Q. Further to response to Request for Information NP-NLH-020:

Please reconcile the forecast return on equity for 2014 with the forecast rate of return on equity of 9.38% indicated in response to Request for Information IR-PUB-NLH-021 as 2014 PUB-21(i) Scenario filed in Hydro's Interim Rates Application.

A. Please refer to NP-NLH-245 Attachment 1, page 1 of 1.

Newfoundland and Labrador Hydro
Revenue Requirement and Return on Equity Analysis
($millions)

		2014 Budget	2014 PUB-21(i) Scenario	Variance	
1	**Revenue**				
2	Energy Sales	598.0	601.4	(3.4)	**Note 1**
3	Other revenue	2.3	2.3	-	
4	**Total revenue**	600.4	603.7	(3.4)	
5					
6	**Expenses**				
7	Operating expenses	116.8	116.8	-	
8	Fuels	246.5	246.5	-	
13	Power Purchases	59.2	59.2	-	
14	Amortization	56.1	56.1	-	
15	Accretion	0.8	0.8	-	
16	Loss on disposal of PP&E	2.8	2.8	-	
17	Interest	89.4	88.4	(1.0)	**Note 2**
18	**Total expenses**	571.5	570.5	(1.0)	
19					
20	**Net income before cost of service exclusions**	**28.8**	**33.2**	(4.4)	
21	less: cost of service exclusions	0.2	0.2	-	
22		29.0	33.4	(4.4)	
23					
24	Return on regulated equity	29.0	33.4	(4.4)	
25	Net interest	89.4	88.4	1.0	
26	**Return on rate base**	**118.5**	**121.8**	**(3.4)**	
27					
28	**Average rate base**	**1,625.5**	**1,625.5**	-	
29					
30	**Rate of return on rate base**	**7.3%**	**7.5%**	**-0.2%**	
31					
32	Opening Retained Earnings	337.4	337.4	-	
33	Net Income	28.8	33.2	(4.4)	
34	Ending Retained Earnings	366.2	370.6	(4.4)	
35					
36	Average Equity	351.8	354.0	(2.2)	
37	**Return on Equity %**	**8.19%**	**9.38%**	**-1.19%**	

Note 1: The increase is mainly due to the implementation of Labrador rates effective January 1, instead of July 1.

Note 2: The decrease is primarily due to RSP interest resulting from the proposed load variation methodology becoming effective January 1 rather than July 1 resulting in a lower RSP balance payable and corresponding RSP interest expense.