

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.

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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

	2014 Proposed		2015 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:**

Customer	\$ 000's	%	LAG			Total Lag	Weighted Average
			Service	Billing	Collection		
NP	417,080	80.38%	15.2	7.6	14.8	37.6	30.22
Industry							
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

The lead/lag analysis was then applied to the distribution of revenues and expenditures forecast to occur in 2014

The lead/lag analysis was performed on the actual revenue and expenditures	2,335	0.45%	-15.2	6.0	40.7	31.5	0.14
TOTAL	518,860	100.00%					40.31

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 IOCC 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
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Total Cash outflow	194,662	100.00%	22.67	Page 1
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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	(127,994)	(16,639)		
less: Salaries	81,455	10,589		
Misc (Write-offs, taxes, amort of deferred charges)	3,621	471		
Insurance	2,689	350		
Customer costs	126	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	(267,449)	(34,768)		
less: Cap. Salaries/OH	21,944	2,853		
less: IDC	6,109	794		
Net capital	(239,396)	(31,121)	15.2	(1,296)
		(21,009)		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	

**2015 Proposed
Revenue Lag:**

Customer	\$ 000's	%	LAG			Total Lag	Weighted Average
			Service	Billing	Collection		
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 analysis was then applied to the distribution of revenues and expenditures forecast to occur in 2015

The lead/lag analysis was performed on the actual revenue and expenditures	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%		23.30

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

HST Payable

	Proposed 2015	13.00% Est. HST payable	Lag # days	\$
Revenue billed (Note B)	644,824	83,827	31.28	7,184
O&M	(139,566)	(18,144)		
less: Salaries	88,888	11,555		
Misc (Write-offs, taxes, amort of deferred charges)	5,300	689		
Insurance	2,607	339		
Customer costs	118	15		
Net O&M	(42,653)	(5,545)	15.2	(231)
Fuel - No. 6	(236,220)	(30,709)	30.4	(2,558)
Diesel, GT, etc	(22,940)	(2,982)	15.2	(124)
Power Purchases	(63,254)	(8,223)	25.4	(572)
Capital - 2015 expenditures	(282,106)	(36,674)		
less: Cap. Salaries/OH	22,654	2,945		
less: IDC	10,958	1,425		
Net capital	(248,494)	(32,304)	15.2	(1,345)
		<u>4,064</u>		<u>2,354</u>

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 **2,354** Page 1

Note B

Revenue - accrual basis	663,862	Page 4
less: Dec 2015 Total Revenue Dec-Nov variance	(79,470)	
plus: Dec 2014 Total Revenue Dec-Nov variance	<u>60,432</u>	
Revenue - billed basis	644,824	