

1 Q. **Re: NLH Evidence Section 2, pages 1.18-1.25, section 1.4**

2 Please provide NLH's forecast for rate increases in each of NLH's systems for 2014-
3 2018. Please breakdown your answer by system, rate class, and year.

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6 A. Projected annual rate changes for the period 2015 to 2017 are provided in the
7 following table:

	January 1		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Newfoundland Power			
Base Rate (mills/kWh)	84.0	89.6	91.4
RSP (mills/kWh)	-7.3	3.0	-2.1
Total Rate (mills/kWh)	76.7	92.6	89.3
Wholesale Rate Change	7%	21%	-4%
Rural/Retail Rate Change			
	5%	15%	-3%
Industrial Customers			
Base Rate (mills/kWh)	65.1	69.0	71.2
RSP (mills/kWh)	1.6	-0.3	-1.0
Total Rate (mills/kWh)	66.7	68.7	70.2
Wholesale Rate Change	-7%	3%	2%
Rural Labrador Interconnected			
	7%	8%	5%

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9 It is noted that these projections are based on Hydro's long-term planning model
10 which uses simplifying assumptions. Retail rates are not available by rate class.

1 Hydro's proposed 2014 rate changes are included in Appendix B of its Interim Rates
2 filing¹. Rate projections are not available for 2018.

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4 In general, changes in base rates are a result of changes in expenses over time.
5 Schedule 1, page 1, included in response to NP-NLH-020 provides Income
6 Statements for the period 2015 to 2017 and includes the major expense categories.
7 With respect to the 2016 forecast increase in NP's rate above, the projected
8 increase of 15% at the retail level mainly results from the RSP. The credit of -7.3
9 mills/kWh in effect on January 1, 2015 is based on RSP balance of March 31, 2014.
10 This balance included RSP activity over the period April 1, 2013 to March 31, 2014
11 which resulted in a significant positive balance in the RSP. The RSP rate in 2015
12 marked a return to average, and thus results in a RSP rate increase.

13

14 Rate increases on the Labrador Interconnected System reflect the increasing
15 finance and depreciation costs associated with the capital program partially offset
16 by purchase power savings which result from a decrease in the CF(L)Co contract
17 rate late in 2016.

¹ Refer to NP-NLH-032 for NP's July 1, 2014 estimated RSP rate change.