

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

2

3 **Q. Please provide revised versions of Exhibits 9, 10 and 11 based on an amortization**
4 **period for the depreciation cost recovery deferral of five years and an amortization**
5 **for the remaining regulatory deferrals shown Table 33 at page 82 (i.e., the revenue**
6 **deferrals and replacement energy cost recovery deferral) that is one year.**

7

8 A. Revised versions of Exhibits 9, 10 and 11 have been provided as Attachment A.

Attachment A

Newfoundland Power Inc.

2008 Revenue Requirements¹
(\$000s)

1 Year Amortization Period of Revenue and Replacement Energy Cost Recovery Deferral
5 Year Amortization of Depreciation Cost Recovery Deferral

	<u>Existing</u>	<u>Changes</u>	<u>Revised</u>
1 Return on Rate Base	54,204	17,406	71,610
2			
3 Other Costs			
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	-	2,317	2,317
9 Depreciation	41,002	(795)	40,207
10 Income Taxes	14,256	2,264	16,520
11	<u>436,115</u>	<u>9,682</u>	<u>445,797</u>
12			
13 Total Costs and Return	490,319	27,088	517,407
14			
15 Adjustments			
16 Other Revenue	(10,801)	(1,210)	(12,011)
17 Non-regulated Expenses	(983)	-	(983)
18 Other Adjustments ³	-	92	92
19	<u>-</u>	<u>92</u>	<u>92</u>
20 2008 Revenue Requirement	478,535	25,970	504,505
21			
22 Revenue Deferral Amortizations	<u>-</u>	<u>(20,533)</u>	<u>(20,533)</u>
23			
24 Revenue Required From Rates	478,535	5,437 ²	483,972

¹ See Section 3.9, *2008 Revenue Requirements* for a summary of the Company's 2008 Revenue Requirements proposals.

² 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).

³ 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 Replacement Energy Cost Recovery Deferral
5 Year Amortization of Depreciation Cost Recovery Deferral

	Existing	Changes	Revised
Average Invested Capital			
Total Debt	450,632	(6,586) ¹	444,046
Preference Shares	9,353	-	9,353
Common Equity	356,043	8,251 ²	364,294
	<u>816,028</u>	<u>1,665</u>	<u>817,693</u>
Average Invested Capital Ratios			
Total Debt	55.22%	-0.92% ¹	54.30%
Preference Shares	1.15%	-	1.15%
Common Equity	43.63%	0.92% ²	44.55%
	<u>100.00%</u>	<u>0.00%</u>	<u>100.00%</u>
Cost of Capital			
Debt	7.33%	0.32% ¹	7.65%
Preference Shares	6.27%	-	6.27%
Common Equity	5.85%	4.40% ²	10.25%
Weighted Average Cost of Capital			
Debt	4.05%	0.10%	4.15%
Preference Shares	0.07%	-	0.07%
Common Equity	2.55%	2.02%	4.57%
	<u>6.67%</u>	<u>2.12%</u>	<u>8.79%</u>
Returns			
Return on Debt	33,034	646 ¹	33,680
Return on Preference Shares	586	-	586
Regulated Return on Common Equity	20,843	16,501 ²	37,344
Z Factor Effects	(259)	259 ³	-
Return on Rate Base	<u>54,204</u>	<u>17,406</u>	<u>71,610</u>

¹ Reflects reduced borrowing requirements resulting from the proposed increase in cash revenue.

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

³ 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 Replacement Energy Cost Recovery Deferral
5 Year Amortization of Depreciation Cost Recovery Deferral

	<u>Existing¹</u>	<u>Revised²</u>	<u>Difference</u>	<u>Price Elasticity³</u>	<u>Revised Increase⁴</u>
	A	B	C	D	E
1 Revenue From Rates	478,535	483,972	5,437	2,606	8,043
2					
3 RSA Charges	22,741	22,593	(148)	148	-
4					
5 MTA Charges	11,935	12,962	1,027	67	1,094
6					
7 Total	513,211	519,527	6,316	2,821	9,137
8					
9 Customer Rate Change⁵					1.8%
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28 ¹ 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 ² 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 ³ 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 ⁴ Difference between existing and proposed forecasts plus additional revenue requirement to offset price elasticity impact
38 (Column C plus Column D).

40 ⁵ Total of Column E expressed as percentage of (Column A less Column D).