

1 **Q. Reference: RFI CA-NLH-326 Capital Expenditures**

2 The response to CA-NLH-326 (lines 6 to 7) states that Hydro had 2014 capital
3 expenditures of \$204.7 million whereas the budget was \$268.0 million. Does the
4 rate base in the 2014 COS reflect the actual capital expenditures \$204.7 million? If
5 not, please fully explain the reason the rate base in the 2014 COS does not reflect
6 the actual capital expenditures and calculate what the difference in total revenue
7 requirement would be if the actual capital expenditure of \$204.7 million was
8 included in the 2014 COS instead of the budgeted capital expenditure of \$268.0
9 million.

10

11

12 **A.** For ratemaking purposes, capital expenditures are not included in the calculation of
13 average rate base until the assets are in service and approved by the Board. As
14 such, additions to the COS rate base will not match capital expenditures.

15

16 The rate base in the 2014 COS does not reflect the actual capital expenditures
17 because Hydro submitted its Amended Application prior to the end of 2014. The
18 variance between capital assets included in the 2014 Test Year and 2014 Actual rate
19 base is primarily driven by a delay in the Holyrood combustion turbine in-service
20 date and assets in-service but not yet approved by the Board.

21

22 Under the assumption that Hydro updated the 2014 average rate base for actual
23 assets in service and assets not yet approved by the Board but held all other 2014
24 Test Year information constant, then the 2014 revenue requirement and the 2014
25 revenue deficiency would decrease by approximately \$3 million.