Q. **Reference: CA-NLH-040 pp1-3; CA-NLH-053 p1; Schedule 1 pp35-36, Table 10**

Provide the existing calculations supporting the $7.6 million and $12.1 million revenue requirement estimates and the percentages in Schedule 1, Table 10, at the level of detail used. Identify the expenditure base, in-service timing, depreciation, return and allocation assumptions. Update the illustration for changes to the approval sought.

A. The existing calculations supporting the $7.6 million and $12.1 million revenue requirement estimates and the percentages in Schedule 1, Table 10 are provided in CA-NLH-105, Attachment 1. CA-NLH-105, Attachment 2 is updated for changes to the approval sought.

2027 Capital Budget Application
Revenue Requirement Estimates

	2027	2028
Average Rate Base[1]	75,669	149,654
Return[2]	4,427	8,755
Depreciation and Removal Depreciation[3,4]	3,175	3,368
Revenue Requirement	7,602	12,123
2027 Test Year Revenue Requirement	797,713	797,713
Revenue Requirement Increase	1.0%	1.5%

1 Average Rate Base for 2027 calculated as Capital Budget net of CIAC (154,513) less depreciation (3,175)/2 = 75,669. Average Rate Base for 2028 is equal to opening rate base in 2028 (154,513 - 3,175) + closing rate base in 2028 (154,513 - 3,175 - 3,368)/2 = 149,654.

2 Assumed the incremental weighted average cost of capital of 5.85% for return on rate base.

3 Assumed capital expenditure in-service date of December 2027 with the exception of Holyrood Thermal Generating Station ("Holyrood TGS") capital expenditures which attract accelerated depreciation, which were assumed to have an in-service date of September 2027. In addition, assumed an average composite depreciation rate of 2.55% for non-accelerated assets.

4 Assumed Holyrood TGS accelerated capital expenditures are amortized on a straight line basis until March 31, 2030. The Holyrood depreciation of $2.9 million in 2027 is assumed to be a Test Year and, as a result, has not been deferred in the Holyrood TGS Depreciation Deferral account. Whereas, in 2028, the $8.7 million Holyrood accelerated depreciation has been deferred.

2027 Capital Budget Application
Projected Wholesale Rate Impact by System

		Revenue Requirement[1]		Rural Deficit Allocation[2]				Wholesale Impact[3]	
System	2027 Capital[4]	2027	2028	Rev. to Cost Ratio	2027	2028	2027TY Revenue Req'mt	2027	2028
Island Interconnected	73,662	2,356	6,253		578	1,534	679,627	0.9%	1.3%
Holyrood Accelerated	22,431	3,465	1,143						
Island Rural Interconnected	29,939	958	2,542	0.79	(201)	(534)	68,909		
Island Isolated	2,617	84	222	0.17	(70)	(184)	1,718		
L'Anse Au Loup	349	11	30	0.42	(6)	(17)	4,077		
Labrador Isolated	13,760	440	1,168	0.27	(321)	(853)	11,969		
Rural Labrador Interconnected[5]	9,019	153	406		20	54	22,231	0.8%	2.1%
Labrador Industrial[6]		136	360				9,172	1.5%	3.9%
	151,777	7,603	12,124		-	-	797,704		

[1] Revenue requirement, excluding Holyrood Accelerated capital expenditures, is allocated based on 2027 Capital by system. Holyrood Accelerated assets are calculated separately as described in the revenue requirement estimate and are allocated 100% to the Island Interconnected System.

[2] Deficit allocated to Island Interconnected and Rural Labrador Interconnected based on the same percentages calculated in the 2027 Test Year cost of service study of 96.6% and 3.4% respectively.

[3] Wholesale Rate Impact calculated as Revenue Requirement/2027 TY Revenue Requirement. The percentages for Island Interconnected include Holyrood Accelerated.

[4] Total 2027 Capital in this analysis should have been $154.5M, difference of $2.7M. The wholesale impacts were adjusted in Revision 1.

[5] Allocation of revenue requirement between Rural Labrador Interconnected and Labrador Industrial estimated as 53% and 47%, respectively.

[6] Calculation of Labrador Industrial - Total Billings, not shown, is the annual revenue requirement divided by estimated total billings of $64,070.

2027 Capital Budget Application - Revision 1
Revenue Requirement Estimates

	2027	2028
Average Rate Base[1]	75,054	148,439
Return [2]	4,391	8,684
Depreciation & Removal Dep[3,4]	3,172	3,337
Revenue Requirement	7,563	12,020
2027 TY Rev Requirement	797,713	797,713
Revenue Requirement Increase	0.9%	1.5%

1 Average Rate Base for 2027 calculated as Capital Budget net of CIAC (153,280) less depreciation (3,172)/2 = 75,054. Average Rate Base for 2028 is equal to opening rate base in 2028 (153,280 - 3,172) + closing rate base in 2028 (153,280 - 3,172 - 3,337)/2 = 148,439.

2 Assumed the incremental weighted average cost of capital of 5.85% for return on rate base.

3 Assumed capital expenditure in-service date of December 2027 with the exception of Holyrood TGS capital expenditures which attract accelerated depreciation, which were assumed to have an in-service date of September 2027. In addition, assumed an average composite depreciation rate of 2.55% for non-accelerated assets.

4 Assumed Holyrood TGS accelerated capital expenditures are amortized on a straight line basis until March 31, 2030. The Holyrood depreciation of $2.9 million in 2027 is assumed to be a Test Year and, as a result, has not been deferred in the Holyrood TGS Depreciation Deferral account. Whereas, in 2028, the $8.7 million Holyrood accelerated depreciation has been deferred.

2027 Capital Budget Application - Revision 1
Projected Wholesale Rate Impact by System

		Revenue Requirement[1]		Rural Deficit Allocation[2]				Wholesale Impact[3]	
System	2027 Capital	2027	2028	Rev. to Cost Ratio	2027	2028	2027 TY Revenue Requ.	2027	2028
Island Interconnected	73,253	2,294	6,089		549	1,456	679,627	0.9%	1.3%
Holyrood Accelerated	22,431	3,465	1,143						
Island Rural Interconnected	29,939	938	2,489	0.79	(197)	(523)	68,909		
Island Isolated	2,606	82	217	0.17	(68)	(180)	1,718		
L'Anse Au Loup	345	11	29	0.42	(6)	(17)	4,077		
Labrador Isolated	12,995	407	1,080	0.27	(297)	(789)	11,969		
Rural Labrador Interconnected[4]	11,710	194	516		19	51	22,231	1.0%	2.6%
Labrador Industrial[5]		172	457				9,172	1.9%	5.0%
	153,279	7,563	12,020		-	-			

[1] Revenue requirement, excluding Holyrood Accelerated capital expenditures, is allocated based on 2027 Capital by system. Holyrood Accelerated assets are calculated separately as described in the revenue requirement estimate and are allocated 100% to the Island Interconnected System.

[2] Deficit allocated to Island Interconnected and Rural Labrador Interconnected based on the same percentages calculated in the 2027 Test Year cost of service study of 96.6% and 3.4% respectively.

[3] Wholesale Rate Impact calculated as Revenue Requirement/2027 TY Revenue Requirement. The percentages for Island Interconnected include Holyrood Accelerated.

[4] Allocation of revenue requirement between Rural Labrador Interconnected and Labrador Industrial estimated as 53% and 47% respectively.

[5] Calculation of Labrador Industrial - Total Billings, not shown, is the annual revenue requirement divided by estimated total billings of $64,070.