

1 Q. **Re: NLH Evidence, Section 1, page 1.5, lines 4-10 and page 1.6, Chart 1.3**

2 Please describe qualitatively and quantitatively the rate implications of the capital
3 expenditures described in Chart 1.3 and in the charts provided in response to the
4 previous RFI.

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7 A. Capital expenditures, once the related assets are placed in service, directly impact a
8 number of the components, including return on debt, return on equity, and
9 depreciation expense, of Hydro's revenue requirement which is used to derive
10 rates. The average net book value of the in-service assets forms a portion of
11 Hydro's rate base. Return on debt and return on equity are calculated on rate base
12 using the Test Year rate of return.

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14 Chart 1.3, Section 1, page 1.10 and the chart provided in the response to IN-NLH-
15 032 outline the forecast annual capital expenditures for 2007 to 2018. The
16 implications, as outlined above, of the in-service assets from 2007 to 2015 on the
17 2015 Test Year rates can found in Exhibit 13, Schedule 1.1. Estimated impacts for
18 2016 to 2018 are provided in IN-NLH-033 Attachment 1 (Revision 1).

Newfoundland and Labrador Hydro
Capital Expenditure Rate Implications (\$000s)

Line No	[]	A	B	C	Reference
		2016	2017	2018	
1	Forecast Capital Expenditures	313,640	223,374	169,708	
2	230 kV Transmission line Bay d'Espoir to Western Avalon - In service date 2018 []	(77,226)	(110,064)	208,668	
3	Lab West Transmission line - In service date 2016	200,629			
4	Net Plant in Service Available for Equity Return	437,044	113,310	378,376	
5	Annual Depreciation Expense Estimate	11,539	8,081	6,033	
6	Current year Depreciation Expense Estimate	5,770	15,580	22,637	Line 5 from prior years plus one-half Line 5 for current year
7	Net Book Value for Forecast Capital Expenditures	431,274	97,730	355,739	Line 4 - Line 6
8	Average Change to Rate Base	215,637	480,139	706,873	Line 7 from prior years plus one-half Line 7 for current year
9	Return on Rate Base - Debt Component	4.938%	4.938%	4.938%	2015 Test Year
10	Return on Rate Base - Equity Component	1.879%	1.879%	1.879%	2015 Test Year
Revenue Requirement Impacts					
11	Return on Debt	10,648	23,709	34,905	Line 8 x Line 9
12	Return on Equity	4,053	9,024	13,285	Line 8 x Line 10
13	Annual Depreciation Expense Estimate	5,770	15,580	22,637	Line 6
14	Total Revenue Requirement Impacts	20,471	48,313	70,827	Lines 11 to 13

1) Assumes all assets come in service in given year other than the exceptions noted.