

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

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

	Existing Rates <sup>1</sup>	Forecast Savings <sup>2</sup>	Revised Existing Rates	Existing Rates <sup>1</sup>	Forecast Savings <sup>2</sup>	Revised Existing Rates
	2018	2018	2018	2019	2019	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>	<u>561,840</u>	<u>-</u>	<u>561,840</u>	<u>562,730</u>	<u>-</u>	<u>562,730</u>
<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	(47,141)	130,625	177,455	(77,366)	100,089
LIL/LTA (Transmission costs)		27,300	27,300		52,900	52,900
Power purchases	65,838	1,016	66,854	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	(106)	93,801	97,824	(417)	97,407
<b>Total expenses</b>	<u>572,547</u>	<u>(18,931)</u>	<u>553,616</u>	<u>585,739</u>	<u>(23,203)</u>	<u>562,536</u>
<b>Net income (loss) before compliance adjustments</b>	<u>(10,707)</u>	<u>18,931</u>	<u>8,224</u>	<u>(23,009)</u>	<u>23,203</u>	<u>194</u>
Compliance Adjustments	-		-	-		-
<b>Net Income (loss) after compliance adjustments</b>	<u>(10,707)</u>	<u>18,931</u>	<u>8,224</u>	<u>(23,009)</u>	<u>23,203</u>	<u>194</u>
Unadjusted return on regulated equity	(10,707)		8,224	(23,009)		194
add: Cost of service exclusions	5,041		5,041	5,424		5,424
Regulated Interest	92,385	(106)	92,278	95,854	(417)	95,437
<b>Return on rate base</b>	<u>86,718</u>	<u>(106)</u>	<u>105,543</u>	<u>78,269</u>	<u>(417)</u>	<u>101,055</u>
<b>Average rate base</b>	<u>2,259,681</u>		<u>2,259,681</u>	<u>2,361,995</u>		<u>2,361,995</u>
<b>Rate of return on rate base</b>	<u>3.84%</u>		<u>4.67%</u>	<u>3.31%</u>		<u>4.28%</u>
<b>Range of Return on Rate Base (+/- 20 bps)</b>	6.41% - 6.81%		6.41% - 6.81%	6.41% - 6.81%		6.41% - 6.81%
<b>Return on Equity <sup>5</sup></b>	-1.4%		3.2%	-4.5%		1.3%

<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 (452.31/618) x 64.41 x 1000 = (47,141) and for 2019 (742.31/618) x 64.41 x 1000 = (77,366).

<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%.