

1 **Volume 1, Section 2 – Customer Operations**

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3 **Q. Please provide revised versions of Exhibits 9, 10 and 11 based on an amortization**  
4 **period for the revenue and cost recovery deferrals shown Table 33 at page 82 (and**  
5 **discussed in the evidence of J.T. Browne at Volume 3, Tab 2: Regulatory**  
6 **Accounting) that is:**

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8 **a. One year**

9 **b. Two years**

10 **c. Three years**

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12 **A. Revised versions of Exhibits 9, 10, 11 based on a 1, 2 and 3 year amortization period for**  
13 **the revenue and cost recovery deferrals is provided in Attachments A, B and C**  
14 **respectively.**

**Attachment A**

## Newfoundland Power Inc.

2008 Revenue Requirements<sup>1</sup>  
(\$000s)

## 1 Year Amortization Period of Revenue and Cost Recovery Deferrals

	Existing	Changes	Revised
1 <b>Return on Rate Base</b>	54,204	17,244	71,448
2			
3 <b>Other Costs</b>			
4 Purchased Power Costs	328,786	359	329,145
5 Operating Costs	48,723	(833)	47,890
6 Pension and Early Retirement Costs	3,348	-	3,348
7 OPEB Costs	-	6,370	6,370
8 Amortization of Cost Recovery Deferral - Depreciation	-	11,586	11,586
9 Depreciation	41,002	(795)	40,207
10 Income Taxes	14,256	7,148	21,404
11	436,115	23,835	459,950
12			
13 <b>Total Costs and Return</b>	490,319	41,079	531,398
14			
15 <b>Adjustments</b>			
16 Other Revenue	(10,801)	(1,210)	(12,011)
17 Non-regulated Expenses	(983)	-	(983)
18 Other Adjustments <sup>3</sup>	-	92	92
19			
20 <b>2008 Revenue Requirement</b>	<b>478,535</b>	<b>39,961</b>	<b>518,496</b>
21			
22 Revenue Deferral Amortizations	-	(20,533)	(20,533)
23			
24 <b>Revenue Required From Rates</b>	<b>478,535</b>	<b>19,428</b> <sup>2</sup>	<b>497,963</b>

<sup>1</sup> See Section 3.9, 2008 Revenue Requirements for a summary of the Company's 2008 Revenue Requirements proposals.

<sup>2</sup> Excludes price elasticity impacts related to revenue of \$2.6 million. The required revenue increase in 2008 of \$26.6 million is comprised of \$24.0 million from line 25 and price elasticity impacts of \$2.6 million (See Exhibit 11, line 1, Column D).

<sup>3</sup> Includes \$62,000 related to the amortization of capital stock issue expenses and \$30,000 related to customer security deposits.

**Newfoundland Power Inc.**

**2008 Return on Rate Base  
(\$000s)**

*1 Year Amortization Period of Revenue and Cost Recovery Deferrals*

	<u>Existing</u>	<u>Changes</u>	<u>Revised</u>
1			
2	<b>Average Invested Capital</b>		
3	450,632	(10,158) <sup>1</sup>	440,474
4	9,353	-	9,353
5	356,043	8,253 <sup>2</sup>	364,296
6	<u>816,028</u>	<u>(1,905)</u>	<u>814,123</u>
7			
8	<b>Average Invested Capital Ratios</b>		
9	55.22%	-1.12% <sup>1</sup>	54.10%
10	1.15%	-	1.15%
11	43.63%	1.12% <sup>2</sup>	44.75%
12	<u>100.00%</u>	<u>0.00%</u>	<u>100.00%</u>
13			
14	<b>Cost of Capital</b>		
15	7.33%	0.35% <sup>1</sup>	7.68%
16	6.27%	-	6.27%
17	5.85%	4.40% <sup>2</sup>	10.25%
18			
19	<b>Weighted Average Cost of Capital</b>		
20	4.05%	0.10%	4.15%
21	0.07%	-	0.07%
22	2.55%	2.04%	4.59%
23	<u>6.67%</u>	<u>2.14%</u>	<u>8.81%</u>
24			
25	<b>Returns</b>		
26	33,034	481 <sup>1</sup>	33,515
27	586	-	586
28	20,843	16,504 <sup>2</sup>	37,347
29	(259)	259 <sup>3</sup>	-
30	<u>54,204</u>	<u>17,244</u>	<u>71,448</u>

<sup>1</sup> Reflects reduced borrowing requirements resulting from the proposed increase in cash revenue.

<sup>2</sup> Reflects the Company's proposed return on common equity of 10.25 percent in 2008.

