# CA-NLH-188 (Revision 1, Dec 3-14) 2013 NLH General Rate Application

Page 1 of 1

1	Q.	(Re: CA-NLH-126) Please provide a copy of the Lead/Lag study to support the
2		calculation of the Net Lag days used in this calculation.
3		
4		
5	A.	[ ] A copy of the Lead/Lag study to support the calculation of the Net Lag days used
6		in the 2014 Test Year and 2015 Test Year has been provided in CA-NLH-188
7		Attachment 1, Pages 1-5 (Revision 1).

# **Working Capital Calculation**

Tronking capital calculation				
	2014		2015	
	Proposed		Proposed	
Revenue Lag (Days)	40.31	Page 2	40.19	Page 4
Minus: Expense Lag (Days)	22.67	Page 2	23.30	Page 4
Net Lag Days	17.64		16.90	
Divide by 365 days	4.83%		4.63%	
	\$ 000s		\$ 000s	
Operating Expenses	127,994	Page 2	139,566	Page 4
Power Purchases	66,668	Page 2	63,254	Page 4
Regulated Operating Costs and Power Purchases	194,662		202,820	
Working Capital	9,402		9,391	
Less: HST Adjustment	195	Page 3	2,354	Page 5
Net Working Capital Required	9,207		7,037	

# Note A

The lead/lag analysis was performed on the actual revenue and expenditure streams during 2000. The analysis was then updated for new customers, vendors and the weighted average of revenue and expenditures.

The lead/lag analysis was then applied to the distribution of revenues and expenditures forecast to occur in 2014 and 2015 to project the anticipated working capital requirement for the test year.

#### 2014 Proposed Revenue Lag:

				LAG		Total	Weighted
Customer	\$ 000's	%	Service	Billing	Collection	Lag	Average
Р	417,080	80.38%	15.2	7.6	14.8	37.6	30.22
dustry							
Corner Brook	2,717	0.52%	15.2	7.6	21.2	44.0	0.23
North Atlantic	11,007	2.12%	15.2	7.6	22.3	45.1	0.96
CFB - Goose Bay	752	0.14%	15.2	7.6	13.7	36.5	0.05
IOCC cost recovery - Note A	1,926	0.37%	15.2	7.6	17.7	40.5	0.15
Labrador Transmission/Demand	-	0.00%	15.2	7.6	17.7	40.5	0.00
Teck (Aur Resources)	3,001	0.58%	15.2	7.6	27.5	50.3	0.29
Praxair	869	0.17%	15.2	7.6	19.8	42.6	0.07
Vale Inco	4,089	0.79%	15.2	7.6	19.8	42.6	0.34
	75,084	14.47%	15.2	7.0	32.1	54.3	7.86
he lead/lag anaysis was then applied to the distribution of revenu	ues and expenditure	es forecast to c	occur in 2014				
The lead/lag analysis was performed on the actual revenue and ex	2,335 518,860	0.45% 100.00%	-15.2	6.0	40.7	31.5	0.14 <b>40.31</b>

IOCC costs	(1,926)
Proposed Revenue per FS	516,934

Note A
The cost recovery is included in the revenue since it is a recovery of IOC costs incurred; the excess (Rev - Cos) is non regulated.

### Operating Expenses 2014 - Proposed

	\$ 000s	%	# days	Average
Salaries & Benefits	81,455	41.84%	11.8	4.94
Materials Maintenance	22,979	11.80%	60.9	7.19
Professional Services	12,207	6.27%	(8.7)	-0.55
Miscellaneous	6,345	3.26%	0.9	0.03
Travel	3,711	1.91%	45.0	0.86
Transportation	2,450	1.26%	45.0	0.57
Office Supplies	2,629	1.35%	45.0	0.61
Equipment rentals	1,877	0.96%	45.0	0.43
Insurance	2,689	1.38%	(182.5)	-2.52
Property rentals	1,149	0.59%	(30.0)	-0.18
Customer costs	126	0.06%	-	0.00
Subtotal	137,617	70.70%		11.38
Recoveries				
CF(L)Co Recoveries	(1,820)	-0.93%	30.0	-0.28
External Recoveries	(1,479)	-0.76%	30.0	-0.23
CDM Program deferral	(2,375)	-1.22%	-	0.00
Interco vehicle fee	(8)	0.00%	-	0.00
Interco fixed fee	(130)	-0.07%	30.0	-0.02
NBD Admin Fee	(3,811)	-1.96%	30.0	-0.59
Subtotal	(9,623)	-4.94%		-1.12
Power Purchases	66,668	34.25%	36.2	12.41
Total Cash outflow	194.662	100.00%		<b>22.67</b> Page

