

April 16, 2014

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

**ATTENTION: Ms. Cheryl Blundon**  
**Director of Corporate Services & Board Secretary**

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro - 2013 General Rate Application  
Update of Financial Results and Forecasts – Revision 1**

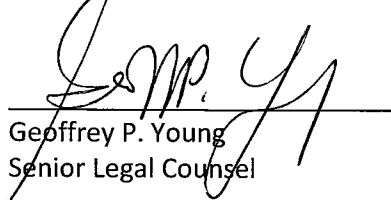
Enclosed please find the original plus 12 copies of Revision 1 to Hydro's submission of March 14, 2014, following the Board's request of February 28, 2014 to update Hydro's 2013 General Rate Application (GRA) to reflect the actual financial numbers for 2013, specifically Schedule 1 of Tab C, Section 3 – Financial Results and Forecasts; along with relevant charts and tables in this section; and an explanation for variances between 2013 actual numbers and forecast 2013 Test Year numbers as previously filed in the GRA.

This revision is necessary to update IOC cost recovery based upon the 2013 Cost of Service completed as part of the Annual Return; Average Assets Not in Use and the corresponding Cost of Service Exclusions as updated to conform with Board Order No. P.U. 14(2013) which stated that Hydro is not to include the expenditure related to the refurbishment and repairs to Holyrood Unit 1 at Holyrood Thermal Generating Station in rate base until a further Order by the Board; and the FTE charts to be on a net basis which is consistent with the original 2013 GRA filing in Section 3 of the Finance Evidence.

Should you have any questions please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**

  
\_\_\_\_\_  
Geoffrey P. Young  
Senior Legal Counsel

GPY/jc

cc: Gerard Hayes – Newfoundland Power  
Paul Coxworthy – Stewart McKelvey Stirling Scales  
Thomas J. O'Reilly, Q.C. – Cox & Palmer  
Stephanie Kearns – Olthuis, Kleer, Townshend LLP

Thomas Johnson – Consumer Advocate  
Yvonne Jones, MP Labrador  
Ed Hearn, Q.C. – Miller & Hearn

Newfoundland and Labrador Hydro  
Financial Results and Forecasts  
Statement of Income and Retained Earnings  
(\$000s)

Finance  
Schedule I  
Page 1 of 11  
Revision 1, Apr 16-14

	Actual							Proposed
	2007	2008	2009	2010	2011	2012	2013	2013
<b>1 Revenue</b>								
2 Energy sales	429,794	425,196	425,528	414,774	443,796	453,178	472,785	565,737
3 Other revenue	1,983	2,197	2,218	2,287	2,317	2,116	2,343	2,350
<b>4 Total revenue</b>	<u>431,777</u>	<u>427,393</u>	<u>427,746</u>	<u>417,061</u>	<u>446,113</u>	<u>455,294</u>	<u>475,128</u>	<u>568,087</u>
5								
<b>6 Expenses</b>								
7 Operating expenses	97,693	96,694	100,369	96,976	104,564	106,468	111,812	113,820
8 Loss on disposal of property, plant, and equipment	902	2,580	1,267	687	925	5,396	3,634	1,304
9 Fuels	150,281	149,854	136,933	137,994	131,275	132,003	155,957	219,390
10 Power purchases	38,606	41,388	46,782	44,244	52,222	56,986	59,379	58,674
11 Amortization	38,342	40,393	41,744	43,790	45,217	46,865	50,832	51,656
12 Accretion of asset retirement obligation	-	-	-	-	467	715	911	843
13 Interest	103,242	87,610	83,440	86,766	90,844	89,961	92,394	89,043
<b>14 Total expenses</b>	<u>429,066</u>	<u>418,519</u>	<u>410,535</u>	<u>410,457</u>	<u>425,514</u>	<u>438,394</u>	<u>474,919</u>	<u>534,730</u>
15								
<b>16 Net income</b>	<u>2,711</u>	<u>8,874</u>	<u>17,211</u>	<u>6,604</u>	<u>20,599</u>	<u>16,900</u>	<u>209</u>	<u>33,357</u>
17								
<b>18 Retained earnings</b>								
19 Balance at beginning of year	208,147	210,858	219,732	236,943	212,647	212,096	231,174	231,174
20 Opening adjustment - retained earnings	-	-	-	-	-	2,178	-	-
21 Dividends	-	-	-	(30,900)	(21,150)	-	-	-
<b>22 Balance at end of year</b>	<u>210,858</u>	<u>219,732</u>	<u>236,943</u>	<u>212,647</u>	<u>212,096</u>	<u>231,174</u>	<u>231,383</u>	<u>264,531</u>

