

- 1 Q. Further to response to Request for Information NP-NLH-020:
- 2 Please restate the response to NP-NLH-020 Attachment 1, assuming that the
- 3 proposed rates for 2014 remain in effect through 2017.
- 4
- 5
- 6 A. Please refer to NP-NLH-250 Attachment 1.

Newfoundland and Labrador Hydro
Financial Results and Forecasts
Statement of Income and Retained Earnings
(\$millions)

NP-NLH-250, Attachment 1
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	<u>Proposed</u> <u>2014</u>	<u>Proposed</u> <u>2015</u>	<u>Proposed</u> <u>2016</u>	<u>Proposed</u> <u>2017</u>
1 Revenue				
2 Energy sales	598.0	618.6	637.9	638.5
3 Other revenue	2.3	2.4	2.4	2.5
4 Total revenue	<u>600.4</u>	<u>621.0</u>	<u>640.3</u>	<u>641.0</u>
5				
6 Expenses				
7 Operating expenses	116.8	120.1	123.7	127.1
8 Loss on disposal of property, plant, and equipment	2.8	3.0	3.0	3.0
9 Fuels	246.5	256.8	265.1	265.0
10 Power purchases	59.2	58.7	58.9	58.5
11 Amortization	56.1	62.1	71.2	74.6
12 Accretion of asset retirement obligation	0.9	0.9	0.9	0.9
13 Interest	89.4	74.9	74.6	80.5
14 Total expenses	<u>571.5</u>	<u>576.5</u>	<u>597.4</u>	<u>609.6</u>
15				
16 Net income	<u>28.8</u>	<u>44.5</u>	<u>42.9</u>	<u>31.4</u>
17				
18 Retained Earnings				
19 Balance at beginning of year	237.4	266.2	310.7	353.6
20 Opening adjustment - retained earnings	-	-	-	-
21 Dividends	-	-	-	-
22 Balance at end of year	<u>266.2</u>	<u>310.7</u>	<u>353.6</u>	<u>385.0</u>

Newfoundland and Labrador Hydro
Financial Results and Forecasts
Balance Sheet
(\$millions)

NP-NLH-250, Attachment 1
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	Proposed 2014	Proposed 2015	Proposed 2016	Proposed 2017
1 Assets				
2 Current assets				
3 Cash and cash equivalents	-	-	-	-
4 Short-term investments	-	-	-	-
5 Accounts receivable	63.5	74.8	83.9	85.6
6 Current portion of regulatory assets	2.5	34.1	51.1	62.2
7 Inventory	72.5	56.4	80.5	61.8
8 Prepaid expenses	1.6	1.6	1.7	1.7
9	140.1	166.9	217.2	211.3
10				
11 Property, plant, and equipment	1,588.3	1,796.5	1,911.9	1,976.8
12 Sinking funds	217.5	228.2	242.7	176.5
13 Regulatory assets	61.7	59.0	56.8	53.6
14				
15 Total assets	2,007.5	2,250.6	2,428.6	2,418.2
16				
17 Liabilities and shareholder equity				
18 Current liabilities				
19 Promissory notes	156.1	110.7	169.6	105.4
20 Accounts payable and accrued liabilities	96.0	57.1	58.8	60.4
21 Accrued interest	28.7	24.0	23.9	25.8
22 Current portion of long-term debt	8.2	233.2	6.7	6.7
23 Current portion of regulatory liabilities	8.3	-	-	-
24 Deferred capital contribution	0.7	0.2	-	-
25 Due to related parties	3.0	3.0	3.0	3.0 A
26 Promissory notes - non-regulated	(8.5)	(8.5)	(8.5)	(8.5) A
27	292.5	419.7	253.5	192.7
28				
29 Long-term debt	1,194.3	1,265.6	1,563.1	1,578.5
30 Regulatory liabilities	32.1	32.2	33.2	33.8
31 Asset retirement obligations	25.2	25.9	26.6	27.3
32 Employee future benefits	69.5	75.5	81.5	87.5
33 Contributed capital	100.0	100.0	100.0	100.0 A
34 Shareholder's equity / retained earnings	266.2	310.7	353.6	385.0
35 Accumulated other comprehensive income	27.7	21.0	17.1	13.3
36				
37 Total liabilities and shareholder's equity	2,007.5	2,250.6	2,428.6	2,418.2

