

1 Q. **Cost of Service**

2 What is the total cost of network transmission including lines and substations
3 included in the cost of service study? Please provide a table showing the revenue
4 allocations and percentage rate increases for each customer class on the Island
5 Interconnected System based on: 1) allocation used in the 2015 Test Year; 2)
6 allocation of 15% of transmission network costs including lines and substations to
7 energy and 85% to capacity; and 3) allocation of 25% of transmission network costs
8 including lines and substations to energy and 75% to capacity.

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11 A. Hydro notes that it intends to review the current Cost of Service methodology in
12 detail before the next GRA.

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14 The 2015 Test Year average net book value of this subgroup of assets is \$346.1
15 million with an associated total revenue requirement of \$49.4 million (of the total
16 Island Interconnected System revenue requirement of \$585.0 million) as detailed in
17 Table 1.

Table 1: Allocated Transmission Related Revenue Requirement

(\$ millions)	<u>2015 TY</u>
Operating and Maintenance	19.2
Purchased Power	0.7
Expense Credits	(0.1)
Gain/Loss	0.3
Depreciation	9.5
Return on Debt	14.0
Return on Equity	<u>5.8</u>
Total	<u><u>49.4</u></u>

Approximate impacts to the 2015 Test Year revenue requirement allocation by class for the Island Interconnected System assuming the energy/demand allocations per the 2015 Test Year (10% energy/90% demand) compared to 1) 15% energy/85% demand; and 2) 25% energy/75% demand are provided in Table 2.

The proposed 2015 Test Year base rate increase for Newfoundland Power is 26.5%. This would not change under scenario 1 and would decrease to 26.4% under scenario 2. Hydro Rural customers' rates would be adjusted accordingly following detailed rate design. For the Island Industrial Customers, the proposed 2015 Test Year base rate increase is 39.1%. This would change to 39.2% under scenario 1 and increase to 39.6% under scenario 2.

Table 2: Allocated Island Interconnected Revenue Requirement

	As Filed	15% Energy/85% Demand	25% Energy/75% Demand
Newfoundland Power	463,656,437	463,608,929	463,497,279
Industrial - Firm	42,621,127	42,663,040	42,761,541
Industrial - Non-Firm	-	-	-
Rural			
1.1 Domestic	23,068,558	23,069,466	23,071,601
1.12 Domestic All Electric	26,797,575	26,797,998	26,798,993
1.3 Special	66,301	66,285	66,247
2.1 GS 0-10 kW		-	-
2.2 GS 10-100 kW	13,257,327	13,259,321	13,264,008
2.3 GS 110-1,000 kVa	9,274,376	9,275,441	9,277,942
2.4 GS Over 1,000 kVa	4,950,547	4,951,867	4,954,971
4.1 Street and Area Lighting	1,337,567	1,337,467	1,337,232
Subtotal Rural	78,752,250	78,757,845	78,770,993
Total	585,029,814	585,029,814	585,029,814