

1 Q. (Exhibit 13 – 2013 Cost of Service Study)

2 With reference to the Labrador Interconnected System, please specifically
3 demonstrate how the increase in capital spending over 2007 to 2013 of
4 approximately \$39 million in system upgrades results in the requested rate increase
5 sought in the Application.
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11 The Amended Application proposes a 2.1% average increase to retail customers on
12 the Labrador Interconnected System. The proposed customer rate increase reflects
13 a proposed change in the allocation of the Rural Deficit in the 2015 Test Year Cost
14 of Service Study. The proposed rate increase for Labrador Interconnected Rural
15 Customers of 2.1% would increase to approximately 27.8% if the existing
16 methodology of Rural Deficit allocation was maintained. See Section 4.3.1 of the
17 Evidence in the Amended Application.

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19 There was an increase in capital spending of approximately \$59 million over the
20 period 2007 to 2015. The table below provides a comparison of the 2007 and 2015
Labrador Interconnected return on rate base calculations.

	2007	2015	Increase	Due to	Due to
	Test Year	Test Year	(Decrease)	Rate	Rate Base
Rate Base \$	45,949,135	91,778,900	45,829,765	91,778,900	45,829,765
Return on Debt %	6.905%	4.938%	(1.967%)	(1.967%)	6.905%
Return on Debt \$	3,172,788	4,531,956	1,359,168	(1,805,291)	3,164,545
Return on Equity %	0.625%	1.879%	1.254%	1.254%	0.625%
Return on Equity \$	287,182	1,724,907	1,437,725	1,151,289	286,436