

1 Q. (Exhibit 13 – 2013 Cost of Service Study)

2 Please compare the 2013 Test Year Cost of Service as shown at Schedule 1.1 to the
3 2007 Forecast Cost of Service approved by the Board and please explain the basis
4 for any significant differences between 2007 and 2013 expenses for each of Hydro's
5 electrical systems.

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8 A. Please see CA-NLH-086 Attachment 1 (Revision 1) for the differences between the
9 2007 Forecast Cost of Service approved by the Board and the 2015 Test Year Cost of
10 Service expenses for each of Hydro's electrical systems.

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12 Operating, Maintenance and Administration expenses increased for all of Hydro's
13 electrical systems. The increases are mainly due to increases in salaries and
14 benefits, professional services, and system equipment maintenance.

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16 Increased fuel prices and No. 6 fuel consumption are the main reason for an
17 increase in Fuel expenses. []

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19 The increase in the Power Purchases expense of the Island Interconnected System is
20 mainly due to purchases from the St. Lawrence and Fermeuse Wind facilities and
21 Exploits Generation. The increase in the Power Purchases expense of the L'Anse au
22 Loup system is due to an increase in electricity requirements on the system, which
23 resulted in increased purchases from Hydro Québec's Lac Robertson hydroelectric
24 plant.

25

26 The increase in Depreciation expense is mainly due to an increase in capital
27 expenditures on Hydro's Fixed Assets between the 2007 Forecast Cost of Service

1 and the 2015 Test Year Cost of Service. The Island Interconnected System is
2 showing the largest net increase mainly resulting from a change from the sinking
3 fund method of depreciation to straight line. [] The variances on all other systems
4 is less as a result of applying the methodology and service lives to the mix of Fixed
5 Assets as approved by the Board in Order No. P.U. 40(2012).

NEWFOUNDLAND AND LABRADOR HYDRO
Comparison of Test Year Costs of Service
Island Interconnected

Line No.	Description	2015	2007	Increase / (Decrease)	Basis of Proration
Expenses					
1	Operating, Maintenance and Admin.	106,052,783	74,191,098	31,861,685	Detailed Analysis
2	Fuels - No. 6 Fuel	245,426,358	137,356,005	108,070,353	Detailed Analysis
3	Fuels - Diesel	87,140	77,700	9,440	Detailed Analysis
4	Fuels - Gas Turbine	3,473,690	450,449	3,023,241	
5	Fuel Supply Deferral	1,991,280		1,991,280	
5 or 6	Power Purchases -CF(L)Co	-	-	-	Detailed Analysis
6 or 7	Power Purchases - Other	58,109,820	33,538,609	24,571,211	Detailed Analysis
7 or 9	Depreciation	57,258,885	32,484,633	24,774,252	Detailed Analysis
Total Expenses		472,399,956	278,098,494	194,301,462	

NEWFOUNDLAND AND LABRADOR HYDRO
Comparison of Test Year Costs of Service
Island Isolated

Line No.	Description	2015	2007	Increase / (Decrease)	Basis of Proration
Expenses					
1	Operating, Maintenance and Admin.	5,871,802	5,164,946	706,856	Detailed Analysis
2	Fuels - No. 6 Fuel	-	-	-	Detailed Analysis
3	Fuels - Diesel	2,390,300	1,966,395	423,905	Detailed Analysis
4	Fuels - Gas Turbine	-	-	-	
5	Fuel Supply Deferral				
5 or 6	Power Purchases -CF(L)Co	-	-	-	Detailed Analysis
6 or 7	Power Purchases - Other	232,400	121,384	111,016	Detailed Analysis
7 or 9	Depreciation	538,967	753,520	(214,553)	Detailed Analysis
Total Expenses		9,033,469	8,006,245	1,027,224	

NEWFOUNDLAND AND LABRADOR HYDRO
Comparison of Test Year Costs of Service
Labrador Isolated

Line No.	Description	2015	2007	Increase / (Decrease)	Basis of Proration
Expenses					
1	Operating, Maintenance and Admin.	14,032,074	11,000,070	3,032,004	Detailed Analysis
2	Fuels - No. 6 Fuel	-	-	-	Detailed Analysis
3	Fuels - Diesel	15,565,900	8,264,187	7,301,713	Detailed Analysis
4	Fuels - Gas Turbine	-	-	-	
5	Fuel Supply Deferral				
5 or 6	Power Purchases -CF(L)Co	-	-	-	Detailed Analysis
6 or 7	Power Purchases - Other	-	43,555	(43,555)	Detailed Analysis
7 or 9	Depreciation	2,620,505	2,207,562	412,943	Detailed Analysis
Total Expenses		32,218,479	21,515,374	10,703,105	

NEWFOUNDLAND AND LABRADOR HYDRO
Comparison of Test Year Costs of Service
L'Anse au Loup

Line No.	Description	2015	2007	Increase / (Decrease)	Basis of Proration
Expenses					
1	Operating, Maintenance and Admin.	1,633,449	1,188,123	445,326	Detailed Analysis
2	Fuels - No. 6 Fuel	-	-	-	Detailed Analysis
3	Fuels - Diesel	636,200	160,542	475,658	Detailed Analysis
4	Fuels - Gas Turbine	-	-	-	
5	Fuel Supply Deferral				
5 or 6	Power Purchases -CF(L)Co	-	-	-	Detailed Analysis
6 or 7	Power Purchases - Other	3,054,696	1,530,455	1,524,241	Detailed Analysis
7 or 9	Depreciation	435,327	443,627	(8,300)	Detailed Analysis
Total Expenses		5,759,672	3,322,747	2,436,925	

NEWFOUNDLAND AND LABRADOR HYDRO
Comparison of Test Year Costs of Service
Labrador Interconnected

Line No.	Description	<u>2015</u>	<u>2007</u>	<u>Increase / (Decrease)</u>	<u>Basis of Proration</u>
Expenses					
1	Operating, Maintenance and Admin.	11,976,563	4,747,780	7,228,783	Detailed Analysis
2	Fuels - No. 6 Fuel	-	-	-	Detailed Analysis
3	Fuels - Diesel	74,521	24,276	50,245	Detailed Analysis
4	Fuels - Gas Turbine	199,303	136,073	63,230	
5	Fuel Supply Deferral				
5 or 6	Power Purchases -CF(L)Co	1,856,851	2,537,795	(680,944)	Detailed Analysis
6 or 7	Power Purchases - Other	-	555,403	(555,403)	Detailed Analysis
7 or 9	Depreciation	3,485,835	2,935,552	550,283	Detailed Analysis
Total Expenses		17,593,072	10,936,879	6,656,193	