

- 1    Q.    Further to response to Request for Information NP-NLH-020:
- 2            Please reconcile the forecast return on equity for 2014 with the forecast rate of
- 3            return on equity of 9.38% indicated in response to Request for Information IR-PUB-
- 4            NLH-021 as 2014 PUB-21(i) Scenario filed in Hydro's Interim Rates Application.
- 5
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- 7    A.    Please refer to NP-NLH-245 Attachment 1, page 1 of 1.

**Newfoundland and Labrador Hydro**  
**Revenue Requirement and Return on Equity Analysis**  
(\$millions)

NP-NLH-245, Attachment 1  
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	<b>2014</b>	<b>2014</b>	
	<b>Budget</b>	<b>PUB-21(i)</b>	<b>Variance</b>
		<b>Scenario</b>	
<b>1 Revenue</b>			
2 Energy Sales	598.0	601.4	(3.4) <b>Note 1</b>
3 Other revenue	2.3	2.3	-
4 <b>Total revenue</b>	<u>600.4</u>	<u>603.7</u>	<u>(3.4)</u>
5			
<b>6 Expenses</b>			
7 Operating expenses	116.8	116.8	-
8 Fuels	246.5	246.5	-
13 Power Purchases	59.2	59.2	-
14 Amortization	56.1	56.1	-
15 Accretion	0.8	0.8	-
16 Loss on disposal of PP&E	2.8	2.8	-
17 Interest	89.4	88.4	(1.0) <b>Note 2</b>
18 <b>Total expenses</b>	<u>571.5</u>	<u>570.5</u>	<u>(1.0)</u>
19			
20 <b>Net income before cost of service exclusions</b>	<b>28.8</b>	<b>33.2</b>	(4.4)
21 less: cost of service exclusions	0.2	0.2	-
22	<u>29.0</u>	<u>33.4</u>	<u>(4.4)</u>
23			
24 Return on regulated equity	29.0	33.4	(4.4)
25 Net interest	89.4	88.4	1.0
26 <b>Return on rate base</b>	<u><b>118.5</b></u>	<u><b>121.8</b></u>	<u><b>(3.4)</b></u>
27			
28 <b>Average rate base</b>	<b>1,625.5</b>	<b>1,625.5</b>	-
29			
30 <b>Rate of return on rate base</b>	<b>7.3%</b>	<b>7.5%</b>	<b>-0.2%</b>
31			
32 Opening Retained Earnings	337.4	337.4	-
33 Net Income	28.8	33.2	(4.4)
34 Ending Retained Earnings	366.2	370.6	(4.4)
35			
36 Average Equity	351.8	354.0	(2.2)
37 <b>Return on Equity %</b>	<b>8.19%</b>	<b>9.38%</b>	<b>-1.19%</b>

**Note 1:** The increase is mainly due to the implementation of Labrador rates effective January 1, instead of July 1.

**Note 2:** The decrease is primarily due to RSP interest resulting from the proposed load variation methodology becoming effective January 1 rather than July 1 resulting in a lower RSP balance payable and corresponding RSP interest expense.