

1 Q. (Re: Application Clause 10) What is the impact in percentage and dollar terms that
 2 lease costs would have if expensed in the year incurred on: 1) rates, if the Board
 3 were to allow Hydro full cost recovery, and 2) on Hydro's return if the Board were
 4 not to allow full cost recovery?

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7 A. 1) The following table presents the percentage and dollar impact to the Island
 8 Interconnected System Revenue Requirement if the Board were to allow Hydro full
 9 cost recovery (Note 1):

	Forecast		Forecast	
	2014		2015	
Lease Impact (\$millions)	\$	3.8	\$	1.4
Lease Percentage Impact on Revenue Requirement		0.8%		0.3%
Capital Impact (\$millions)	\$	0.9	\$	0.4
Capital Percentage Impact on Revenue Requirement		0.2%		0.1%
Lease and Capital Impact (\$millions)	\$	4.7	\$	1.9
Lease and Capital Percentage Impact on Revenue Requirement		0.9%		0.4%

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12 2) The following table presents the percentage and dollar impact on Hydro's
 13 return (Note 1) if the Board were not to allow Hydro full cost recovery:

	Forecast		Forecast	
	2014		2015	
Return on Rate Base Excluding Lease and Capital (\$millions)	\$	118.5	\$	119.4
Average Rate Base Excluding Lease and Capital (\$millions)	\$	1,625.8	\$	1,715.2
Rate of Return on Rate Base % - Excluding Lease and Capital		7.3%		7.0%
Lease Impact on Return (\$millions)	\$	(3.8)	\$	(1.4)
Rate of Return on Rate Base % Impact if Lease Not Recovered		-0.2%		-0.1%
Capital Impact on Return (\$millions)	\$	(0.8)	\$	(0.4)
Rate of Return on Rate Base % Impact if Capital Not Recovered		0.1%		0.0%
Return on Rate Base if Lease and Capital Not Recovered (\$millions)	\$	113.8	\$	117.5
Average Rate Base if Lease and Capital Not Recovered (\$millions)	\$	1,626.8	\$	1,716.4
Rate of Return on Rate Base % - Lease and Capital Not Recovered		7.0%		6.8%
2013 Proposed Rate of Return on Rate Base %		7.8%		7.8%

1 Note 1: The calculations assume that the 2013 GRA rates are effective on January 1, 2014 with the
2 exception of the Labrador Interconnected Customers which would be effective on July 1,
3 2014.

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5 Please also refer to Hydro's response to IC-NLH-015.