

1 Q. **Reference: 2018 Cost of Service Methodology Review Report, p. 20 (31 pdf)**

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3 Citation:

4 Table 4 shows that the projected 2021 revenue requirement for the Island
5 Interconnected System is approximately \$575 million higher (more than double)
6 than that of the projected 2019 Test Year revenue requirement. The primary
7 changes are increase in power purchases costs of approximately \$667 million (net
8 of Hydro export revenues), and a decrease in fuel costs of approximately \$100
9 million. The 2021 projected revenue requirement excludes other rate mitigation
10 that may be provided.

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12 a) Please provide similar tables for 2023, 2025 and 2030, assuming no substantive
13 changes other than the expected costs related to the Lower Churchill Project.

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15 d) Please make and explain any assumptions necessary to make these calculations
16 possible.

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19 A. a) Please see Table 1 for the comparison between the projected 2019 Island
20 Interconnected Test Year revenue requirement and the illustrative revenue
21 requirement for 2021 and Newfoundland and Labrador Hydro's ("Hydro") Long-term
22 forecast for the years 2023, 2025, and 2030.

**Table 1: Change in Revenue Requirement for the Island Interconnected System
 2019 Projected Test Year Forecast vs. Illustrative 2021, 2023, 2025 and 2030
 (\$000s)**

	2019 As filed Oct. 26, 2018	Illustrative 2021 ¹	Long-Term 2023	Long-Term 2025	Long-Term 2030
Operating, Maintenance and Admin.	105,785	112,892	100,815	105,204	110,861
Fuels – No. 6 Fuel	138,205	41,346			
Fuels – Diesel	138	151	132	135	148
Fuels – Gas Turbine	7,161	3,286	2,817	2,876	3,169
Total Fuel	145,504	44,783	2,949	3,011	3,318
Power Purchases – Other	62,308	61,615	53,749	51,775	37,602
Power Purchases – Muskrat Falls		293,022	328,146	372,389	484,172
Net Export Revenues ²		(53,389)	(33,682)	(43,555)	(63,821)
Power Purchases – Labrador Transmission Assets Costs		52,887	52,827	63,606	82,423
Power Purchases – Labrador-Island Link Costs		379,849	373,794	367,651	353,776
Power Purchases – Off-Island	6,373	1,692			
Total Purchased Power	68,681	735,676	774,834	811,866	894,152
Depreciation	70,939	65,651	65,543	66,659	84,502
Expense Credits	(1,552)	(1,552)	(3,260)	(3,383)	(3,784)
Return on Debt	82,696	83,111	82,551	82,772	94,413
Return on Equity	34,076	38,626	44,505	51,627	64,918
Total Revenue Requirement	506,128	1,079,187	1,067,937	1,117,756	1,248,380

1 b) The major assumptions underlying the forecast are as follows:

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3 (i) Forecast Muskrat Falls Project costs as shown in LAB-NLH-021;

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5 (ii) Conversion of the Holyrood Thermal Generating Station to synchronous condenser
 6 mode when Muskrat Falls Project is in-service;

¹ The fuel cost in 2021 reflects the generation at Holyrood to eliminate the fuel inventory through the provision of capacity and energy during the first quarter of 2021.

² Includes forecast net revenues from Hydro's exports.

- 1 (iii) Hydro's long-term forecast of revenue requirement items during the forecast
- 2 period; and
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- 4 (iv) Only Hydro's export revenues are included in the forecast.