### Reconcile Operating Expenses:

Operating Expenses as above	137,617
Less: Cost recoveries	(9,623)
	127,994
Less: IOC Recovery	(1,926)
Adjusted Operating Costs	126,068
Per FS	126,068

# **HST Payable**

	Proposed 2014	13.00% Est. HST payable	Lag # days	\$
Revenue billed (Note B)	518,068	67,349	31.28	5,772
O&M less: Salaries Misc (Write-offs, taxes, amort of deferred charges ) Insurance Customer costs	(127,994) 81,455 3,621 2,689 126	(16,639) 10,589 471 350 16		
Net O&M	(40,103)	(5,213)	15.2	(217)
Fuel - No. 6	(305,757)	(39,748)	30.4	(3,311)
Diesel, GT, etc	(27,751)	(3,608)	15.2	(150)
Power Purchases	(66,668)	(8,667)	25.4	(603)
Capital - 2014 expenditures less: Cap. Salaries/OH less: IDC	(267,449) 21,944 6,109	(34,768) 2,853 794		
Net capital	(239,396)	(31,121)	15.2	(1,296)
	=	(21,009)	<u>_</u>	195

The lead/lag analysis was then applied to the distribution of revenues and expenditures forecast to oc

The lead/lag analysis was performed on the actual revenue and expenditure As per Summary 195 Page 1

# Note B

Revenue - accrual basis	518,860 Page 2
less: Dec 2014 Total Revenue Dec-Nov variance	(60,432)
plus: Dec 2013 Total Revenue Dec-Nov variance	59,640
Revenue - billed basis	518,068

				LAG		Total	Weighted
Customer	\$ 000's	%	Service	Billing	Collection	Lag	Average
NP	525,341	79.13%	15.2	7.6	14.8	37.6	29.75
Industry							
Corner Brook	4,104	0.62%	15.2	7.6	21.2	44.0	0.27
North Atlantic	14,586	2.20%	15.2	7.6	22.3	45.1	0.99
CFB - Goose Bay	932	0.14%	15.2	7.6	13.7	36.5	0.05
IOCC cost recovery - Note A	1,387	0.21%	15.2	7.6	17.7	40.5	0.08
Labrador Transmission/Demand	4,050	0.61%	15.2	7.6	17.7	40.5	0.25
Teck (Aur Resources)	1,507	0.23%	15.2	7.6	27.5	50.3	0.11
Praxair	3,261	0.49%	15.2	7.6	19.8	42.6	0.21
Vale Inco	19,060	2.87%	15.2	7.6	19.8	42.6	1.22
	87,126	13.12%	15.2	7.0	32.1	54.3	7.13
The lead/lag anaysis was then applied to the distribution of revenue	es and expenditu	ures forecast to	o occur in 20				
The lead/lag analysis was performed on the actual revenue and $\epsilon$	2,508	0.38%	-15.2	6.0	40.7	31.5	0.12
TOTAL	663,862	100.00%					40.19

IOCC costs	(1,387)
Proposed Revenue per FS	662,475

Note A
The cost recovery is included in the revenue since it is a recovery of IOC costs incurred; the excess (Rev - Cos) is non regulated.

### Operating Expenses 2015 - Proposed

	\$ 000s	%	# days	Average
Salaries & Benefits	88,888	43.83%	11.8	5.17
Materials Maintenance	26,825	13.23%	60.9	8.05
Professional Services	9,493	4.68%	(8.7)	-0.41
Miscellaneous	5,655	2.79%	0.9	0.03
Travel	3,717	1.83%	45.0	0.82
Transportation	2,245	1.11%	45.0	0.50
Office Supplies	2,804	1.38%	45.0	0.62
Equipment rentals	3,066	1.51%	45.0	0.68
Insurance	2,607	1.29%	(182.5)	-2.35
Property rentals	1,217	0.60%	(30.0)	-0.18
Customer costs	118	0.06%	-	0.00
Subtotal	146,635	72.30%		12.94
Recoveries				
CF(L)Co Recoveries	(1,780)	-0.88%	30.0	-0.26
External Recoveries	(470)	-0.23%	30.0	-0.07
CDM Program deferral	(695)	-0.34%	-	0.00
Interco fixed fee	(250)	-0.12%	30.0	-0.04
NBD Admin Fee	(3,874)	-1.91%	30.0	-0.57
Subtotal	(7,069)	-3.49%		-0.94
Power Purchases	63,254	31.19%	36.2	11.30
Total Cash outflow	202,820	100.00%		<b>23.30</b> Page

### Reconcile Operating Expenses:

Operating Expenses as above	146,635
Less: Cost recoveries	(7,069)
	139,566
Less: IOC Recovery	(1,387)
Adjusted Operating Costs	138,179
Per FS	138,179

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