IN THE MATTER OF the Public Utilities Act, R.S.N. 1990, Chapter P-47 (the Act), and

IN THE MATTER OF a General Rate Application (the Application) by Newfoundland and Labrador Hydro for approvals of, under Section 70 of the Act, changes in the rates to be charged for the supply of power and energy to Newfoundland Power, Rural Customers and Industrial Customers; and under Section 71 of the Act, changes in the Rules and Regulations applicable to the supply of electricity to Rural Customers.

AFFIDAVIT

I, Kevin J. Fagan, of St. John's in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am Manager, Rates & Regulatory for Newfoundland and Labrador Hydro, the Applicant named in the attached Application.

2. I have read and understand the foregoing Application.

3. I have personal knowledge of the facts contained therein, except where otherwise indicated, and they are true to the best of my knowledge, information and belief.

SWORN at St. John's in the Province of Newfoundland and Labrador this 30th day of May 2014, before me:

Barrister – Newfoundland and Labrador

Kevin J. Fagan

A REPORT TO
THE BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

2013 General Rate Application Rebuttal Evidence

Newfoundland and Labrador Hydro

May 2014

newfoundland labrador hydro
a nalcor energy company

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1.0 INTRODUCTION

1.1 Purpose

This rebuttal evidence deals with the allocation of the Rural Deficit[1] between the customers of Newfoundland Power and retail customers of Hydro on the Labrador Interconnected System.[2]

Appendix A provides evidence of Lummus Consultants which also addresses the Rural Deficit allocation and presents a review of the specifically assigned Operating and Maintenance costs reflected in the proposed specifically assigned charges for Island Industrial Customers.

2.0 RURAL DEFICIT ALLOCATION

2.1 Background

The Application proposes an approximate 23% average increase to retail customers on the Labrador Interconnected System.[3] This proposed customer rate increase is based on the Rural Deficit allocation used in the Cost of Service ("COS") Study methodology approved by the Board in 1993.[4]

[1] The Rural Deficit represents the revenue shortfall between the revenue from Hydro Rural customers and the cost of serving Hydro Rural customers. For the 2013 Test Year, the Rural Deficit is forecast to equal approximately $60 million.

[2] Industrial Customers are exempt from payment of the Rural Deficit by Government directive.

[3] See Hydro pre-filed evidence Table 4.4 of Section 4: Rates and Regulations, page 4.16.

[4] The current basis for allocating the Rural Deficit to customer classes is detailed in the Board's February 1993 Report resulting from the Cost of Service methodology hearing. Page 62 of the Report states that "Mr. Baker has presented in his evidence a method of allocating the deficit on the basis of a mini cost of service…The result of this approach is to increase unit costs equally in the two Interconnected Systems." The Board accepted the methodology proposed by Mr. Baker and in Recommendation 23 of the Report it is stated: "The Board recommends the approach illustrated in Exhibit GCB-5 (Appendix 1 of this Report) for the allocation of the rural deficit for the purpose of the cost of service."

Approximately 30% of the forecast 2013 Test Year revenue requirement from customers on the Labrador Interconnected System is attributable to the Rural Deficit.[5] This compares to approximately 12% of the forecast 2013 Test Year revenue requirement from customers of Newfoundland Power.[6]

The material difference in the rate impact on the customers on the Labrador Interconnected System and the rate impact on the customers of Newfoundland Power has created a concern with respect to the reasonableness of the Rural Deficit allocation method.

2.2 Hydro Evidence

Hydro was requested in Request for Information CA-NLH-166 to comment on the fairness of the Rural Deficit allocation methodology. The response provided an analysis of the customer impacts of the current allocation method to assess whether the allocation methodology approved in 1993 provides a reasonable allocation of the Rural Deficit between the customers on Labrador Interconnected System and the customers of Newfoundland Power.[7] This evidence summarizes the fairness assessment.

2.2.1 Fairness Assessment

Table 1 summarizes the customer impacts of the Rural Deficit allocation in the 2013 Test Year COS Study.