A Assumption that balances will stay consistent from 2013-2017 due to any variance would be immaterial

Newfoundland and Labrador Hydro
Financial Results and Forecasts
Capital Structure
(\$millions)

NP-NLH-250, Attachment 1
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	<u>Proposed</u> <u>2014</u>	<u>Proposed</u> <u>2015</u>	<u>Proposed</u> <u>2016</u>	<u>Proposed</u> <u>2017</u>
1 Regulated capital structure				
2 Long-term debt	1,202.6	1,498.8	1,569.8	1,585.2
3 Promissory notes	156.1	110.7	169.6	105.4
4 Promissory notes - related party	-	-	-	-
5 less: sinking funds	(217.5)	(228.2)	(242.7)	(176.5)
6 add: mark to market of sinking funds	27.9	21.0	17.1	13.3
7	<u>1,169.0</u>	<u>1,402.3</u>	<u>1,513.8</u>	<u>1,527.3</u>
8 Cost of service exclusions	-	-	-	-
9 Non-regulated debt pool	(8.5)	(8.5)	(8.5)	(8.5)
10 Net regulated debt	<u>1,160.5</u>	<u>1,393.9</u>	<u>1,505.4</u>	<u>1,518.8</u>
11 Asset retirement obligation	25.2	25.9	26.6	26.6
12 less: unfunded asset retirement obligation	(15.0)	(12.8)	(10.5)	(8.2) ^A
13 Employee future benefits	69.5	75.5	81.5	87.5
14 Contributed capital	100.0	100.0	100.0	100.0
15 Retained earnings cost of service exclusions	0.5	-	-	-
16 Retained earnings	<u>266.2</u>	<u>310.7</u>	<u>353.6</u>	<u>385.0</u>
17 Total	<u><u>1,606.9</u></u>	<u><u>1,893.2</u></u>	<u><u>2,056.6</u></u>	<u><u>2,109.7</u></u>
18				
19 Regulated capital structure (%)				
20 Debt	72.2%	73.6%	73.2%	72.0%
21 Asset retirement obligation	0.6%	0.7%	0.8%	0.9%
22 Employee future benefits	4.3%	4.0%	4.0%	4.1%
23 Equity	<u>22.8%</u>	<u>21.7%</u>	<u>22.1%</u>	<u>23.0%</u>
24 Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>
25				
26 Regulated average capital structure (%)				
27 Debt	70.8%	72.9%	73.4%	72.6%
28 Asset retirement obligation	0.6%	0.6%	0.7%	0.8%
29 Employee future benefits	4.6%	4.2%	4.0%	4.1%
30 Equity	<u>24.1%</u>	<u>22.3%</u>	<u>21.9%</u>	<u>22.5%</u>
31 Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>
32				
33 Weighted average cost of capital (WACC)				
34 Embedded cost of debt	7.5%	6.7%	6.7%	6.6%
35 Asset retirement obligation	0.0%	0.0%	0.0%	0.0%
36 Employee future benefits	0.0%	0.0%	0.0%	0.0%
37 Equity	<u>8.8%</u>	<u>8.8%</u>	<u>8.8%</u>	<u>8.8%</u> ^B
38 WACC	<u><u>7.5%</u></u>	<u><u>6.9%</u></u>	<u><u>6.8%</u></u>	<u><u>6.8%</u></u>

^A The asset retirement obligation is not part of capital structure until it has been funded by rate payers. As such, the unfunded amount is removed. The funded amount includes the depreciation and accretion charges that have been recorded in net income.

