

1 Q. Provide in detail the reasons for the increase in the Island Interconnected
2 System rural deficit for each year from 2004 to forecast 2007. (NP-100 NLH)

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5 A. The Island Interconnected system Rural Deficit for 2004 to forecast 2007, as
6 shown in NP 100 NLH is as follows:

7
8 Newfoundland and Labrador Hydro
9 Rural Deficit (\$ x 1,000)

	<u>Actual</u>		<u>Forecast</u>	
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
13 Island Interconnected	15,404	14,338	16,095	16,811

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15 As noted in NP 100 NLH, Hydro has not prepared a forecast 2006 Cost of
16 Service Study. As well, there is a decrease in the deficit from 2004 to 2005.
17 The attached pages 2 and 3 therefore compare the deficit between the actual
18 results for 2005 and the forecast for 2007.

**Newfoundland and Labrador Hydro
Comparison of Island Interconnected Rural Deficit**

	1	2	3	4
Line No.	Description	2005 Actual (\$)	2007 Forecast (\$)	Increase (Decrease) 2005-2007
1	Revenue	34,671,515	39,721,329	5,049,814
2	less Allocated Revenue Requirement	49,108,973	56,576,743	7,467,770
3	plus Revenue Credit	(99,629)	(44,335)	55,294
4	Deficit	<u>(14,337,829)</u>	<u>(16,811,079)</u>	<u>(2,473,250)</u>

Newfoundland and Labrador Hydro
Comparison of Island Interconnected Rural Deficit
Island Interconnected Revenue Requirement

	1	2	3	4
Line No.	Description	2005 Actual (\$)	2007 Forecast (\$)	Increase (Decrease) 2005-2007
	Revenue Requirement			
	Expenses			
1	Operating, Maintenance and Admin.	71,456,681	75,352,030	3,895,349
2	Fuels - No. 6 Fuel	80,864,126	142,972,376	62,108,250
3	Fuels - Diesel	169,690	75,888	(93,802)
4	Fuels - Gas Turbine	179,780	458,678	278,898
5	Power Purchases -CF(L)Co	-	-	-
6	Power Purchases - Other	32,035,743	33,614,519	1,578,776
7	Depreciation	29,485,847	32,731,850	3,246,003
	Expense Credits:			0
8	Sundry	(613,369)	(429,208)	184,161
9	Building Rental Income	(2,255)	0	2,255
10	Tax Refunds	-	-	-
11	Suppliers' Discounts	(59,121)	(27,735)	31,385
12	Pole Attachments	(966,091)	(1,015,264)	(49,173)
13	Secondary Energy Revenues	-	-	-
14	Wheeling Revenues	(82,104)	(42,051)	40,053
15	Application Fees	(11,312)	(13,296)	(1,984)
16	Meter Test Revenues	(10,233)	0	10,233
17	Total Expense Credits	(1,744,485)	(1,527,554)	216,931
				0
18	Subtotal Expenses	212,447,382	283,677,787	71,230,405
				0
				0
19	Disposal Gain/Loss	2,334,554	1,657,000	(677,554)
				-
20	Subtotal Rev Req Excl Return	214,781,936	285,334,787	70,552,851
				-
21	Return on Debt	94,470,078	97,859,494	3,389,416
22	Return on Equity	1,714,462	9,025,410	7,310,949
				0
23	Total Revenue Requirement	310,966,475	392,219,691	81,253,216
24	Amount Allocated to Rural customers	49,108,973	56,576,743	7,467,770
25	Percent Allocated to Rural customers	16%	14%	