[5] $6.8 million deficit allocation divided by $22.3 million revenue requirement (including the rural deficit) equals 30%.

[6] $53.9 million deficit allocation divided by $453.0 million revenue requirement (including the rural deficit) equals 12%.

[7] Please see response to Request for Information CA-NLH-166 Revision 2.

Table 1

Rural Deficit Comparison - Average Cost per Customer[8]

	2013 TY
Labrador Interconnected	$630.39
Newfoundland Power	$210.79
Difference	($419.60)

Table 1 shows the average annual cost of the Rural Deficit per customer is approximately three times higher for customers on the Labrador Interconnected System than for customers of Newfoundland Power. The higher deficit allocation per customer is primarily related to higher electricity usage requirements for customers on the Labrador Interconnected System and the attributes of the current allocation methodology that correlates increased deficit allocation with increased energy usage.[9]

Fairness in rates is commonly assessed based on revenue to cost ratios. Table 2 provides the impact of the Rural Deficit allocation on revenue to cost ratios.

Table 2

Revenue to Cost Ratios

	2013 TY
Labrador Interconnected	1.44
Newfoundland Power	1.14
Difference	.30

[8] Total 2013 Test Year deficit allocated divided by number of customers in the Labrador Interconnected System and number of customers served by Newfoundland Power.

[9] Domestic customers on the Labrador Interconnected System have materially higher average usage than customers of Newfoundland Power primarily as a result of a very high saturation of electric heating for customers living in an area of the Province with a very cold climate. The annual normal heating degree days are 7,587 in Wabush and 6,538 in Goose Bay; these compare to 4,730 annual normal heating degree days in St. John's. The average annual Domestic usage for 2013 for customers coded as having electric heating in Labrador West was approximately 35,500 kWh, for Happy Valley-Goose Bay approximately 29,700 kWh and for Newfoundland Power customers approximately 18,350 kWh.

Table 2 shows the 2013 Test Year COS Study revenue to cost ratios reflecting the impact of the Rural Deficit allocation. The current Rural Deficit allocation methodology requires retail customers on the Labrador Interconnected System to pay rates that reflect a materially higher revenue to cost ratio than that required of the customers of Newfoundland Power.

For Newfoundland Power customers, the cost of purchases from Hydro comprises approximately 70% of total costs. Therefore, based on the existing Rural Deficit allocation, the percent impact of the Rural Deficit on the bills of Newfoundland Power's customers under proposed rates is approximately 10% (i.e., 70% times 14% at wholesale basis). This compares to a rate impact under proposed rates of 44% for customers on the Labrador Interconnected System.

Hydro's review concluded that the current methodology results in materially higher billing impacts for customers on the Labrador Interconnected System primarily because they have higher electricity usage as a result of living in an area of the Province where the climate is materially colder. Hydro believes that the current methodology does not provide a reasonable sharing of the Rural Deficit between customers on the Labrador Interconnected System and customers of Newfoundland Power.

2.2.2 Alternate Approaches

At the 1992 Cost of Service Hearing, Hydro proposed that the Rural Deficit be allocated on the basis of revenue requirement. This method effectively maintains the same revenue to cost ratio for both the Labrador Interconnected System and Newfoundland Power. Hydro also considers the use of an allocation based on total number of customers an option that may be reasonable.

Table 3 provides a comparison of the Rural Deficit impact per customer under the current method compared to an allocation based on revenue requirement and an allocation based on number of total customers.

Table 3

Average Annual Cost per Customer Comparison[10]

	Existing Method	Revenue Requirement Method	Number of Customers Method
Labrador Interconnected	$630.39	$208.31	$227.88
Newfoundland Power	$210.79	$228.69	$227.88
Difference	($419.60)	$20.38	0.00

Table 3 shows that average customer impacts are more comparable on a revenue requirement allocation basis than the current allocation method. The use of the number of customers as the allocator eliminates the average cost difference per customer.[11] Hydro believes both of these approaches provide a more reasonable sharing of the Rural Deficit between the customers on the Labrador Interconnected System and the customers of Newfoundland Power.