<sup>3</sup> Return on rate base under the ARBM does not require the inclusion of a Z Factor. See Section 3.3.3, Automatic Adjustment Formula.

**Newfoundland Power Inc.**  
**2008 Average Rate Increase**  
**(\$000s)**  
*1 Year Amortization Period of Revenue and Cost Recovery Deferrals*

	<u>Existing<sup>1</sup></u>	<u>Revised<sup>2</sup></u>	<u>Difference</u>	<u>Price Elasticity<sup>3</sup></u>	<u>Revised Increase<sup>4</sup></u>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
1 Revenue From Rates	478,535	497,963	19,428	2,606	22,034
2					
3 RSA Charges	22,741	22,593	(148)	148	-
4					
5 MTA Charges	11,935	12,612	677	67	744
6					
7 Total	513,211	533,168	19,957	2,821	22,778
8					
9 <b>Customer Rate Change<sup>5</sup></b>					<b>4.5%</b>

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<sup>1</sup> Revenue from existing rates from Exhibit 9. RSA based on the RSA factor (0.444 ¢/kWh) effective January 1, 2007. MTA based on MTA Factor (1.02393) effective July 1, 2006.

<sup>2</sup> Revenue from proposed rates from Exhibit 9. RSA based on the RSA factor (0.444 ¢/kWh) effective January 1, 2007. MTA based on MTA factor (1.02393) effective July 1, 2006.

<sup>3</sup> Elasticity impacts represent revenue reductions from reduced customer usage as a result of the 5.3 percent rate increase. Determined by applying existing rates to the 2008 test year sales forecast adjusted for the elasticity impacts and comparing results to Column A.

<sup>4</sup> Difference between existing and proposed forecasts plus additional revenue requirement to offset price elasticity impact (Column C plus Column D).

<sup>5</sup> Total of Column E expressed as percentage of (Column A less Column D).

**Attachment B**

Newfoundland Power Inc.

2008 Revenue Requirements<sup>1</sup>  
(\$000s)

2 Year Amortization Period of Revenue and Cost Recovery Deferrals

	<u>Existing</u>	<u>Changes</u>	<u>Revised</u>
1 <b>Return on Rate Base</b>	54,204	17,184	71,388
2			
3 <b>Other Costs</b>			
4 Purchased Power Costs	328,786	(539)	328,247
5 Operating Costs	48,723	(833)	47,890
6 Pension and Early Retirement Costs	3,348	-	3,348
7 OPEB Costs	-	6,370	6,370
8 Amortization of Cost Recovery Deferral - Depreciation	-	5,793	5,793
9 Depreciation	41,002	(795)	40,207
10 Income Taxes	14,256	7,737	21,993
11	<u>436,115</u>	<u>17,733</u>	<u>453,848</u>
12			
13 <b>Total Costs and Return</b>	490,319	34,917	525,236
14			
15 <b>Adjustments</b>			
16 Other Revenue	(10,801)	(1,210)	(12,011)
17 Non-regulated Expenses	(983)	-	(983)
18 Other Adjustments <sup>3</sup>	-	92	92
19			
20 <b>2008 Revenue Requirement</b>	<b>478,535</b>	<b>33,799</b>	<b>512,334</b>
21			
22 Revenue Deferral Amortizations	<u>-</u>	<u>(11,562)</u>	<u>(11,562)</u>
23			
24 <b>Revenue Required From Rates</b>	<b>478,535</b>	<b>22,237</b> <sup>2</sup>	<b>500,772</b>

<sup>1</sup> See Section 3.9, 2008 Revenue Requirements for a summary of the Company's 2008 Revenue Requirements proposals.

<sup>2</sup> Excludes price elasticity impacts related to revenue of \$2.6 million. The required revenue increase in 2008 of \$26.6 million is comprised of \$24.0 million from line 25 and price elasticity impacts of \$2.6 million (See Exhibit 11, line 1, Column D).

<sup>3</sup> Includes \$62,000 related to the amortization of capital stock issue expenses and \$30,000 related to customer security deposits.

Newfoundland Power Inc.

