

1 Q. (Exhibit 13 – 2013 Cost of Service Study)
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3 Please provide a detailed explanation setting out Hydro’s basis for the rate
4 increases proposed for its Labrador Isolated System customers by making reference
5 to revenue requirement changes on that system.
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7 A. Please see CA-NLH-090 Attachment 1 for a comparison of the 2007 and 2013
8 Labrador Interconnected costs, including the rural deficit allocation. Explanations
9 are provided for the more material increases in the system’s revenue requirement.

Newfoundland and Labrador Hydro
Rural Labrador Interconnected Revenue Requirement.

Line No		2007 Test Year (\$)	2013 Test Year (\$)	Increase (Decrease) (\$)	Explanation
	Revenue Requirement				
	Expenses				
1	Operating, Maintenance and Admin.	4,747,780	6,348,048	1,600,268	Please see Section 2.4 of Hydro's evidence.
2	Fuels - No. 6 Fuel	-	-	-	
3	Fuels - Diesel	24,276	77,323	53,047	
4	Fuels - Gas Turbine	136,073	196,308	60,235	
5	Power Purchases -CF(L)Co	2,537,795	2,363,382	(174,413)	Reduced load for IOC and CFB Goose Bay.
		555,403	295,141	(260,262)	2007 costs included a synchronous condenser upgrade not present in 2013.
6	Power Purchases - Other	2,935,552	2,839,603	(95,949)	Change in depreciation primarily a result of capital asset additions offset by service life increases per P.U. 40 (2012)
7	Depreciation				
	Expense Credits:				
8	Sundry	(27,462)	(34,644)		
9	Building Rental Income	(6,829)	-		
10	Tax Refunds	-	-		
11	Suppliers' Discounts	(1,775)	(5,490)		
12	Pole Attachments	(223,570)	(250,032)		
13	Secondary Energy Revenues	-	-		
14	Wheeling Revenues	-	-		
15	Application Fees	(12,480)	(12,980)		
16	Meter Test Revenues	-	(1,997)		
17	Total Expense Credits	(272,115)	(305,143)	(33,028)	
18	Subtotal Expenses	10,664,764	11,814,662	1,149,898	
19	Disposal Gain/Loss	40,000	19,169	(20,831)	
20	Subtotal Rev Req Excl Return	10,704,764	11,833,830	1,129,066	
21	Return on Debt	3,172,574	4,135,361	962,787	\$27.6 million increase in rate base, offset by a reduction in return on debt.
22	Return on Equity	287,023	1,627,399	1,340,376	\$27.6 million increase in rate base, plus an increase in return on equity.
23	Total System Revenue Requirement	14,164,360	17,596,591	3,432,231	
	Less: Allocation to Industrial Customers	(3,012,581)	(2,122,468)	890,113	Please see response to CA-NLH-087.
	Plus Rural Deficit Allocation	4,443,984	6,842,261	2,398,277	
	Rural Revenue Requirement after Rural Deficit Allocation¹	15,595,763	22,316,384	6,720,621	

1 As the CFB Revenue credit was used to phase in 2007 rates for these customers, and the phase in was complete in 2011, the revenue credit has been excluded from this calculation.