^B 2014-2017 return on equity based on NP's approved return on equity

Newfoundland and Labrador Hydro
Financial Results and Forecasts
Rate of Return on Rate Base
(\$millions)

NP-NLH-250, Attachment 1
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	Proposed 2014	Proposed 2015	Proposed 2016	Proposed 2017
1 Property, plant, and equipment	1,588.3	1,796.5	1,911.9	1,976.8
2 add: accumulated depreciation	193.2	254.5	325.1	399.1
3 add: contributions in aid of construction	21.9	22.6	23.0	23.5
4 less: work in progress	(61.4)	(130.8)	(218.7)	(277.9)
5 Capital assets in service	1,742.0	1,942.7	2,041.4	2,121.5
6 less: asset retirement obligation	(15.0)	(12.8)	(10.5)	(8.2) ^A
7 less: contributions in aid of construction	(21.9)	(22.6)	(23.0)	(23.5)
8 less: accumulated depreciation	(193.2)	(254.5)	(325.1)	(399.1)
9 Capital assets - current year	1,511.8	1,652.9	1,682.7	1,690.6
10 Capital assets - previous year	1,450.2	1,511.8	1,652.9	1,682.7
11 Unadjusted capital assets - average	1,481.0	1,582.4	1,667.8	1,686.7
12 less: Average net assets not in use	(1.6)	-	-	-
13 Capital assets - average	1,479.4	1,582.4	1,667.8	1,686.7
14				
15 Cash working capital allowance	5.3	5.4	5.5	5.6
16 Fuel	50.9	38.8	42.7	44.7
17 Materials and supplies	24.7	25.6	25.7	26.4
18 Deferred charges	65.5	63.0	60.7	58.0
19				
20 Average rate base	<u>1,625.8</u>	<u>1,715.2</u>	<u>1,802.4</u>	<u>1,821.4</u>
21				
22 Unadjusted return on regulated equity	28.8	44.5	42.9	31.4
23 add: Cost of service exclusions	0.2	-	-	-
24 Net interest	89.4	74.9	74.6	80.5
25 Return on rate base	<u>118.5</u>	<u>119.4</u>	<u>117.5</u>	<u>111.9</u>
26				
27 Rate of return on rate base	<u>7.3%</u>	<u>7.0%</u>	<u>6.5%</u>	<u>6.1%</u>

^A Asset retirement obligation costs are not funded through debt or Hydro funds, but are to be fully recovered from rate payers over the life of the asset retirement obligation through depreciation. As such, Hydro removed these costs from rate base.

Newfoundland and Labrador Hydro
Financial Results and Forecasts
Rate Stabilization Plan
(\$millions)

NP-NLH-250, Attachment 1
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	Proposed 2014	Proposed 2015	Proposed 2016	Proposed 2017
1 Current rate stabilization plan				
2 Hydraulic	(31.2)	(31.8)	(32.8)	(33.5)
3 Utility	(6.7)	27.7	40.6	50.4
4 Industrial	1.1	3.6	7.7	9.0
5 Industrial surplus	(2.8)	-	-	-
6 Total	<u>(39.5)</u>	<u>(0.5)</u>	<u>15.5</u>	<u>25.9</u>
7				
8 Combined rate stabilization plan balances	<u>(39.5)</u>	<u>(0.5)</u>	<u>15.5</u>	<u>25.9</u>
9				
10 Average fuel cost per barrel	<u>\$ 101.60</u>	<u>\$ 95.11</u>	<u>\$ 97.98</u>	<u>\$ 100.00</u>

Newfoundland and Labrador Hydro
Financial Results and Forecasts
Revenue Requirement Analysis
(\$millions)

NP-NLH-250, Attachment 1
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	Proposed 2014	Proposed 2015	Proposed 2016	Proposed 2017
1 Revenue requirement				
2 Energy sales	598.0	618.6	637.9	638.5
3 Other revenue	2.3	2.4	2.4	2.5
4 Total revenue requirement	600.4	621.0	640.3	641.0
5				
6 Expenses				
7 Operating expenses	116.8	120.1	123.7	127.1
21 Fuels	246.5	256.8	265.1	265.0
26 Power purchases	59.2	58.7	58.9	58.5
27 Amortization	56.1	62.1	71.2	74.6
28 Accretion of asset retirement obligation	0.9	0.9	0.9	0.9
29 Loss on disposal	2.8	3.0	3.0	3.0
30 Expenses before cost of service exclusions	482.1	501.6	522.8	529.1
31 less: cost of service exclusions	(0.2)	-	-	-
32	481.9	501.6	522.8	529.1
33				
34 Return on rate base	118.5	119.4	117.5	111.9
35				
36 Average rate base	1,625.8	1,715.2	1,802.4	1,821.4
37				
38 Rate of return on rate base	7.3%	7.0%	6.5%	6.1%