Q. **Reference: Vol. I, Schedule F 2.1E, l. 1 (transmission demand O&M) (PDF p. 287); Vol. I, Schedule F 2.4E (Functional Classification of O&M Expense) (PDF pp. 292–293); Vol. I, Schedules B-I and B-II (Total Operating Expenses) (PDF pp. 219–220).**

Preamble:

The revenue requirement allocated to Labrador Industrial customers includes transmission operating and maintenance (O&M) costs. IOC seeks to understand how much of the proposed increase is attributable to O&M as distinct from capital-related costs (rate base, return and depreciation).

Provide the split between operating/maintenance and capital-related costs driving the proposed Labrador Industrial transmission demand increase.

A. The operating/maintenance and capital-related components of the Labrador Industrial customer transmission-demand revenue requirement are shown in Table 1.

Table 1: Calculation of Cost Component Drivers of Labrador Industrial Transmission-Demand Revenue Requirement

Cost Component	2019 Approved ($)	2027 Proposed ($)	Increase ($)	Share of Increase (%)
Operating and Maintenance	3,298,085	4,679,099	1,381,014	26.54%
Expense Credits	(12,007)	(15,304)	(3,297)	-0.06%
Depreciation	901,865	2,348,631	1,446,766	27.81%
Return on Debt	1,480,992	2,782,766	1,301,774	25.02%
Return on Equity	652,108	1,728,828	1,076,720	20.69%
Capital-Related Subtotal	3,034,965	6,860,225	3,825,260	73.52%
Total Transmission-Demand Requirement - Labrador Interconnected	**6,321,043**	**11,524,019**	**5,202,976**	**100.00%**
Transmission Demand (CP kW) Labrador Interconnected Total	402,278	451,962	49,684	
Transmission Demand (CP kW) Labrador Industrial Customers	229,500	298,387	68,887	
% of Transmission Demand Attributable to Labrador Industrial Customers	**57.05%**	**66.02%**	**8.97%**	
Total Transmission-Demand Requirement - Labrador Industrial Customers	**3,606,165**	**7,608,202**	**4,002,037**	
By Cost Component:[1]				
Operating and Maintenance	1,881,563	3,089,159	1,207,598	30.17%
Expense Credits	(6,850)	(10,104)	(3,254)	-0.08%
Depreciation	514,515	1,550,575	1,036,060	25.89%
Return on Debt	844,908	1,837,193	992,285	24.79%
Return on Equity	372,029	1,141,379	769,350	19.22%
Capital-Related Subtotal	1,731,452	4,529,146	2,797,696	69.91%
Total Transmission-Demand Requirement - Labrador Industrial Customers	**3,606,165**	**7,608,202**	**4,002,037**	**100.00%**

Accordingly, of the $4.0 million increase in the transmission-demand revenue requirement for Labrador Industrial Customers:

- $1.21 million, or 30.17%, is attributable to Operations & Maintenance
- $2.80 million, or 69.91%, is capital-related, comprised of:
  - $1.04 million of additional depreciation;
  - $0.99 million of additional return on debt; and
  - $0.77 million of additional return on equity.

[1] Cost Component – Labrador Interconnected transmission-demand requirement × % of transmission demand attributable to Labrador Industrial customers (57.05%).