

- 1 **Q. (Reference Application) Please provide a detailed calculation of the cost to own**
 2 **and operate NP’s hydro facilities, and the amount of money recovered annually**
 3 **from customers attributable to NP’s hydro generation facilities.**
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- 5 A. Table 1 provides a *pro forma* estimate of the total 2023 revenue requirement associated
 6 with hydro facility assets for Newfoundland Power.¹

Table 1 2023 Pro Forma Revenue Requirement Analysis Hydro Facility Assets (\$millions)	
Operating Expense	3.5
Depreciation Expense ²	5.5
Return on Rate Base ³	9.3
Income Taxes ⁴	2.4
2023 Pro Forma Revenue Requirement	20.7

7 The total cost in 2023 related to Newfoundland Power’s hydro facilities is estimated at
 8 \$20.7 million.
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10 Newfoundland Power’s hydro facilities reduce the amount of electricity required from
 11 Newfoundland and Labrador Hydro (“Hydro”). Based on Hydro’s December 2022
 12 marginal cost update, as provided to Newfoundland Power, the cost to replace the
 13 production from the Company’s hydro facilities following completion of the Muskrat Falls
 14 Project is estimated at \$33 million annually.⁵

¹ Customer rates are based on: (i) Newfoundland Power’s 2023 test year revenue requirement approved in Order No. P.U. 3 (2022); and (ii) the flow through of Hydro’s purchased power costs in Order Nos. P.U. 20 (2022) and P.U. 17 (2023).

² Based on the depreciation rates approved by the Board in Order No. P.U. 3 (2022). The depreciation rate associated with generation assets is 2.35%.

³ Based on Newfoundland Power’s 2023 test year return on rate base of 6.39%.

⁴ Income taxes associated with return on equity. The income tax rate is 30%.

⁵ These estimates are calculated to reflect post-Muskrat Falls marginal costs using the 2024 marginal cost values for energy and capacity. The energy-related value of production from the Company’s hydro facilities is estimated at \$18 million annually, while the capacity-related value is estimated at \$15 million annually.