

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 |

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7 Using the rate of return on rate base and the operating expenses forecast for the
8 next test year (2013), and setting out any reasonable assumptions, please calculate
9 the impact on the revenue requirement for each of the upcoming five years that
10 can be attributed directly to the forecast capital expenditures for that period.
11
12

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. Please refer to PUB-NLH-34 Attachment 1 for the supporting calculations.

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

| Year | Revenue Requirement |
|-------------|----------------------------|
| 2014 | 6,924 |
| 2015 | 24,255 |
| 2016 | 41,513 |
| 2017 | 53,416 |
| 2018 | 73,244 |

Newfoundland and Labrador Hydro
2014 Capital Budget Application
PUB-NLH-34 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 Available for Equity Return | 809,654 | 98,669 | 180,792 | 101,599 | 83,796 | 344,799 | |
| 5 | Annual Depreciation Expense Estimate | | 6,375 | 7,447 | 7,113 | 5,389 | 4,813 | |
| 6 | Current year Depreciation Expense Estimate | | 3,187 | 10,098 | 17,378 | 23,629 | 28,730 | Line 5 from prior years plus one-half Line 5 for current year |
| 7 | Net Book Value for Forecast Capital Expenditures | | 95,481 | 170,694 | 84,221 | 60,167 | 316,069 | Line 4 - Line 6 |
| 8 | Average Change to Rate Base | | 47,741 | 180,828 | 308,285 | 380,479 | 568,597 | Line 7 from prior years plus one-half Line 7 for current year |
| 9 | Return on Rate Base - Debt Component | | 5.618% | 5.618% | 5.618% | 5.618% | 5.618% | 2013 Test Year |
| 10 | Return on Rate Base - Equity Component | | 2.211% | 2.211% | 2.211% | 2.211% | 2.211% | 2013 Test Year |
| Revenue Requirement Impacts | | | | | | | | |
| 11 | Return on Debt | 83,478 | 2,682 | 10,159 | 17,319 | 21,375 | 31,943 | Line 8 x Line 9 |
| 12 | Return on Equity | 32,852 | 1,055 | 3,998 | 6,816 | 8,412 | 12,571 | Line 8 x Line 10 |
| 13 | Annual Depreciation Expense Estimate | 83,023 | 3,187 | 10,098 | 17,378 | 23,629 | 28,730 | Line 6 |
| 14 | Total Revenue Requirement Impacts | 199,353 | 6,924 | 24,255 | 41,513 | 53,416 | 73,244 | Lines 11 to 13 |