

1 **Q. Page 1-9, lines 1-2: Please provide a table showing the amount of each category of**  
2 **cost that contributes to the 1.4% increase.**

3  
4 **A. General**

5 Approximately 1.4% of the proposed rate increase relates to changes in Newfoundland  
6 Power’s costs since its last general rate application (“GRA”). This is primarily due to  
7 rate base growth as a result of the cost of continuing investment in the electrical system.  
8 It also includes (i) increases in operating costs, but at a rate that is less than inflation, (ii)  
9 a reduction in costs associated with employee future benefits and (iii) the impact of cost  
10 amortizations and new depreciation rates as proposed in the Application.

11  
12 See Table 1 below for a breakdown of the 1.4% increase that is due to these cost changes.

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**Table 1**  
**Breakdown of Rate Impacts**  
**Cost Changes Since the 2013/2014 GRA**  
**(%)**

Description	%
Rate Base Growth	1.4
Operating Costs	0.3
Employee Future Benefits Costs	(0.7)
GRA Proposals	0.4
<b>Total</b>	<b>1.4</b>

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16  
17 **Rate Base Growth – 1.4%**

18 In 2017, the Company is forecasting an average rate base of \$1,105.1 million.<sup>1</sup> This  
19 compares to a 2014 forecast average rate base of \$955.4 million that was used to  
20 determine Newfoundland Power’s 2014 revenue requirement.<sup>2</sup> The additional cost for  
21 Newfoundland Power to finance this rate base growth was not contemplated by current  
22 customer rates.

23  
24 The increase in Newfoundland Power’s 2017 forecast average rate base primarily reflects  
25 changes in plant investment and depreciation.<sup>3</sup>

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<sup>1</sup> See *Exhibit 6: 2016 and 2017 Forecast Average Rate Base* of the Company’s Evidence, line 28.

<sup>2</sup> See Schedule 1, Appendix A: 2013 and 2014 Forecast Average Rate Base of the Company’s Application filed in compliance with Order No. 13 (2013), line 30.

<sup>3</sup> Please refer to *Section 5.2 2016 and 2017 Rate Base*, pages 5-1 to 5-2 of the Company’s Evidence for further detail on changes in the Company’s forecast 2016 and 2017 average rate base.

**Operating Costs – 0.3%**

In 2017, gross operating costs are forecast to be \$60.1 million.<sup>4</sup> This compares to 2014 test year gross operating costs of \$58.1 million.<sup>5</sup> This represents an annual increase in operating costs of approximately 1.2%, or \$0.7 million per year.<sup>6</sup>

**Employee Future Benefit Costs – (0.7%)**

In 2017, Employee Future Benefit costs are forecast to be \$17.9 million.<sup>7</sup> This compares to 2014 test year Employee Future Benefit costs of \$22.1 million.<sup>8</sup> This is a decrease of \$4.2 million.

Please refer to *Section 4.2.4 Employee Future Benefits*, pages 4-8 to 4-12 of the Company’s Evidence for detail on changes in Employee Future Benefit costs over this period.

**2016/2017 GRA Proposals – 0.4%**

See Table 2 below for a breakdown of the GRA proposals impact on the change in customer rates.

**Table 2**  
**Breakdown of Rate Impacts**  
**2016/2017 GRA Proposals**  
**(%)**

Description	%
2014 Depreciation Study Rates <sup>9</sup>	0.1
Amortization of 2016/2017 Hearing Costs <sup>10</sup>	0.1
Amortization of 2016 Revenue Shortfall <sup>11</sup>	0.2
<b>Total</b>	<b>0.4</b>

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<sup>4</sup> See *Exhibit 2: Operating Costs by Breakdown: 2013 to 2017F* of the Company’s Evidence, line 29.  
<sup>5</sup> See *Exhibit 2: Operating Costs by Breakdown: 2013 to 2017F* of Newfoundland Power’s 2013/2014 GRA Evidence, line 30. The gross operating costs of \$62.0 million exclude conservation program costs of approximately \$3.9 million. \$62.0 million - \$3.9 million = 58.1 million.  
<sup>6</sup> Change (%) is computed as:  $\$60.1 / \$58.1 - 1 = 3.5\%$ .  $3.5\% / 3 \text{ years} = 1.2\%$ .  
Change (\$) is computed as:  $\$60.1 - \$58.1 = \$2.0$ .  $\$2.0 / 3 \text{ years} = \$0.7 \text{ million}$ .  
<sup>7</sup> See *Exhibit 7: 2016 and 2017 Revenue Requirements* of the Company’s Evidence, page 2 of 2, line 4.  
<sup>8</sup> See *Schedule 1, Appendix E: 2014 Revenue Requirements* of the Company’s Application filed in compliance with Order No. 13 (2013), line 4.  
<sup>9</sup> Please refer to *Section 4.2.4 Depreciation*, pages 4-6 to 4-8 of the Company’s Evidence for detail on the proposed depreciation rates.  
<sup>10</sup> Please refer to *Section 4.4.2 2016/2017 Hearing Costs*, page 4-44 of the Company’s Evidence for detail on the proposed amortization of the 2016/2017 Hearing costs.  
<sup>11</sup> Please refer to *Section 4.4.3 2016 Revenue Shortfall*, page 4-44 of the Company’s Evidence for detail on the proposed amortization of the 2016 Revenue Shortfall.