Board approval of either one of the alternate methodologies presented in Table 3 does not increase Hydro's 2013 Test Year revenue requirement. Both methodologies reduce the amount of the Rural Deficit to be recovered from the customers on the Labrador Interconnected System and increase the amount to be recovered from the customers of Newfoundland Power.

The proposed change in allocation (to either of the alternatives presented) effectively eliminates the approximate 23% average rate increase proposed for

[10] Total 2013 Test Year deficit allocated divided by number of customers in Labrador Interconnected and number of customers served by Newfoundland Power.

[11] The use of the allocation of the Rural Deficit using number of customers may be reasonable for allocation between Newfoundland Power and Labrador Interconnected Customers. However, further allocation by rate class would normally consider customer usage characteristics and be allocated on forecast revenue.

customers on the Labrador Interconnected System. For Newfoundland Power's customers, the impact of the methodology change would result in higher customer rates of approximately 0.7% than would be required under the existing allocation methodology.[12]

2.3 Intervenor Evidence

The expert reports provided by Mr. James Feehan, Mr. Philip Raphals and Mr. Doug Bowman specifically addressed the Rural Deficit allocation issue and all three experts recommended a revised approach be implemented.[13] The concerns expressed by the three experts (all representing separate interests) were generally related to the material higher amount contributed towards the Rural Deficit by the customers on Labrador Interconnected System relative to the customers of Newfoundland Power.

Mr. Feehan does not agree that customers on the Labrador Interconnected System should pay approximately three times what a Newfoundland Power customer pays towards the deficit. Mr. Feehan states "[t]he formula should be replaced by one that ensures a more equal outcome." One of the alternative methods presented for consideration by Mr. Feehan was an equal deficit per customer approach comparable to one of the alternatives provided by Hydro.[14]

Mr. Doug Bowman states "..if rural rates continue to be subsidized by NP and Labrador Interconnected customers, I recommend that greater emphasis be placed on the fairness of the allocation methodology, particularly since there is no generally accepted cost of service methodology for dealing with this situation..". Mr. Bowman also concluded "[b]ased on the

[12] The proposed rate change for the customers of Newfoundland Power is a decrease of 3.2%. The alternate methodologies modify the proposed rate change to a decrease of 2.5%.

[13] The evidence of Mr. Feehan was prepared for Miller & Hearn representing the Towns of Labrador City, Wabush, Happy Valley-GooseBay and North West River. The evidence of Mr. Raphals was prepared on behalf on the Innu Nation. The evidence of Mr. D. Bowman was prepared for the Government appointed Consumer Advocate.

[14] Pre-filed evidence of James Feehan, page 11, lines 12-22.

principles of fairness and minimization of the impact of the price signal, allocation of the deficit on the basis of revenue requirement or number of customers are both preferred over the current allocation methodology".[15]

Mr. Raphals also presented evidence on the Rural Deficit allocation and recommended taking "... a fresh look at the methodology for this allocation, as now proposed by Hydro".[16]

Mr. Larry Brockman, representing Newfoundland Power, did not address the Rural Deficit allocation methodology in his pre-filed evidence. However, Request for Information PUB-NP-005 asked Mr. Brockman for his "opinion on whether the current methodology continues to be appropriate or whether it should be modified as proposed by a number of intervenors". The response also asked Mr. Brockman what alternatives to the current methodology should be considered for approval.

2.3.1 Mr. Brockman's Assessment

Mr. Brockman conducted an assessment of the reasonableness of the methodology based on the change in the Rural Deficit allocation between 1995 and the 2013 Test Year. Mr. Brockman did not recommend any change in the allocation methodology and did not present alternatives for consideration. Mr. Brockman's comparison of allocation amounts from 1995 to 2013 Test Year does not provide an evaluation of the fairness of the current Rural Deficit allocation.

