

1 Q. **Re: Application**

2 Citation (page 1):

3 The cost of this project is \$137,000.

4 Please provide an estimate, including detailed calculations, of the rate impact of this project on
5 the rural deficit and Labrador Interconnected customers, for each of the first four years
6 following commissioning.

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9 A. Please refer to LAB-NLH-001, Attachment 1.

Mary's Harbour Diesel Engine Replacement
Forecast Revenue Requirements and Rural Deficit Impacts

Inputs

Cost	\$	137,700
Depreciation Rate (Includes removal)		4.8%
In Service		Feb-23
Incremental Weighted Average Cost of Capital		5.25%

Forecast Revenue Requirement					
(\$)					
	2023	2024	2025	2026	2027
Opening Rate Base	0	132,192	125,582	118,973	112,363
Depreciation ¹	5,508	6,610	6,610	6,610	6,610
Closing Rate Base ²	132,192	125,582	118,973	112,363	105,754
Average Rate Base ³	66,096	128,887	122,278	115,668	109,058
Return ⁴	3,470	6,767	6,420	6,073	5,726
Revenue Requirement ⁵	8,978	13,376	13,029	12,682	12,335

¹ Cost x Depreciation Rate. Depreciation for 2023 is for 10 months.
² For 2023 = Cost - Depreciation; all other years = Opening Rate Base - Depreciation
³ (Opening Rate Base + Closing Rate Base)/2
⁴ Average Rate Base x Incremental Weighted Average Cost of Capital
⁵ Depreciation + Return

Forecast Rural Deficit Impacts					
(\$)					
Year	Revenue Requirement	Labrador Isolated¹	Rural Deficit¹	Newfoundland Power²	Labrador Interconnected²
2024	13,376	3,210	10,166	9,769	396
2025	13,029	3,127	9,902	9,516	386
2026	12,682	3,044	9,638	9,263	376
2027	12,335	2,960	9,375	9,009	366
	51,423	12,341	39,081	37,557	1,524

¹ The average revenue to cost ratio for customers on the Labrador Isolated system in the 2019 Test Year is 24%, which represents their portion of costs allocated to be recovered through rates. This results in the remaining 76% of the costs being recovered through the rural deficit.
² The rural deficit is allocated to Newfoundland Power Inc. and Labrador Interconnected customers in the same proportion as the 2019 Cost of Service Study, which is 96.1% and 3.9%, respectively.