



Newfoundland and Labrador Hydro  
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July 16, 2024

Board of Commissioners of Public Utilities  
Prince Charles Building  
120 Torbay Road, P.O. Box 21040  
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau  
Executive Director and Board Secretary

**Re: Request for Change or Modification to Board Order No. P.U. 35(2023) – Approval of 2024 Capital Budget Application**

On July 12, 2023, Newfoundland and Labrador Hydro ("Hydro") filed an application with the Board of Commissioners of Public Utilities ("Board") for approval of its 2024 Capital Budget Application ("2024 CBA"). Included within that application was a request for approval of Hydro's 2022 Average Rate Base in the amount of 2,334,120,000. Hydro's 2024 CBA, including the 2022 Average Rate Base, was approved in Board Order No. P.U. 35(2023).

In Newfoundland and Labrador Hydro's 2022 Annual Return, the working capital allowance was calculated as \$10,312,000 including power purchases and transmission expenses of \$327,368,000. The 2022 Average Rate Base was \$2,334,120,000.

Subsequent to receiving the Board's approval, in its 2023 Annual Return, Hydro restated the working capital allowance for 2022 to exclude power purchases and transmission expenses that were deferred in the Supply Cost Variance Deferral Account with monthly interest calculated on outstanding balances. The power purchases and transmission expenses included in the working capital calculation of \$327,368,000 was reduced by \$263,224,000 for a revised amount of \$64,144,000. The reduction includes \$237,670,620 for payments under the Muskrat Falls Power Purchase Agreement and \$25,553,380 of other costs primarily related to export activity.

The exclusion of the power purchases and transmission expenses recorded directly in the deferral account will avoid earning a return on these payments in both the calculation of the working capital allowance and through interest accrued in the Supply Cost Variance Deferral Account.

The adjustment resulted in a reduction of \$9,036,000 in the working capital allowance for a revised allowance of \$1,276,000 and a revised average rate base of \$2,325,085,000.

Hydro requests, pursuant to Section 28(2) of the *Board of Commissioners of Public Utilities Regulations, 1996*, that Board Order No. P.U. 35(2023) be modified or changed to approve the revised average rate base of \$2,325,085,000 as shown in the schedule attached to this correspondence.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**



Shirley A. Walsh  
Senior Legal Counsel, Regulatory  
SAW/kd

Encl.

ecc:

**Board of Commissioners of Public Utilities**  
Jacqui H. Glynn  
Maureen Greene, KC  
Board General

**Island Industrial Customer Group**  
Paul L. Coxworthy, Stewart McKelvey  
Denis J. Fleming, Cox & Palmer  
Dean A. Porter, Poole Althouse

**Labrador Interconnected Group**  
Senwung F. Luk, Olthuis Kleer Townshend LLP  
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**Consumer Advocate**  
Dennis M. Browne, KC, Browne Fitzgerald Morgan & Avis  
Stephen F. Fitzgerald, KC, Browne Fitzgerald Morgan & Avis  
Sarah G. Fitzgerald, Browne Fitzgerald Morgan & Avis  
Bernice Bailey, Browne Fitzgerald Morgan & Avis

**Newfoundland Power Inc.**  
Dominic J. Foley  
Lindsay S.A. Hollett  
Regulatory Email

# Schedule 1

Revised 2022 Average Rate Base



**Table 1: Computation of Rate Base for the Year Ended December 31, 2022 (\$000)<sup>1,2</sup>**

	<b>2022</b>
Capital Assets - Return 4	2,869,697
Work in Progress <sup>3</sup>	22,755
	2,892,452
Deduct:	
Accumulated Depreciation - Return 6 <sup>4</sup>	(654,859)
Contributions in Aid of Construction - Return 7 <sup>3</sup>	(50,987)
	2,186,606
 Deduct Items Excluded from Rate Base:	
Work in Progress <sup>3</sup>	(22,755)
Asset Retirement Obligations (net of amortization)	(2,734)
Net Capital Assets	2,161,118
 Net Capital Assets, Previous Year	2,165,756
 Unadjusted Average Capital Assets	2,163,437
Deduct:	
Average Net Capital Assets Excluded from Rate Base	(8,628)
Average Capital Assets	2,154,809
 Cash Working Capital Allowance - Return 8 <sup>5</sup>	1,276
Fuel Inventory - Return 10	70,512
Supplies Inventory - Return 10	38,856
Average Deferred Charges - Return 11	59,632
 <b>Average Rate Base at Year End - Return 12</b>	<b>2,325,085</b>

<sup>1</sup> The 2022 Average Rate Base is an excerpt of Return 3. For further information, please refer to "2022 Annual Return," Newfoundland and Labrador Hydro, March 31, 2023, Return 3.

<sup>2</sup> Numbers may not add due to rounding.

<sup>3</sup> Contributions of \$13.7 million (2021 – \$4.4 million) related to capital assets not in service have been net in work in progress. In addition, insurance proceeds of \$1.0 million (2021 – \$3.6 million) related to capital assets not in service have been net in work in progress.

<sup>4</sup> Accumulated amortization is net of the Retirement Asset Pool and Removal Provision. For further details, please refer "2022 Annual Return," Newfoundland and Labrador Hydro, March 31, 2023, Return 6.

<sup>5</sup> The Working Capital Allowance in this revised Computation of Rate Base has been restated to exclude power purchases and transmission expenses that were deferred in the Supply Cost Variance Deferral Account.