

1 **Q. Re: NLH Evidence, Section 1, page 1.5, lines 4-10 and page 1.6, Chart 1.3**

2 Please describe qualitatively and quantitatively the rate implications of the capital
3 expenditures described in Chart 1.3 and in the charts provided in response to the
4 previous RFI.

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7 **A.** Capital expenditures, once the related assets are placed in service, directly impact a
8 number of the components, including return on debt, return on equity, and
9 depreciation expense, of Hydro's revenue requirement which is used to derive
10 rates. The average net book value of the in-service assets forms a portion of
11 Hydro's rate base. Return on debt and return on equity are calculated on rate base
12 using the Test Year rate of return.

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14 Chart 1.3, Section 1, page 1.6 and the chart provided in the response to IN-NLH-032
15 outline the forecast annual capital expenditures for 2007 to 2017. The implications,
16 as outlined above, of the in-service assets from 2007 to 2013 on the 2013 Test Year
17 rates can found in Exhibit 13, Schedule 1.1. Estimated impacts for 2014 to 2017 are
18 provided in IN-NLH-033 Attachment 1.

Newfoundland and Labrador Hydro
Capital Expenditure Rate Implications (\$000s)

IN-NLH-33, Attachment 1
Page 1 of 1, NLH 2013 GRA

Line No	A	B	C	D	Reference
	2014	2015	2016	2017	
1 Forecast Capital Expenditures ¹	237,372	207,064	152,869	146,711	
2 Transmission Line Corridor	(71,929)	(62,159)	(58,537)	(62,239)	
3 Gas Turbine Holyrood	(46,410)	46,410			
4 Net Plant in Service Available for Equity Return	119,033	191,315	94,332	84,472	
5 Annual Depreciation Expense Estimate	9,299	8,570	8,095	5,623	
6 Current Year Depreciation Expense Estimate	4,650	13,585	21,917	28,776	Line 5 from prior years plus one-half Line 5 for current year
7 Net Book Value for Forecast Capital Expenditures	114,383	177,730	72,415	55,696	Line 4 - Line 6
8 Average Change to Rate Base	57,192	203,249	328,321	392,377	Line 7 from prior years plus one-half Line 7 for current year
9 Return on Rate Base - Debt Component	5.618%	5.618%	5.618%	5.618%	2013 Test Year
10 Return on Rate Base - Equity Component	2.211%	2.211%	2.211%	2.211%	2013 Test Year
Revenue Requirement Impacts					
11 Return on Debt	3,213	11,418	18,445	22,043	Line 8 x Line 9
12 Return on Equity	1,264	4,493	7,259	8,675	Line 8 x Line 10
13 Annual Depreciation Expense Estimate	4,650	13,585	21,917	28,776	Line 6
14 Total Revenue Requirement Impacts	9,127	29,496	47,621	59,494	Lines 11 to 13

¹ Assumes all assets come in service in given year other than the exceptions noted.