2.4 Deficit Recovery in Labrador Interconnected Rates

The rates of customers on the Labrador Interconnected System did not reflect recovery of any of the Rural Deficit until September 2002.[17] In 2002, approximately $5.0 million of the

[15] Pre-filed evidence of Doug Bowman, page 37, lines 8-17.
[16] Pre-filed evidence of Philip Raphals, page 18, lines 3-5.
[17] There was no rate proceeding to implement the approved Cost of Service methodology for the period 1993 to 2001.

Rural Deficit was allocated to the Labrador Interconnected System.[18] However, the impact of the initial allocation of the Rural Deficit to the Labrador Interconnected System was largely offset by the assignment of a revenue credit of $3.7 million from secondary energy sales to CFB Goose Bay (the "Secondary Revenue Credit").[19]

The phase-out of the Secondary Revenue Credit from being a direct offset to the Rural Deficit to be recovered in customer rates was concluded in 2011 concurrent with the phase-in of uniform rates for customers on the Labrador Interconnected System.[20]

This is the first GRA in which (i) uniform rates are in place for customers on the Labrador Interconnected System and (ii) none of the Secondary Revenue Credit is specifically assigned to reduce the Rural Deficit impact on Labrador Interconnected customer rates. Therefore, Hydro believes it is appropriate at this time to review the Rural Deficit allocation methodology and the impact on current customer rates.

2.5 Rural Deficit Allocation Summary

The average annual cost of the Rural Deficit per customer reflected in the Application is approximately three times higher for customers on the Labrador Interconnected System than for the customers of Newfoundland Power.

The evidence before the Board which provides an evaluation of the fairness of the Rural Deficit allocation supports a change in the COS allocation methodology to provide a more reasonable sharing of the Rural Deficit between customers on the Labrador Interconnected System and customers of Newfoundland Power.

[18] Source: Hydro Compliance Filing to Board Order No. P.U. 7(2002-2003).

[19] The net effect was a revenue to cost ratio of 1.12 for the Labrador Interconnected System. This compared to the 1.18 revenue to cost ratio for Newfoundland Power.

[20] In Order No. P.U. 7(2002-2003), the Board also ruled that the Secondary Revenue Credit be applied to reduce the Rural Deficit rather than applied as a credit against the cost of serving the Labrador Interconnected System. Because of the potential large customer impacts of making this rate change, the Board required Hydro to propose a plan for implementation at its next rate hearing in combination with a plan to implement uniform rates for Labrador City, Happy Valley-Goose Bay and Wabush. The current General Rate Application is the first hearing before the Board in which the Secondary Revenue Credit is fully credited to the Rural Deficit.

APPENDIX A

2013 General Rate Application

Rebuttal Evidence of

Robert Greneman

On behalf of

Newfoundland and Labrador Hydro

May 30, 2014

LUMMUS CONSULTANTS
INTERNATIONAL

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1.0 INTRODUCTION

1.1 Purpose

Robert Greneman, with Lummus Consultants, submitted evidence in this proceeding as Exhibit 9 - Cost of Service Study/Utility and Industrial Rate Design Report. This rebuttal evidence, which is provided in response to the pre-filed evidence of the intervenors and subsequent data requests, deals with two areas:

1. Specifically Assigned Operating and Maintenance (O&M) Costs; and
2. The Rural Deficit Allocation Methodology.

2.0 SPECIFICALLY ASSIGNED O&M EXPENSES

2.1 Background

Vale's expert, Mel Dean, points out that Vale's specifically assigned O&M charge of $459,565, which is largely determined by prorating the O&M expense on the basis of plant in service, does not account for the time value of money[1]. Mr. Dean suggests that not accounting for the time value of money has the potential to achieve inequitable results, which is heightened by the fact that Hydro's electrical system has old and new assets – some ranging back to the 1960s. Mr. Dean presents a table that shows how the Bank of Canada's Consumer Price Index has increased from 1968 to 2013 in five-year increments[2] and he also references Hydro's response to V-NLH-083 in which Vale requested a revised cost of service study with plant in service for each asset restated in 2013 dollars instead of original cost. Mr. Dean cites Hydro's response as follows:

