

1 Q. Provide an explanation and estimate of the annual impact on the rural deficit if the proposed
2 project and CIAC are approved.

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5 A. Table 1 provides an estimate of the annual impact on the rural deficit if the proposed project
6 and Contribution in Aid of Construction ("CIAC") are approved.

Table 1: Distribution Upgrades in English Harbour West

<u>Line</u>	<u>Inputs</u>	
1	Capital Cost	3,250,700
2	CIAC	(1,786,976)
3	Net Depreciable Plant	1,463,724
4	Depreciable Life	40
5	Incremental WACC ¹	5.80%
6		
7	<u>Revenue Requirement</u>	
8	Depreciation	36,593 Line 3/Line 4
9	Return	83,835 (Line 3 + (Line 3 - Line 8))/2*Line 5
10		120,428
11		
12	Revenue to Cost Coverage - Island Rural Interconnected ²	0.70
13		
14	Rural Deficit ²	64,276,984
15		
16	<u>Rural Deficit Impact³</u>	
17	\$	36,128 Line 10 x (1 - Line 12)
18	%	0.06 Line 17/Line 14*100

7 English Harbour West is part of the Island Rural Interconnected System which pays 70% of their
8 cost of service. The remaining 30% is recovered through the rural deficit based on the 2019 Test
9 Year Cost of Service. With the capital cost of the project offset by a CIAC, the net impact on rate

¹Forecast incremental WACC for 2026 Capital Budget.

²Based on the 2019 Test Year.

³Based on the first full year revenue requirement.

- 1 base is \$1,463,724. This results in a revenue requirement in the first-year in-service of \$120,428,
- 2 which increases the rural deficit by \$36,128 or 0.06%.