Q. (Exhibit 13 – 2013 Cost of Service Study)
Please compare the 2013 Test Year Cost of Service as shown at Schedule 1.1 to the 2007 Forecast Cost of Service approved by the Board and please explain the basis for any significant differences between 2007 and 2013 expenses for each of Hydro's electrical systems.

A. Please see CA-NLH-086 Attachment 1 for the differences between the 2007 Forecast Cost of Service approved by the Board and the 2013 Test Year Cost of Service expenses for each of Hydro's electrical systems.

Operating, Maintenance and Administration expenses increased for all of Hydro's electrical systems. The increases are mainly due to increases in salaries and benefits, professional services, and system equipment maintenance.

Increased fuel prices are the main reason for an increase in Fuel expenses. Thermal production from the Holyrood steam plant decreased between the 2007 and 2013 Test Years, which resulted in a decrease in No. 6 fuel consumption. However, the decrease in No. 6 fuel expense resulting from this lower consumption was more than offset by increases in the per barrel price between 2007 and 2013.

The increase in the Power Purchases expense of the Island Interconnected System is mainly due to purchases from the St. Lawrence and Fermeuse Wind facilities and Exploits Generation. The increase in the Power Purchases expense of the L'Anse au Loup system is due to an increase in electricity requirements on the system, which resulted in increased purchases from Hydro Québec's Lac Robertson hydroelectric plant.

The increase in Depreciation expense is mainly due to an increase in capital expenditures on Hydro's Fixed Assets between the 2007 Forecast Cost of Service and the 2013 Test Year Cost of Service. The Island Interconnected System is showing a net increase mainly resulting from a change from the sinking fund method of depreciation to straight line. On all other systems a decrease has occurred as a result of applying the methodology and service lives approved by the Board in Order No. P.U. 40(2012) to the calculation of Depreciation expense.

NEWFOUNDLAND AND LABRADOR HYDRO
Comparison of Test Year Costs of Service
Island Interconnected

Line No.	Description	2013	2007	Increase / (Decrease)	Basis of Proration
	Expenses				
1	Operating, Maintenance and Admin.	89,425,968	74,191,098	15,234,870	Detailed Analysis
2	Fuels - No. 6 Fuel	200,692,615	137,356,005	63,336,610	Detailed Analysis
3	Fuels - Diesel	111,816	77,700	34,116	Detailed Analysis
4	Fuels - Gas Turbine	606,127	450,449	155,678	
5	Power Purchases -CF(L)Co	-	-	-	Detailed Analysis
6	Power Purchases - Other	52,417,542	33,538,609	18,878,933	Detailed Analysis
7	Depreciation	46,731,192	32,484,633	14,246,559	Detailed Analysis
	Total Expenses	389,985,260	278,098,494	111,886,766	

NEWFOUNDLAND AND LABRADOR HYDRO
Comparison of Test Year Costs of Service
Island Isolated

Line No.	Description	2013	2007	Increase / (Decrease)	Basis of Proration
	Expenses				
1	Operating, Maintenance and Admin.	5,339,758	5,164,946	174,812	Detailed Analysis
2	Fuels - No. 6 Fuel	-	-	-	Detailed Analysis
3	Fuels - Diesel	2,558,555	1,966,395	592,160	Detailed Analysis
4	Fuels - Gas Turbine	-	-	-	
5	Power Purchases -CF(L)Co	-	-	-	Detailed Analysis
6	Power Purchases - Other	244,656	121,384	123,272	Detailed Analysis
7	Depreciation	479,097	753,520	(274,423)	Detailed Analysis
	Total Expenses	8,622,066	8,006,245	615,821	

NEWFOUNDLAND AND LABRADOR HYDRO
Comparison of Test Year Costs of Service
Labrador Isolated

Line No.	Description	2013	2007	Increase / (Decrease)	Basis of Proration
	Expenses				
1	Operating, Maintenance and Admin.	13,492,944	11,000,070	2,492,874	Detailed Analysis
2	Fuels - No. 6 Fuel	-	-	-	Detailed Analysis
3	Fuels - Diesel	14,697,487	8,264,187	6,433,300	Detailed Analysis
4	Fuels - Gas Turbine	-	-	-	
5	Power Purchases -CF(L)Co	-	-	-	Detailed Analysis
6	Power Purchases - Other	-	43,555	(43,555)	Detailed Analysis
7	Depreciation	1,981,176	2,207,562	(226,386)	Detailed Analysis
	Total Expenses	30,171,607	21,515,374	8,656,233	

NEWFOUNDLAND AND LABRADOR HYDRO
Comparison of Test Year Costs of Service
L'Anse au Loup

Line No.	Description	2013	2007	Increase / (Decrease)	Basis of Proration
	Expenses				
1	Operating, Maintenance and Admin.	1,321,586	1,188,123	133,463	Detailed Analysis
2	Fuels - No. 6 Fuel	-	-	-	Detailed Analysis
3	Fuels - Diesel	533,749	160,542	373,207	Detailed Analysis
4	Fuels - Gas Turbine	-	-	-	
5	Power Purchases -CF(L)Co	-	-	-	Detailed Analysis
6	Power Purchases - Other	3,353,241	1,530,455	1,822,786	Detailed Analysis
7	Depreciation	335,840	443,627	(107,787)	Detailed Analysis
	Total Expenses	5,544,416	3,322,747	2,221,669	

NEWFOUNDLAND AND LABRADOR HYDRO
Comparison of Test Year Costs of Service
Labrador Interconnected

Line No.	Description	2013	2007	Increase / (Decrease)	Basis of Proration
	Expenses				
1	Operating, Maintenance and Admin.	6,348,048	4,747,780	1,600,268	Detailed Analysis
2	Fuels - No. 6 Fuel	-	-	-	Detailed Analysis
3	Fuels - Diesel	77,323	24,276	53,047	Detailed Analysis
4	Fuels - Gas Turbine	196,308	136,073	60,235	
5	Power Purchases -CF(L)Co	2,363,382	2,537,795	(174,413)	Detailed Analysis
6	Power Purchases - Other	295,141	555,403	(260,262)	Detailed Analysis
7	Depreciation	2,839,603	2,935,552	(95,949)	Detailed Analysis
	Total Expenses	12,119,805	10,936,879	1,182,926	