> *Given that Hydro has more than 40,000 assets with in-service years ranging back to the 1960's, this request is onerous and cannot be completed within the time frame for this proceeding.*

[1] Expert's Report on Newfoundland and Labrador Hydro's 2013 General Rate Application, prepared by Mel Dean, April 25,2014 (Dean evidence); Section 2, page 10, line 7 through page 11, line 2.
[2] Dean evidence, page 11, lines 3-9.

Mr. Dean acknowledges that although there is work involved is doing such an analysis, it is justified in that it results in a more equitable distribution of O&M expenses among Hydro's customers. He goes on to suggest alternatives such as using the replacement value for all assets, or estimating the average system age and restating new customer's assets to that particular year.[3]

2.2 Discussion and Recommendations

Hydro's cost of service study allocates O&M expenses within each system based on original cost gross plant. Although this is the most widely-used methodology to allocate O&M expenses among North American utilities, it is acknowledged that an inequitable allocation of O&M can result due to significant newer plant additions associated with certain IC. As Hydro has stated in its response to V-NLH-083, restating more than 40,000 assets to current dollars can be a significant undertaking. In order to begin such an analysis Hydro would need to gather the in-service date and original cost of each asset. One alternative solution can be to develop an O&M allocation where specifically assigned plant additions subsequent to the 2007 GRA are deescalated back to a date in the 2007 GRA test year. This would be characterized as an initial attempt at recognizing the impact of inflation in the O&M allocation methodology, but could open the way to discussion among the parties relative to refinements and steps that could be taken towards a more comprehensive analysis.

For illustration and discussion purposes, an initial analysis was performed using this methodology. An overview of the procedure used is as follows:

1. Identify specifically assigned transmission plant and total transmission plant in the 2013 test year;
2. Identify specifically assigned transmission plant that has been added subsequent to the 2007 GRA;

[3] Dean evidence, footnote 6, page 12.

3. Calculate a deflation factor from 1/1/2014 to 7/1/2007 using the Handy-Whitman Index of Public Utility Construction Costs for the North Atlantic Region; take the mid-point of that deflation factor to recognize that plant was added throughout the period; and apply that deflation factor to the plant additions for each Industrial Customer and NP;
4. Sum the deflated additions and subtract the total from each, specifically assigned and total transmission plant (in step 1, above);
5. Calculate the ratio of deflated specifically assigned transmission plant to total deflated transmission plant;
6. Apply the ratio calculated above, to total test year transmission O&M expenses;
7. Prorate specifically assigned O&M from step 6, above, among each Industrial Customer and NP based on deflated gross plant for each; and
8. The balance of the transmission O&M would be reallocated to common.

The results using this methodology are shown in Table 1, below.

Table 1: Comparison of Specifically Assigned Test Year O&M with Adjusted O&M Using Back-Trending

Customer	2013 TY O&M	2013 Adj'd O&M	Percent Change
CBPP	$ 351,969	$ 237,954	-32.4%
NARL	58,514	41,549	-29.0%
Teck	203,731	202,172	-0.8%
Vale	459,566	368,887	-19.7%
Sub-Total	$ 1,073,780	$ 850,561	-20.8%
Newfoundland Power	1,429,516	1,314,907	-8.0%
Total	$ 2,503,296	$ 2,165,468	-13.5%

The full analytics are contained in Schedule 1 to this rebuttal evidence. This analysis is presented to open the way to further discussion among the parties.

