

1 Q. **2018 Revenue Deficiency**

2 Further IC-NLH-113 above, please provide details of how the impact of higher fuel
3 inventory in the 2018 test year compared to 2015 test year is captured in 2018
4 revenue requirement and revenue deficiency calculations.

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7 A. The revenue requirement impact of fuel inventory in the 2015 Test Year was \$3.1¹
8 million compared to \$4.4² million in the 2018 Test Year. Interim rates proposed for
9 January 1, 2018, will recover 70% of the incremental revenue requirement or
10 \$0.9³ million, leaving \$0.4⁴ million to be recovered through the revenue deficiency.

¹ Volume I, Chapter 4, Schedule 4-II, Page 5 of 9 2015 Year Year Fuel x Rate of Return on Rate Base ($\$47.4 \times 6.61\% = \3.1).

² Volume I, Chapter 4, Schedule 4-II, Page 5 of 9 2018 Year Year Fuel x Rate of Return on Rate Base ($\$76.5 \times 5.73\% = \4.4).

³ $(\$4.4 - \$3.1) \times 70\% = \$0.9$.

⁴ $(\$4.4 - \$3.1) - \$0.9 = \0.4 .