Assets	1,402,219		2,010	1,400,209
Current Assets	87,093		155	86,938
Long Term Receivable	-			-
Sinking Funds				-
CF(L)Co	292,211		292,211	-
LCDC	15,400		15,400	-
Rate Stabilization Plan	97,771			97,771
Deferred Charges	97,990			97,990
<b>Total Assets</b>	<b>1,992,684</b>	<b>-</b>	<b>309,776</b>	<b>1,682,908</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>				
Long Term Debt	1,244,209	25,465		1,218,744
Current Liabilities				
Bank Indebtedness				-
Accounts Payable	21,551			21,551
Accrued Interest	27,488			27,488
Due to Affiliates	4,151			4,151
Promissory Notes	137,351			137,351
Current Portion	14,402			14,402
	204,943	-	-	204,943
Employee Future Benefits	25,123			25,123
Unrealized Foreign Exchange				-
Shareholder's Equity				
Share Capital	22,504	22,504		-
Contributed Capital LCDC	15,400	15,400		-
Contributed Capital Muskrat Falls	2,165	2,165		-
Retained Earnings	478,340	244,242		234,098
	518,409	284,311		234,098
<b>Total Liabilities and Equity</b>	<b>1,992,684</b>	<b>309,776</b>	<b>-</b>	<b>1,682,908</b>
	-	309,776	309,776	-

**Newfoundland and Labrador Hydro**  
**Income Statement**  
(excluding CF(L)Co, LCDC and Contributed Capital Muskrat Falls)  
(000's)

	2002	Debit	Credit	2002
<b>REVENUE</b>				
Energy Sales	351,082			351,082
Other	1,072			1,072
Recovery of RSP				-
	<u>352,154</u>	-	-	<u>352,154</u>
<b>EXPENSES</b>				
Other	89,910			89,910
Fuels	82,288			82,288
Recovery of RSP				-
Power Purchased	18,900			18,900
Depreciation & amortization	31,790			31,790
Interest	92,784			92,784
Total Expenses	<u>315,672</u>	-	-	<u>315,672</u>
Net Income from Operations	36,482	-	-	36,482
Write down of Capital Assets	-			-
Net Income before Other Income	36,482	-	-	36,482
Other Income	17,774	(17,774)	-	-
	<u>54,256</u>	<u>(17,774)</u>	-	<u>36,482</u>
Retained Earnings Beginning of Year	528,984	(234,584)		294,400
	583,240	(252,358)	-	330,882
Dividends	(104,900)	8,116		(96,784)
Retained Earnings End of Year	<u>478,340</u>	<u>(244,242)</u>	-	<u>234,098</u>

**Newfoundland and Labrador Hydro**  
**Elimination Entries 2002**  
**(excluding CF(L)Co, LCDC and Contributed Capital Muskrat Falls)**  
**(000's)**

		DEBIT	CREDIT
<b>1</b>	Retained Earnings	15,400	
	Investment in LCDC		15,400
	To eliminate the Investment in LCDC at Dec.31, 2002		
<b>2</b>	Long Term Debt	25,465	
	Share Capital	22,504	
	Retained Earnings (234584+17774-8116)	244,242	
	Investment in CF(L)Co		292,211
	To eliminate the Investment in CF(L)CO at Dec.31, 2002		
<b>3</b>	Current Assets		155
	Retained Earnings	2,165	
	Fixed Assets - Muskrat Falls		2,010
	To eliminate the Contributed Capital for Muskrat Falls at Dec.31, 2002		
		309,776	309,776    0