3.0 RURAL DEFICIT METHODOLOGY

3.1 Comments on Mr. Brockman's Recommendation

In PUB-NP-005, the PUB asked for Mr. Brockman's opinion as to whether the Rural Deficit methodology should continue or be changed. In his response Mr. Brockman compared the results of the Rural Deficit allocation in 1995[4] with 2013. Mr. Brockman summarizes the results as follows:

(i) Based on Table 5 in his response the increase to NP customers from 1995 to 2013 would be 83%, whereas the increase to Labrador Interconnected customers would be 45%; and

(ii) The average subsidy proposed to be recovered from each of NP's customers in 2013, using the 1993 methodology has increased materially from what it was in 1995.

Mr. Brockman concludes:

> *Based upon these factors, it does not appear to Mr. Brockman that a reasonable basis exists at this time to change the methodology for determining the subsidies so that the subsidies required from Newfoundland Power's customers would increase more while those required from Labrador Interconnected customers would decrease.*

3.2 Discussion and Recommendation

There are a number of concerns regarding Mr. Brockman's 1995 to 2013 comparison that are discussed below.

- The comparison to allocation results in 1995 is not relevant as those costs were not reflected in customer rates. Even in recent years, the costs have been offset by the secondary sales credit. The current proceeding is the first GRA in which the full effect of the 1993 Rural Deficit methodology is demonstrated in a test year application.

[4] Mr. Brockman's 1995 data was derived from the *Report of the Board of Commissioners of Public Utilities to the Honourable Minister of Natural Resources Government of Newfoundland and Labrador on a Referral by the Lieutenant-Governor in Council Concerning Rural Electrical Service*, October 10, 1995, page 24.

- Table 1 in Mr. Brockman's response to PUB-NP-005 allocates 1995 Rural Deficit costs to customers in the Labrador and Island Interconnected systems, including Industrial Customers on both systems. In a subsequent determination by the PUB, Industrial Customers would not be responsible for carrying a portion of the Rural Deficit. The concern is that for the Labrador system in 1995, Industrial Customers comprise a larger portion of the total than on the Island Interconnected system, such that when Mr. Brockman excludes the Industrial Customers in order to make a comparison with the methodology in the 2013 test year, which excludes industrial customers, it appears to artificially amplify the increase to Newfoundland Power.
- Hydro's proposed allocation methodology submitted in response to CA-NLH-166 is a straight-forward comparison of the effect of the Rural Deficit under the current allocation methodology versus alternative recommended allocation methodologies, using 2013 test year numbers. It does not have the caveats intrinsic in Mr. Brockman's analysis that tend to skew the results and conclusion.
- In Mr. Brockman's opinion, for the Board to change the allocation methodology developed in the 1990s, it should have evidence before it to justify that change[5]. It is concerning that this statement ignores Hydro's analysis as well as the evidence submitted by other expert witnesses in this GRA.
- In responding to PUB-NP-005, Mr. Brockman does not answer the PUB's request regarding alternative methodologies, nor does he comment on the fairness of the existing approach.
- Lastly, it should be noted that in 1993 Mr. Brockman proposed a different approach, whereby the deficit allocation should be allocated to customers on the basis of 50% energy and 50% revenue requirement[6].

The census among all parties that have weighed in on how to allocate the Rural Deficit is that as the Rural Deficit is unrelated to the cost of service to each customer class, the

[5] PUB-NP-005, page 1 of 4, lines 12-14.
[6] PUB-NLH-113, Attachment 1, page 59 of 83, NLH 2013 GRA.

methodology used should apportion the Rural Deficit fairly among customer classes. In its response to CA-NLH-166, Hydro has presented the high-level results of its detailed analysis that demonstrates significantly greater fairness in apportioning the Rural Deficit on either a revenue requirement or on a number of total customer basis than under the current methodology. It is therefore recommended that the Board should approve a change in the allocation method to either of these two alternative methodologies.

