

1 Q. **Reference: Rates and Regulation Evidence**

2 For each year from 1997 to forecast 2016, please estimate the impact on the rural
3 deficit of the change from the Labrador Isolated System rates to the Island
4 Interconnected rates (i.e., through either increased usage or increased capital
5 requirements) for the L'Anse Au Loup system as recommended by the Board in its
6 report of July 12, 1996. (Rates and Regulation Evidence, page 4.4, lines 3 to 4)

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9 A. Hydro has estimated the impact on the rural deficit of the change from the
10 Labrador Isolated System rates to the Island Interconnected rates due to increased
11 usage and increased capital requirements for the L'Anse Au Loup system for the
12 historical period from 1997 to 2012. Hydro cannot reliably project the impact on
13 the rural deficit for the period 2013 to 2016, however, the years 2011 and 2012
14 presented in NP-NLH-100 Attachment 1 are expected to be representative of the
15 order of magnitude of future years. Please see NP-NLH-100 Attachment 1 for the
16 estimated net decrease in the rural deficit as a result of not implementing Island
17 Interconnected rates in L'Anse au Loup in 1997.

Newfoundland and Labrador Hydro
L'Anse au Loup Interconnection Analysis

NP-NLH-100, Attachment 1
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Line No.	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999¹</u>	<u>1997</u>
Revenue Impacts (\$)															
Residential															
1 Elasticity ²	(670,041)	(573,595)	(469,278)	(406,348)	(320,212)	(269,773)	(192,229)	(162,328)	(125,483)	(97,159)	(96,258)	(66,596)	(19,267)	(23,662)	(8,809)
2 Revenue from rates ³	305,490	312,738	289,635	220,449	360,371	188,759	63,708	58,142	177,578	214,929	141,956	106,114	104,645	89,079	78,479
3 Subtotal	(364,551)	(260,858)	(179,643)	(185,899)	40,158	(81,015)	(128,521)	(104,186)	52,095	117,770	45,697	39,518	85,378	65,417	69,670
General Service															
4 Elasticity ²	(363,938)	(346,049)	(373,687)	(329,728)	(319,154)	(329,147)	(243,535)	(225,807)	(211,885)	(174,381)	(186,896)	(129,715)	(110,610)	(56,606)	(13,395)
5 Revenue from rates ³	492,614	497,564	398,041	422,750	388,232	323,003	346,686	341,941	305,559	288,103	164,574	134,644	168,247	222,647	135,714
6 Subtotal	128,676	151,515	24,354	93,022	69,078	(6,144)	103,150	116,134	93,674	113,722	(22,322)	4,929	57,638	166,041	122,319
7 Total	(235,876)	(109,343)	(155,289)	(92,877)	109,236	(87,159)	(25,371)	11,948	145,769	231,493	23,375	44,447	143,015	231,458	191,989
Avoided Fuel and Power Purchase Cost Impacts (\$)															
8 Diesel fuel costs	191,671	338,970	24,262	250,685	564,712	173,494	98,006	52,125	120,742	89,565	-	-	-	-	-
9 Power purchase costs	1,170,586	1,063,779	838,838	557,169	607,404	476,824	359,949	319,497	198,506	145,154	157,514	112,178	28,663	19,217	5,021
10 Total	1,362,257	1,402,749	863,100	807,854	1,172,116	650,318	457,955	371,622	319,248	234,718	157,514	112,178	28,663	19,217	5,021
Avoided Costs Associated with Incremental Capital Projects (\$) ⁴															
11 Depreciation	75,636	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Interest/Return on Debt	72,880	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Total	148,516	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Estimated Net Decrease in the Rural Deficit as a result of not implementing Island Interconnected Rates															
	910,346	1,032,549	528,168	529,078	1,321,511	482,145	304,063	279,384	517,112	583,981	226,587	196,144	257,056	316,092	266,680

Notes:

1. There is no Cost of Service study available for 1998.
2. Elasticity refers to the change in revenue due to estimated change in load as a result of the higher isolated rates.
3. Revenue from rates refers to the higher revenues that would have resulted from the higher isolated rates.
4. Depreciation and Return on Debt associated with two projects which came into service in 2012.