2008 Return on Rate Base  
(\$000s)

2 Year Amortization Period of Revenue and Cost Recovery Deferrals

	<u>Existing</u>	<u>Changes</u>	<u>Revised</u>
1			
2	<b>Average Invested Capital</b>		
3	450,632	(11,180) <sup>1</sup>	439,452
4	9,353	-	9,353
5	356,043	8,245 <sup>2</sup>	364,288
6	<u>816,028</u>	<u>(2,935)</u>	<u>813,093</u>
7			
8	<b>Average Invested Capital Ratios</b>		
9	55.22%	-1.17% <sup>1</sup>	54.05%
10	1.15%	-	1.15%
11	43.63%	1.17% <sup>2</sup>	44.80%
12	<u>100.00%</u>	<u>0.00%</u>	<u>100.00%</u>
13			
14	<b>Cost of Capital</b>		
15	7.33%	0.35% <sup>1</sup>	7.68%
16	6.27%	-	6.27%
17	5.85%	4.40% <sup>2</sup>	10.25%
18			
19	<b>Weighted Average Cost of Capital</b>		
20	4.05%	0.10%	4.15%
21	0.07%	-	0.07%
22	2.55%	2.04%	4.59%
23	<u>6.67%</u>	<u>2.14%</u>	<u>8.81%</u>
24			
25	<b>Returns</b>		
26	33,034	435 <sup>1</sup>	33,469
27	586	-	586
28	20,843	16,490 <sup>2</sup>	37,333
29	(259)	259 <sup>3</sup>	-
30	<u>54,204</u>	<u>17,184</u>	<u>71,388</u>

<sup>1</sup> Reflects reduced borrowing requirements resulting from the proposed increase in cash revenue.

<sup>2</sup> Reflects the Company's proposed return on common equity of 10.25 percent in 2008.

<sup>3</sup> Return on rate base under the ARBM does not require the inclusion of a Z Factor. See Section 3.3.3, Automatic Adjustment Formula.



**Newfoundland Power Inc.**  
**2008 Average Rate Increase**  
**(\$000s)**  
**2 Year Amortization Period of Revenue and Cost Recovery Deferrals**

	<u>Existing<sup>1</sup></u>	<u>Revised<sup>2</sup></u>	<u>Difference</u>	<u>Price Elasticity<sup>3</sup></u>	<u>Revised Increase<sup>4</sup></u>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
1 Revenue From Rates	478,535	500,772	22,237	2,606	24,843
2					
3 RSA Charges	22,741	22,593	(148)	148	-
4					
5 MTA Charges	11,935	12,542	607	67	674
6					
7 Total	513,211	535,907	22,696	2,821	25,517
8					
9 <b>Customer Rate Change<sup>5</sup></b>					<b>5.0%</b>

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<sup>1</sup> Revenue from existing rates from Exhibit 9. RSA based on the RSA factor (0.444 ¢/kWh) effective January 1, 2007. MTA based on MTA Factor (1.02393) effective July 1, 2006.

<sup>2</sup> Revenue from proposed rates from Exhibit 9. RSA based on the RSA factor (0.444 ¢/kWh) effective January 1, 2007. MTA based on MTA factor (1.02393) effective July 1, 2006.

<sup>3</sup> Elasticity impacts represent revenue reductions from reduced customer usage as a result of the 5.3 percent rate increase. Determined by applying existing rates to the 2008 test year sales forecast adjusted for the elasticity impacts and comparing results to Column A.

<sup>4</sup> Difference between existing and proposed forecasts plus additional revenue requirement to offset price elasticity impact (Column C plus Column D).

<sup>5</sup> Total of Column E expressed as percentage of (Column A less Column D).

**Attachment C**

**Newfoundland Power Inc.**

**2008 Revenue Requirements<sup>1</sup>**  
**(\$000s)**

**3 Year Amortization Period of Revenue and Cost Recovery Deferrals**

	<u>Existing</u>	<u>Changes</u>	<u>Revised</u>
1 <b>Return on Rate Base</b>	54,204	17,173	71,377
2			
3 <b>Other Costs</b>			
4 Purchased Power Costs	328,786	(838)	327,948
5 Operating Costs	48,723	(833)	47,890
6 Pension and Early Retirement Costs	3,348	-	3,348
7 OPEB Costs	-	6,370	6,370
8 Amortization of Cost Recovery Deferral - Depreciation	-	3,862	3,862
9 Depreciation	41,002	(795)	40,207
10 Income Taxes	14,256	7,939	22,195
11	<u>436,115</u>	<u>15,705</u>	<u>451,820</u>
12			
13 <b>Total Costs and Return</b>	490,319	32,878	523,197
14			
15 <b>Adjustments</b>			
16 Other Revenue	(10,801)	(1,210)	(12,011)
17 Non-regulated Expenses	(983)	-	(983)
18 Other Adjustments <sup>3</sup>	-	92	92
19	<u>-</u>	<u>92</u>	<u>92</u>
20 <b>2008 Revenue Requirement</b>	<b>478,535</b>	<b>31,760</b>	<b>510,295</b>
21			
22 Revenue Deferral Amortizations	<u>-</u>	<u>(8,572)</u>	<u>(8,572)</u>
23			
24 <b>Revenue Required From Rates</b>	<b>478,535</b>	<b>23,188</b> <sup>2</sup>	<b>501,723</b>

<sup>1</sup> See Section 3.9, 2008 Revenue Requirements for a summary of the Company's 2008 Revenue Requirements proposals.

