

1 Q. **Reference: Finance**

2 Hydro is proposing the Board approve rates to become effective in 2014 based
3 upon a 2013 test year.

4 For each item on Finance Schedule III, provide in tabular form a comparison of the
5 most current 2013 forecast to 2013 test year (i.e., referred to as Proposed 2013 in
6 Schedule III) identifying all adjustments to the test year.

7

8

9 A. Please refer to NP-NLH-027 Attachment 1, pages 1 through 3.

Newfoundland and Labrador Hydro
Financial Results and Forecasts
Revenue Requirement Analysis - 2013 Forecast vs. GRA Proposed Budget
(\$000s)

	Revised Forecast 2013	GRA Proposed 2013	Forecast to Proposed	Reference
1 Revenue requirement				
2 Energy sales	473,774	565,737	(91,963)	1
3 Other revenue	2,366	2,350	16	
4 Total revenue requirement	<u>476,140</u>	<u>568,087</u>	<u>(91,947)</u>	
5				
6 Expenses				
7 Operating expenses				
8 Salaries and fringe benefits	76,159	77,241	(1,082)	2
9 System equipment maintenance	21,742	21,495	247	
10 Office supplies and expenses	2,604	2,571	33	
11 Professional services	7,082	7,022	60	
12 Insurance	2,490	2,211	279	
13 Equipment rentals	1,795	1,731	64	3
14 Travel	3,485	3,156	329	4
15 Miscellaneous expenses	5,533	6,380	(847)	5
16 Building rental and maintenance	1,167	1,070	97	
17 Transportation	2,222	2,273	(51)	
18 Cost recoveries	(8,955)	(9,222)	267	6
19 Allocated to non-regulated customer	(2,215)	(2,108)	(107)	
20 Net operating expenses	<u>113,109</u>	<u>113,820</u>	<u>(711)</u>	
21 Fuels				
22 No. 6 fuel	174,457	200,315	(25,858)	7
23 Rate stabilization plan deferral	(46,108)	(84)	(46,024)	7
24 Diesel and other	20,108	19,159	949	7
25 Total fuels	<u>148,457</u>	<u>219,390</u>	<u>(70,933)</u>	
26 Power purchases	60,301	58,674	1,627	8
27 Amortization	51,033	51,656	(623)	9
28 Accretion of asset retirement obligation	840	843	(3)	
29 Loss on disposal	4,386	1,304	3,082	10
30 Expenses before cost of service exclusions	<u>378,126</u>	<u>445,687</u>	<u>(67,561)</u>	
31 less: cost of service exclusions	<u>(115)</u>	<u>(48)</u>	<u>(67)</u>	
32	<u>378,241</u>	<u>445,639</u>	<u>(67,398)</u>	
33				
34 Return on rate base	<u>97,899</u>	<u>122,448</u>	<u>(24,549)</u>	
Average rate base	<u>1,563,267</u>	<u>1,564,085</u>	<u>(818)</u>	
Rate of return on rate base	<u>6.26%</u>	<u>7.83%</u>	<u>-1.57%</u>	

Newfoundland and Labrador Hydro
Financial Results and Forecasts
Revenue Requirement Analysis - 2013 Forecast vs. GRA Proposed Budget
(\$000s)

	Revised Forecast 2013	Proposed 2013	
1 Capital assets	1,627,700	1,633,080	
2 less: asset retirement obligation costs	(17,320)	(17,320)	
3 less: contributions in aid of construction	(21,279)	(22,269)	
4 less: accumulated depreciation	(138,889)	(140,043)	
5 Capital assets - current year	1,450,212	1,453,448	
6 Capital assets - previous year	1,387,986	1,387,986	
7 Unadjusted Capital assets - average	1,419,099	1,420,717	
8 less: Average net assets not in use	(2,205)	(3,005)	
9 Capital assets - average	1,416,894	1,417,712	
10			
11 Cash working capital allowance	5,336	5,336	Note 1
12 Fuel	50,885	50,885	Note 1
13 Materials and supplies	24,701	24,701	Note 1
14 Deferred charges	65,451	65,451	Note 1
15			
16 Average rate base	1,563,267	1,564,085	

Note 1: Due to materiality of the balances in the calculation it was assumed that the 2013 revised balance was consistent with the 2013 proposed

Newfoundland and Labrador Hydro
Significant Adjustments To The Test Year
(\$000s)

Reference	Account	Forecast 2013	GRA Proposed 2013	Forecast to Proposed
1	Energy sales	473,774	565,737	(91,963)
	The variance in energy sales is primarily because the 2013 forecast has twelve months of existing rates as compared to the GRA 2013 proposed new rates for 12 months.			
2	Salaries and fringe benefits	76,159	77,241	(1,082)
	The main contributor to the variance is a decrease in forecast 2013 EFB loss .			
3	Insurance	2,490	2,211	279
	Increased costs for first 6 months of new premium renewal effective July 1, 2013 to June 30, 2014.			
4	Travel	3,485	3,156	329
	Primarily due to forecast relocation expenses as well as safety initiatives.			
5	Miscellaneous expenses	5,533	6,380	(847)
	Primarily due to delays in customer participation in the Energy Demand Management Program.			
6	Cost recoveries	(8,784)	(9,222)	438
	Decrease in Energy Demand Management Program deferrals partially offset by increase in external recoveries.			
7	Fuels			
	No. 6 fuel	174,457	200,315	(25,858)
	Rate stabilization plan deferral	(46,108)	(84)	(46,024)
	Diesel and other	20,108	19,159	949
	Total fuels	148,457	219,390	(70,933)
	No. 6 and diesel fuel variance is due to volume and price changes. Forecast 2013 Rate stabilization plan deferral variance is due to changes in hydraulic production, load and price compared to the 2007 COS. There is no COS variance in GRA proposed 2013.			
8	Power purchases	60,301	58,674	1,627
	Primarily due to increased wind energy production and higher supplier costs.			
9	Depreciation	51,033	51,656	(623)
	The in service date of capital projects was delayed resulting in reduced depreciation expense.			
10	Loss on disposal	4,386	1,304	3,082
	Higher loss on disposal of assets and addition of removal costs.			