

1 Q. With reference to Exhibit 1: Overview, Table 2, please confirm that the proposed average rate
2 base for 2017 fully reflects the actual rate base, with all required adjustments based on previous
3 Board orders to reflect disallowed capital costs. If not confirmed, please explain. In any event,
4 please provide the detailed calculations showing these adjustments.

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7 A. As per Board Order No. P.U. 16(2019), Newfoundland and Labrador Hydro (“Hydro”) updated its
8 2017 average rate base for 2017 actual capital costs and made adjustments based upon orders
9 from the Board of Commissioners of Public Utilities (“Board”) to reflect disallowed capital costs.
10 However, the proposed average rate base for 2017 does not fully reflect 2017 actual rate base
11 as Hydro was not ordered by the Board to update the forecast 2017 General Rate Application
12 total rate base for actuals. Hydro updated specific components of the 2017 General Rate
13 Application rate base for actuals where directed by the Board in Board Order No. P.U. 16(2019)
14 and maintained the 2017 forecast rate base filed for balances not specifically addressed by the
15 Board. Table 1 provides a summary of the changes.

Table 1: Computation of Average Rate Base for 2017

	2017 General Rate Application	2017 GRA Compliance Application	Difference
	2017	2017	2017
Property, Plant, and Equipment	2,113,913	2,067,800	(46,113) ²
Add: Accumulated Depreciation	308,582	308,470	(112) ²
Less: Work-in-Progress ¹	(71,760)	(33,557)	38,203 ²
Capital Assets in Service	2,350,735	2,342,713	(8,022) ²
Less: Asset Retirement Obligation	79	790	711 ²
Add: Contributions in Aid of Construction ¹	(33,466)	(32,477)	989 ²
Less: Accumulated Depreciation	(308,582)	(308,470)	112 ²
Capital Assets: Current year	2,008,765	2,002,556	(6,209) ²
Capital Assets: Previous year	1,699,166	1,699,166	0
Unadjusted Capital Assets - Average	1,853,966	1,850,861	(3,105) ²
Less: Average Net Assets Excluded from Rate Base	(16,246)	(21,141)	(4,895) ²
Capital Assets: Average	1,837,720	1,829,720 ²	(8,000) ²
Working Capital Allowance	7,582	7,582	-
Fuel Inventory	67,287	67,287	(0) ³
Materials and Supplies	33,135	33,135	0
Deferred Charges	129,780	156,074 ⁴	26,294 ⁴
Average Rate Base	2,075,503	2,093,796	18,293

¹ Contributions for assets that are in work-in-progress have been included in work-in-progress.

² As per Board Order No. P.U. 16(2019), at p. 45, Hydro is required to update the 2018 Test Year to align with actual 2018 Capital Assets. The revised Average Capital Assets of \$1,829.7 million is consistent with the sum of Hydro's opening 2018 Annual Return Average Capital Assets in Return 3 of the 2018 Annual Return.

³ Hydro did not adjust the forecast Average Rate Base for fuel in 2017 as there was no direct order provided by the Board. However, to be compliant with Board Order No. P.U. 16(2019), pp. 19–21, and Exhibit 1, at p. 3, Hydro recorded an opening balance adjustment to the 2018 Average Rate Base Fuel balance to use the 2017 closing inventory for No. 6 fuel and Holyrood Gas Turbine No.2 fuel in the calculation of the 13-month average.

⁴ Updated the closing balances 2015–2017 supply deferrals, as per Board Order No. P.U. 16(2019), at pp. 51–52. Please refer to Hydro's response to IC-NLH-009 for further information.