<sup>2</sup> Excludes price elasticity impacts related to revenue of \$2.6 million. The required revenue increase in 2008 of \$26.6 million is comprised of \$24.0 million from line 25 and price elasticity impacts of \$2.6 million (See Exhibit 11, line 1, Column D).

<sup>3</sup> Includes \$62,000 related to the amortization of capital stock issue expenses and \$30,000 related to customer security deposits.

**Newfoundland Power Inc.**

**2008 Return on Rate Base  
(\$000s)**

**3 Year Amortization Period of Revenue and Cost Recovery Deferrals**

	<u>Existing</u>	<u>Changes</u>	<u>Revised</u>
1			
2	<b>Average Invested Capital</b>		
3	450,632	(11,525) <sup>1</sup>	439,107
4	9,353	-	9,353
5	356,043	8,248 <sup>2</sup>	364,291
6	<u>816,028</u>	<u>(3,277)</u>	<u>812,751</u>
7			
8	<b>Average Invested Capital Ratios</b>		
9	55.22%	-1.19% <sup>1</sup>	54.03%
10	1.15%	-	1.15%
11	43.63%	1.19% <sup>2</sup>	44.82%
12	<u>100.00%</u>	<u>0.00%</u>	<u>100.00%</u>
13			
14	<b>Cost of Capital</b>		
15	7.33%	0.36% <sup>1</sup>	7.69%
16	6.27%	-	6.27%
17	5.85%	4.40% <sup>2</sup>	10.25%
18			
19	<b>Weighted Average Cost of Capital</b>		
20	4.05%	0.10%	4.15%
21	0.07%	-	0.07%
22	2.55%	2.04%	4.59%
23	<u>6.67%</u>	<u>2.14%</u>	<u>8.81%</u>
24			
25	<b>Returns</b>		
26	33,034	420 <sup>1</sup>	33,454
27	586	-	586
28	20,843	16,494 <sup>2</sup>	37,337
29	(259)	259 <sup>3</sup>	-
30	<u>54,204</u>	<u>17,173</u>	<u>71,377</u>

<sup>1</sup> Reflects reduced borrowing requirements resulting from the proposed increase in cash revenue.

<sup>2</sup> Reflects the Company's proposed return on common equity of 10.25 percent in 2008.

<sup>3</sup> Return on rate base under the ARBM does not require the inclusion of a Z Factor. See Section 3.3.3, Automatic Adjustment Formula.

Newfoundland Power Inc.

2008 Average Rate Increase  
(\$000s)

3 Year Amortization Period of Revenue and Cost Recovery Deferrals

	Existing <sup>1</sup>	Revised <sup>2</sup>	Difference	Price Elasticity <sup>3</sup>	Revised Increase <sup>4</sup>
	A	B	C	D	E
1 Revenue From Rates	478,535	501,723	23,188	2,606	25,794
2					
3 RSA Charges	22,741	22,593	(148)	148	-
4					
5 MTA Charges	11,935	12,518	583	67	650
6					
7 Total	513,211	536,834	23,623	2,821	26,444
8					
9 <b>Customer Rate Change<sup>5</sup></b>					<b>5.2%</b>
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28 <sup>1</sup> Revenue from existing rates from Exhibit 9. RSA based on the RSA factor (0.444¢/kWh) effective January 1, 2007. MTA based on MTA  
29 Factor (1.02393) effective July 1, 2006.

31 <sup>2</sup> Revenue from proposed rates from Exhibit 9. RSA based on the RSA factor (0.444 ¢/kWh) effective January 1, 2007.  
32 MTA based on MTA factor (1.02393) effective July 1, 2006.

34 <sup>3</sup> Elasticity impacts represent revenue reductions from reduced customer usage as a result of the 5.3 percent rate increase.  
35 Determined by applying existing rates to the 2008 test year sales forecast adjusted for the elasticity impacts and comparing results to Column A.

37 <sup>4</sup> Difference between existing and proposed forecasts plus additional revenue requirement to offset price elasticity impact  
38 (Column C plus Column D).

40 <sup>5</sup> Total of Column E expressed as percentage of (Column A less Column D).

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