

1 Q. **Reference: Appendix E**

2 Provide the calculations and assumptions to support the amounts included in Columns H
3 and I for Scenario 1 and Column I in Scenario 2.

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6 A. Newfoundland and Labrador Hydro's ("Hydro") response to NP-NLH-364 provides the
7 computation of the amounts included in Column H for Scenario 1 – Benefit 1. Hydro's
8 response to PUB-NLH-201 provides the detailed efficiency savings. NP-NLH-364 assumes
9 that these savings will not be fully recognized until 2021. The additional savings equating to
10 the approximate 0.6% reduction of operating expenses are assumed to start being realized
11 in 2020.

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13 Table 1 to this Response provides the computation of the amounts included in Column I of
14 Scenario 1 – Benefit 2. This benefit includes the cost savings Hydro will receive due to
15 Nalcor's decision to not seek reimbursement from Hydro for a share of the preliminary
16 assessment costs incurred in 2015.¹ This benefit also reflects the financing costs that Hydro
17 avoided because Nalcor did not pass financing charges onto its subsidiaries. The financing
18 costs have been calculated on the project implementation costs and the upgrades required
19 throughout the system development life cycle.²

¹ Estimated to be \$0.9 million in 2015 dollars. Table 1 shows the escalation of this amount to 2018 dollars.

² Financing costs assume Hydro's weighted average cost of capital and are calculated using the average net book value of the assets each year.

Table 1: Scenario 1: Total Benefits #2

Year	Avoided Admin Fee ⁽³⁾	Avoided Financing Costs of Implementation ⁽⁴⁾	Avoided Financing Cost of Upgrades	Total Benefit
2015	(1,072,471)	(476)		
2016		(9,315)		
2017		(15,056)		
2018		(325,935)		
0 Subtotal- Opening 2018	(1,072,471)	(350,782)		(1,423,253)
1 2019		(766,532)		(766,532)
2 2020		(882,092)		(882,092)
3 2021		(815,473)	(10,738)	(826,212)
4 2022		(705,818)	(27,666)	(733,484)
5 2023		(596,285)	(39,975)	(636,260)
6 2024		(486,753)	(47,792)	(534,545)
7 2025		(377,220)	(45,955)	(423,176)
8 2026		(267,927)	(39,270)	(307,197)
9 2027		(159,111)	(41,952)	(201,064)
10 2028		(67,108)	(52,883)	(119,991)
11 2029		(16,760)	(56,029)	(72,790)
12 2030		(2,063)	(54,891)	(56,954)

1 Table 2 to this Response provides the computation of the amounts provided in Column I of
2 Scenario 2 - Benefit 2. This benefit reflects the financing costs that Hydro avoided because
3 Nalcor did not pass financing charges onto its subsidiaries.
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³ Represents the Preliminary Assessment costs not charged to Hydro of \$903K, represented in 2018\$.

⁴ The amounts in 2015-2017 are represented in 2018\$.

Table 2: Scenario 2: Total Benefits #2

	Year	Avoided Financing costs on Upgrades ⁽⁵⁾
0	2018	-
1	2019	(13,262)
2	2020	(32,892)
3	2021	(38,221)
4	2022	(34,252)
5	2023	(33,371)
6	2024	(41,586)
7	2025	(44,480)
8	2026	(43,341)
9	2027	(42,733)
10	2028	(36,593)
11	2029	(45,505)
12	2030	(45,524)

⁵ The Avoided Financing costs on Upgrades is calculated as the Average Net Book Value of the Assets multiplied by Hydro's Weighted Cost of Capital.