

1 Q. **Volume I, Tab H: Capital Expenditures 2009 – 2018:** The actual Capital
2 Expenditures for the past four years have ranged from \$54.15 million in 2009 to
3 \$77.25 million in 2012. The forecast Capital Expenditures for the period from 2013
4 to 2018 are set out as follows:

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$115,702	\$151,449	\$209,008	\$164,201	\$144,555	\$140,441

7 Using the rate of return on rate base and the operating expenses for the last test
8 year (2007), and setting out any other reasonable assumptions, please calculate the
9 impact on the revenue requirement for each of the upcoming five years that can be
10 attributed directly to the forecast capital expenditures for that period.

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13 A. The Table below provides the *pro forma* revenue requirement impacts for 2014 to
14 2018 that can be directly attributable to the forecast capital expenditures for that
15 period. Based on 2007 Test Year assumptions, return on equity was not calculated
16 on rural assets. Please refer to PUB-NLH-33 Attachment 1 for the supporting
17 calculations.

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Table 1
***Pro Forma* Revenue Requirement**
2014-2018
(\$000's)

Year	Revenue Requirement
2014	6,682
2015	23,398
2016	40,029
2017	51,494
2018	70,589

Newfoundland and Labrador Hydro
2014 Capital Budget Application
PUB-NLH-33 Back up calculations (\$000's)

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NLH 2014 CBA

Line No		A Total	B 2014	C 2015	D 2016	E 2017	F 2018	Comments
1	Forecast Capital Expenditures	809,654	151,449	209,008	164,201	144,555	140,441	2014 CBA, Volume 1, Tab H
2	Transmission line corridor - In service date 2018		(6,371)	(74,626)	(62,602)	(60,759)	204,358	
3	Gas Turbine Holyrood - In service date 2015		(46,410)	46,410				
4	Net Plant in Service	809,654	98,669	180,792	101,599	83,796	344,799	
Rural Plant								
<u>Forecast Rural Systems Capital Expenditures</u>								
5	Distribution		(16,147)	(21,688)	(22,528)	(14,089)	(13,988)	
6	Diesel Plants		(13,632)	(13,063)	(15,801)	(11,912)	(8,817)	
<u>Rural Portion of General Plant</u>								
<u>Forecast General Properties Capital Expenditures</u>								
7	Information Systems		1,869	2,952	1,702	2,854	1,507	
8	Telecontrol		1,962	2,045	4,934	5,740	2,817	
9	Transportation		2,647	3,176	2,656	2,273	2,860	
10	Administrative		324	833	2,018	1,386	557	
11	Total General Properties		6,802	9,006	11,311	12,252	7,740	
12	Rural Estimate		28%	28%	28%	28%	28%	2007 Test Year Ratio
13	Rural Portion of General Plant		(1,905)	(2,522)	(3,167)	(3,431)	(2,167)	Line 11 x Line 12
14	Total Rural Plant		(31,683)	(37,273)	(41,496)	(29,432)	(24,972)	Lines 5, 6 and 13
15	Net Plant in Service for Equity Return		66,985	143,519	60,103	54,364	319,827	Line 4 + Line 14
16	Annual Depreciation Expense Estimate		6,375	7,447	7,113	5,389	4,813	
17	Current year Depreciation Expense Estimate		3,187	10,098	17,378	23,629	28,730	Line 16 from prior years plus one-half Line 16 for current year
18	Net Book Value for Forecast Capital Expenditures		95,481	170,694	84,221	60,167	316,069	Line 4 - Line 17
19	Average Change to Rate Base for Debt return		47,741	180,828	308,285	380,479	568,597	Line 18 from prior years plus one-half Line 18 for current year Line 15 from prior years plus one-half Line 15 for current year
20	Less: Average Rural Plant		(15,842)	(50,320)	(89,704)	(125,168)	(152,370)	Depreciation impacts considered immaterial
21	Average Change to Rate Base for Equity return		31,899	130,508	218,581	255,311	416,227	
22	Return on Rate Base - Debt Component		6.905%	6.905%	6.905%	6.905%	6.905%	2007 Test Year
23	Return on Rate Base - Equity Component		0.625%	0.625%	0.625%	0.625%	0.625%	2007 Test Year
Revenue Requirement Impacts								
24	Return on Debt	102,596	3,296	12,485	21,286	26,270	39,259	Line 19 x Line 22
25	Return on Equity	6,574	199	815	1,365	1,595	2,600	Line 21 x Line 23
26	Annual Depreciation Expense Estimate	83,023	3,187	10,098	17,378	23,629	28,730	Line 17
27	Total Revenue Requirement Impacts	192,193	6,682	23,398	40,029	51,494	70,589	Lines 24 to 26