Q. Under the Joint Use regime effective 2011, and continuing until terminated under Article XVIX of the Joint Use Agreement, please provide, clearly stating all of your assumptions with regard to incremental revenues and incremental costs, a pro forma revenue requirement analysis for the years 2011 to 2020, showing a levelized revenue requirement for that 10-year period and the net present value of the surplus or deficit for that 10-year period.

A. Attachment A provides a levelized revenue requirement for a 10-year period under the Joint Use regime effective 2011 along with a list of the major assumptions used in the analysis. The levelized revenue requirement for the 10-year period is $76,115 with a positive net present value of $534,393.

The revenue requirement analysis for 2016 to 2020 shows that, beginning in 2019 and continuing into 2020, there is a revenue requirement surplus.

The initial term of the 2011 Joint Use Agreement (the "2011 JUA") is 5 years and thereafter it is subject to termination on 12 months' notice. As indicated in the Response to Request for Information CA-NP-11, joint use agreements are typically revised following expiration of their initial terms. The analysis in Attachment A assumes the 2011 JUA will continue in effect without revision beyond the expiration of the initial term through 2020.

Please refer to the Response to Request for Information PUB-NP-45 which explains why the benefits indicated in the analysis in Attachment A are effectively in *addition* to those ongoing benefits which would have continued had the 2001 Joint Use Facilities Partnership Agreement been renewed in 2011.

Joint Use Regime Effective 2011
Pro forma Revenue Requirement Analysis
2011-2020
($)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Incremental Revenues[1]	(3,295,995)	(6,173,074)	(7,463,385)	(7,637,738)	(7,809,373)	(7,992,907)	(8,172,780)	(8,356,319)	(8,541,781)	(8,730,767)
Incremental Costs										
Depreciation Expense[2]	(2,494,753)	(2,581,966)	(2,673,539)	(2,771,391)	(2,873,158)	(2,978,995)	(3,089,066)	(3,203,539)	(3,322,592)	(3,446,407)
Cost of Capital[3]	(1,314,950)	(2,650,264)	(3,396,901)	(3,466,028)	(3,538,109)	(3,613,245)	(3,691,549)	(3,773,140)	(3,858,144)	(3,946,697)
Income Taxes[4]	(405,268)	(699,771)	(712,243)	(726,737)	(741,851)	(757,605)	(774,023)	(791,131)	(808,954)	(827,521)
Operating Expenses[5]	-	(397,772)	(507,040)	(516,694)	(525,576)	(536,413)	(546,473)	(556,811)	(567,239)	(577,921)
Total Incremental Costs	(4,214,971)	(6,329,773)	(7,289,723)	(7,480,850)	(7,678,694)	(7,886,258)	(8,101,111)	(8,324,621)	(8,556,929)	(8,798,546)
Surplus (Deficiency)	**918,976**	**156,699**	**(173,662)**	**(156,888)**	**(130,679)**	**(106,649)**	**(71,669)**	**(31,698)**	**15,148**	**67,779**
Levelized Revenue Requirement[6]	**76,115**									
Net Present Value of Surplus (Deficiency)[7]	**534,393**									

Notes:

[1] The forecast reduction in incremental revenues includes reductions in attachment rental revenues for 2011-2020, offset in 2011 and 2012 by recoveries from Bell Aliant in those years. Forecast cable attachment rates for the forecast period are escalated based on 60% of the CPI Newfoundland Index. Aliant Pole Rental rates for the forecast period are escalated based on 50% of the Implicit GDP Index.

[2] The forecast reduction in depreciation reflects the sale of Joint Use Support Structures in 2011 and an annual reduction in pole installation costs for 2011 to 2020. The composite depreciation rate for distribution assets is 3.14% throughout the analysis period.

[3] The forecast reduction in cost of capital is based on a capital structure of 55% debt/45% equity and assumes an incremental cost of capital of of 5.83% in 2011 and 2012, and 7.35% thereafter. The sale of Joint Use Support Structures will reduce Newfoundland Power's average rate base by approximately $46 million.

[4] The forecast reduction in income taxes primarily reflects the reduction in the cost of capital.

[5] The forecast reduction in incremental operating costs includes increased Joint Use administration costs of approximately $100,000 per year beginning in 2012; approximately $200,000 operating cost savings per year commencing in 2013 as a result of the 2011 JUA (50% of which is forecast to be realized in 2012); as well as decreased vegetation management costs related to distribution poles of approximately $400,000 per year.

[6] This is the levelization of the annual revenue surplus (deficiency) from 2011 to 2020.

[7] This is the net present value of the annual surplus (deficiency) from 2011 to 2020.