

Undertaking 152

Re: Markup of intercompany charges

Undertake to provide calculations with respect to transacting with Churchill Falls, if there was a markup provided, for the two test years (2014 and 2015).

Newfoundland and Labrador Hydro owns 65.8% of Churchill Falls (Labrador) Corporation Limited, with the remainder owned by Hydro-Québec. Typically, cost recovery between utilities is cost based. For the purpose of this question, Hydro has assumed that the five percent markup would be applied only to the non-Hydro interest within Churchill Falls (Labrador) Corporation Limited. The five percent markup would provide a cost recovery of \$41,000 and \$44,000 for the 2014 and 2015 Test Years respectively from the portion of the business that is non-Hydro owned. Please refer to Undertaking 152 Attachment 1.

**Newfoundland and Labrador Hydro
Recovery from Churchill Falls**

| | <u>\$000's</u> | |
|---|----------------|----------------|
| | <u>2014 TY</u> | <u>2015 TY</u> |
| Common Services | 1,800 | 1,800 |
| Operating labour costs charged to Churchill Falls | 614 | 769 |
| Total recovery from Churchill Falls | 2,414 | 2,569 |
| Mark up @ 5% | 121 | 128 |
| Non-Hydro utility ownership ¹ | 34.2% | 34.2% |
| Non-Hydro utility interest share of mark up | 41 | 44 |

¹ CF is 34.2% owned by non-Hydro interests and 65.8% owned by NL Hydro