Newfoundland and Labrador Hydro
Proposed Specifically Assigned Operating and Maintenance Expense Allocation
2013 Test Year

		A	B	C	D	E	
		2013 TY Gross Plant [1]	2008-2013 Additions	Deflate Additions to 2007 TY Value [2]	Difference Col C - Col B	2013 Adjusted Gross Plant Col A + Col D	Reference
Step 1: Calculate Adjusted Specifically Assigned Transmission Plant							
1	Corner Brook Pulp and Paper Limited	$ 6,754,691	$ 3,468,037	$ 3,121,233	$ (346,804)	$ 6,407,887	
2	North Atlantic Refining Limited	1,122,955	40,798	36,718	(4,080)	1,118,875	
3	Teck Resources Limited	5,444,316	-	-	-	5,444,316	
4	Vale Newfoundland and Labrador Limited	11,037,566	11,037,566	9,933,809	(1,103,757)	9,933,809	
5	Sub-Total Industrial Customers	$ 24,359,528	$ 14,546,401	$ 13,091,761	$ (1,454,640)	$ 22,904,888	
6	Newfoundland Power	35,712,080	3,027,635	2,724,872	(302,764)	35,409,317	
7	Total	$ 60,071,608	$ 17,574,036	$ 15,816,632	$ (1,757,404)	$ 58,314,204	

		F	G	H	I	J	
		Total	Percent Col F, Line 8/ Col F, Line 9	Deflate Plant to 2007 TY Value [2] Col D, Line 7	Adjusted Plant Total	Percent Col I, Line 8/ Col I, Line 9	
Step 2: Calculate Adjusted Specifically Assigned O&M							
8	Total Specifically Assigned Transmission Plant in Service	$ 60,071,608		$ (1,757,404)	$ 58,314,204		Col F, Line 8 + Col H, Line 8
9	Total Transmission Plant in Service	$ 245,735,783 [3]		$ (1,757,404)	$ 243,978,379		Col F, Line 9 + Col H, Line 9
10	Ratio of Specifically Assigned Transmission Plant in Service to Total		24.45%			23.90%	
11	Total Transmission O&M	$ 9,060,010 [4]					
12	Adjusted Specifically Assigned O&M	**$ 2,165,468**					Col F, Line 11 * Col J, Line 10

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1) 2013 GRA, Exhibit 13, Schedule 3.3A, Page 1 of 1, Col 5, Line No. 1 to 7.

2) Plant additions for 2008 to 2013 adjusted to 2007 Test Year value using the Handy Whitman Index of Public Utility Construction Costs. North Atlantic Region Index (1973=100).

Total Transmission Plant		Deflation Percent	
7/1/2007	1/1/2014	Factor	Mid-Point
564	704	-19.9%	-9.9%

3) 2013 GRA, Exhibit 13, Schedule 2.2A, Page 1 of 2, Col 5, Line No. 40.

4) 2013 GRA, Exhibit 13, Schedule 2.4A, Page 1 of 2, Col 5, Line No. 30.

Newfoundland and Labrador Hydro
Proposed Specifically Assigned Operating and Maintenance Expense Allocation
2013 Test Year

		K	L	M	
		Allocate Specifically Assigned O&M	2013 TY O&M [5]	Percent Change	Reference
		Col E, Lines 1 to 4 & 6/Col E, Line 7 * Col F, Line 12		Col K /Col L - 1	
Step 3: Calculate Adjusted Specifically Assigned O&M by Customer					
13	Corner Brook Pulp and Paper Limited	$ 237,954	$ 351,969	-32.4%	
14	North Atlantic Refining Limited	41,549	58,514	-29.0%	
15	Teck Resources Limited	202,172	203,731	-0.8%	
16	Vale Newfoundland and Labrador Limited	368,887	459,566	-19.7%	
17	Sub-Total	$ 850,561	$ 1,073,780	-20.8%	
18	Newfoundland Power	1,314,907	1,429,516	-8.0%	
19	Total	$ 2,165,468	$ 2,503,296	-13.5%	

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5) 2013 GRA, Exhibit 13, Schedule 3.3A, Page 1 of 1, Col 3-6, Line No. 20 to 26.