

1 Q. (Reference 2017 GRA Volume I, page.1.2) Based on current rates, provide a table  
2 showing what Hydro's annual net loss/profit, return on rate base, and return on  
3 equity would be in 2018 and 2019 if the savings from off-island purchases were not  
4 placed in the deferral account.

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7 A. Please refer to **the revised** CA-NLH-050, Attachment 1, which provides Hydro's  
8 annual net loss/profit, return on rate base, and return on equity in 2018 and 2019 if  
9 the savings from off-island purchases are not placed in the deferral account and  
10 existing rates remain in effect.

Existing Rates  
No Deferral for Off-Island Purchases  
(\$000s)

	Existing Rates			Forecast		
	Existing Rates <sup>1</sup> 2018	Savings <sup>2</sup> 2018	Revised Existing Rates 2018	Existing Rates <sup>1</sup> 2019	Savings <sup>2</sup> 2019	Revised Existing Rates 2019
<b>Revenue</b>						
Energy sales	557,806		557,806	558,860		558,860
Generation Demand Cost Recovery	1,210		1,210	1,210		1,210
CIAC Revenue	1,945		1,945	1,760		1,760
Other revenue	879		879	900		900
<b>Total revenue</b>	<b>561,840</b>	<b>-</b>	<b>561,840</b>	<b>562,730</b>	<b>-</b>	<b>562,730</b>
<b>Expenses</b>						
Operating expenses	141,825		141,825	144,781		144,781
Other Income and expense	5,647		5,647	5,063		5,063
Foreign exchange	2,157		2,157	2,157		2,157
Fuels <sup>3</sup>	177,766	(40,454)	137,312	177,455	(95,763)	81,692
LIL/LTA (Transmission costs)		27,300	27,300		52,900	52,900
Power purchases	65,838	886	66,724	67,428	1,680	69,108
Amortization	85,045		85,045	90,667		90,667
Accretion of asset retirement obligation	362		362	364		364
Interest <sup>4</sup>	93,907	(69)	93,838	97,824	(452)	97,372
<b>Total expenses</b>	<b>572,547</b>	<b>(12,337)</b>	<b>560,210</b>	<b>585,739</b>	<b>(41,635)</b>	<b>544,104</b>
<b>Net income (loss) before compliance adjustments</b>	<b>(10,707)</b>	<b>12,337</b>	<b>1,630</b>	<b>(23,009)</b>	<b>41,635</b>	<b>18,626</b>
Compliance Adjustments	-			-		
<b>Net Income (loss) after compliance adjustments</b>	<b>(10,707)</b>	<b>12,337</b>	<b>1,630</b>	<b>(23,009)</b>	<b>41,635</b>	<b>18,626</b>
Unadjusted return on regulated equity	(10,707)		1,630	(23,009)		18,626
add: Cost of service exclusions	5,041		5,041	5,451		5,451
Regulated Interest	92,385	(69)	92,315	95,854	(452)	95,402
<b>Return on rate base</b>	<b>86,719</b>	<b>(69)</b>	<b>98,986</b>	<b>78,296</b>	<b>(452)</b>	<b>119,479</b>
<b>Average rate base</b>	<b>2,259,681</b>		<b>2,259,681</b>	<b>2,361,995</b>		<b>2,361,995</b>
<b>Rate of return on rate base</b>	<b>3.84%</b>		<b>4.38%</b>	<b>3.31%</b>		<b>5.06%</b>
<b>Range of Return on Rate Base (+/- 20 bps)</b>	<b>6.41% - 6.81%</b>		<b>6.41% - 6.81%</b>	<b>6.41% - 6.81%</b>		<b>6.41% - 6.81%</b>
<b>Return on Equity<sup>5</sup></b>	<b>-1.4%</b>		<b>1.6%</b>	<b>-4.5%</b>		<b>5.6%</b>

<sup>1</sup> Please refer to Volume 1, Chapter 4, Schedule 4-III, Page 1 of 1.

<sup>2</sup> Please see Hydro's response to NP-NLH-115 Attachment for estimated quantities off-island energy, cost of energy deliveries, and operating costs for using the LIL/LTA to bring the energy to the island.

<sup>3</sup> Fuel savings calculated as (delivered energy/2015 Test Year Holyrood conversion rate) x Test Year price of No. 6 fuel x 1000. The savings for 2018 is calculated (388.15/618) x 64.41 x 1000 = (40,454) and for 2019 (918.83/618) x 64.41 x 1000 = (95,763).

<sup>4</sup> Estimated interest savings from a reduction in the balance of promissory notes.

<sup>5</sup> In Order No.P.U. 49(2016) the Board approved a Return on Equity of 8.50%.