

1 Q. **Reference: Response to CA-NLH-081, part b**

2 Further to CA-NLH-081(b), please estimate, for each year from 2028 through 2030, the
3 incremental revenue requirement relative to the 2027 Test Year arising from the capital
4 investment forecasts in that response. Show depreciation, financing or return on rate base, and
5 related operating costs separately, and state the assumed in-service dates, retirements and
6 deferral or capitalization treatment without double counting financing costs.

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9 A. Table 1 outlines the estimated incremental revenue requirement relative to the 2027 Test Year
10 for 2028 through 2030 arising from the capital investment forecasts provided in Newfoundland
11 and Labrador Hydro's ("Hydro") response to part b) of CA-NLH-081 of this proceeding. The
12 estimates are intended to provide an indication of the revenue requirement impact of the
13 forecast capital investments and are based on the associated forecast depreciation expense and
14 rate base impacts. Actual results may differ from forecasts. Hydro notes that the incremental
15 costs associated with the forecast capital investments outlined below would not be reflected in
16 customer rates until rates are updated in Hydro's next test year as part of its next general rate
17 application proceeding.

18 The table separately identifies depreciation expense and return on rate base. The calculations
19 reflect the forecast timing of capital additions and the applicable capitalization and deferral
20 treatment. The estimated revenue requirement impacts are not derived by applying
21 depreciation and return to the annual capital expenditure forecasts provided in Hydro's
22 response to part b) of CA-NLH-081. As capital expenditures may be incurred over multiple years
23 prior to an asset being placed in service, the estimates are based on the forecast depreciation
24 expense and rate base impacts associated with forecast in-service capital additions during the
25 period. Hydro is unable to separately identify the operating costs associated with these capital
26 investments. Certain forecast expenditures relate to the overhaul, replacement, or
27 refurbishment of existing assets and would not necessarily result in incremental operating costs.
28 In addition, Hydro does not budget or track operating costs by individual capital project in a

1 manner that would permit the incremental operating costs associated with these forecasts to be
2 reliably identified.

**Table 1: Estimated Incremental Revenue Requirement Impact – Capital Additions
2028 through 2030 (\$ Millions)¹**

	2028	2029	2030
Incremental Return on Rate Base From 2027 Test Year	3.9	9.3	12.1
Incremental Depreciation Expense From 2027 Test Year	3.6	7.7	12.5
Total Incremental Revenue Requirement Impact	7.4	16.9	24.7

3 The following assumptions were used to calculate the estimates:

- 4 • Average rate base was estimated using a simplified approach based on one-half of the
5 incremental change in net book value relative to the 2027 Test Year.
- 6 • Return on rate base assumes a rate of return of 4.88% in each year.
- 7 • Depreciation expense and the calculation of average rate base used to calculate return
8 on rate base exclude Holyrood Thermal Generating Station (“Holyrood TGS”)
9 accelerated depreciation in excess of the \$29.2 million included in the 2027 Test Year, as
10 such impacts are addressed separately through the Holyrood TGS Accelerated
11 Depreciation Deferral Account.

¹ Return on rate base noted in the table assumes that the investment in capital is reflected in customer rates. However, incremental revenue requirement associated with this capital investment will not be reflected in customer rates until Hydro’s next test year. Actual return on rate base will be lower as a result of the additional capital investment.