**Newfoundland and Labrador Hydro**  
**Financial Results and Forecasts**  
**Balance Sheet**  
**(\$000s)**

Finance  
Schedule I  
Page 2 of 11  
Revision 1, Apr 16-14

	Actual							Proposed
	2007	2008	2009	2010	2011	2012	2013	2013
<b>1 Assets</b>								
2 Current assets								
3 Cash and cash equivalents	-	-	10,942	37,760	6,685	2,480	6,726	-
4 Short-term investments	-	-	20,000	8,992	-	-	-	-
5 Accounts receivable	69,114	69,495	65,703	61,678	79,569	80,373	85,383	55,202
6 Current portion of regulatory assets	17,154	5,000	4,789	3,851	2,762	2,157	2,157	2,824
7 Inventory	60,925	42,993	49,964	53,390	54,258	51,673	63,974	74,077
8 Prepaid expenses	841	1,156	1,492	2,322	2,284	2,949	2,742	2,221
9 Current portion of sinking funds	-	-	-	-	-	-	65,426	-
10	<u>148,034</u>	<u>118,644</u>	<u>152,890</u>	<u>167,993</u>	<u>145,558</u>	<u>139,632</u>	<u>226,408</u>	<u>134,324</u>
11								
12 Property, plant, and equipment	1,352,229	1,354,348	1,364,205	1,386,061	1,410,432	1,440,619	1,463,070	1,492,240
13 Sinking funds	151,765	163,881	179,613	208,381	246,966	263,330	202,184	284,010
14 Regulatory assets	81,308	74,626	69,324	65,885	63,597	62,824	62,117	63,096
15								
16 <b>Total assets</b>	<u><u>1,733,336</u></u>	<u><u>1,711,499</u></u>	<u><u>1,766,032</u></u>	<u><u>1,828,320</u></u>	<u><u>1,866,553</u></u>	<u><u>1,906,405</u></u>	<u><u>1,953,779</u></u>	<u><u>1,973,670</u></u>
17								
<b>18 Liabilities and shareholder equity</b>								
19 Current liabilities								
20 Promissory notes	8,016	4,557	-	-	-	52,000	41,000	106,606
21 Accounts payable and accrued liabilities	65,295	46,212	51,115	65,237	49,341	39,299	66,796	46,207
22 Accrued interest	30,566	28,667	28,667	28,667	28,667	28,667	28,667	28,667
23 Current portion of long-term debt	208,315	8,322	8,150	8,150	8,150	8,150	82,150	8,150
24 Current portion of regulatory liabilities	23,488	22,324	89,814	118,849	137,593	168,985	213,997	143,853
25 Deferred capital contribution	-	470	165	123	3,497	1,938	702	1,420
26 Due to related parties	182	450	21,441	37,224	49,258	1,873	731	6,704
27 Promissory notes - non-regulated	<u>(33,421)</u>	<u>145,004</u>	<u>(3,531)</u>	<u>(5,521)</u>	<u>(5,118)</u>	<u>(7,217)</u>	<u>(8,187)</u>	<u>(7,217)</u>
28	<u>302,441</u>	<u>256,006</u>	<u>195,821</u>	<u>252,729</u>	<u>271,388</u>	<u>293,695</u>	<u>425,856</u>	<u>334,390</u>
29								
30 Long-term debt	1,145,198	1,146,414	1,141,618	1,136,755	1,131,542	1,125,901	1,046,658	1,119,876
31 Regulatory liabilities	15,499	31,546	32,788	40,931	33,271	33,174	40,268	24,969
32 Asset retirement obligations	-	-	-	11,395	19,593	24,031	24,094	24,528
33 Employee future benefits	39,805	41,881	44,060	48,348	53,556	56,890	61,553	63,836
34 Contributed capital	-	-	100,000	100,000	100,000	100,000	100,000	100,000
35 Shareholder's equity / retained earnings	210,858	219,732	236,943	212,647	212,096	231,174	<u>231,383</u>	264,531
36 Accumulated other comprehensive income	19,535	15,920	14,802	25,515	45,107	41,540	23,967	41,540
37								
38 <b>Total liabilities and shareholder's equity</b>	<u><u>1,733,336</u></u>	<u><u>1,711,499</u></u>	<u><u>1,766,032</u></u>	<u><u>1,828,320</u></u>	<u><u>1,866,553</u></u>	<u><u>1,906,405</u></u>	<u><u>1,953,779</u></u>	<u><u>1,973,670</u></u>

Newfoundland and Labrador Hydro  
Financial Results and Forecasts  
Statement of Cash Flows  
(\$000s)

Finance  
Schedule I  
Page 3 of 11  
Revision 1, Apr 16-14

	Actual							Proposed
	2007	2008	2009	2010	2011	2012	2013	2013
<b>1 Cash provided by (used in)</b>								
<b>2 Operating activities</b>								
3 Net income	2,711	8,874	17,211	6,604	20,599	16,900	209	33,357
4 Adjusted for items not involving cash flow								
5 Amortization	38,342	40,393	41,744	43,790	45,217	46,865	50,832	51,656
6 Accretion of long-term debt	675	479	394	426	460	498	540	540
7 Accretion of asset retirement obligation	-	-	-	-	467	715	911	843
9 Employee future benefits	4,268	2,560	2,179	4,288	5,208	4,521	4,663	6,946
10 Loss on disposal of property, plant and equipment	902	2,580	1,267	687	925	3,844	2,687	1,304
11 Other	(92)	-	-	-	-	92	(273)	-
12	46,806	54,886	62,795	55,795	72,876	73,435	59,569	94,646
<b>13 Changes in non-cash balances</b>								
14 Accounts receivable	(9,698)	(381)	3,792	4,025	(17,891)	(804)	(5,010)	25,171
15 Inventory	(15,482)	17,932	(6,971)	(3,426)	(868)	2,585	(12,301)	(22,404)
16 Prepaid expenses	244	(315)	(336)	(830)	38	(665)	207	728
17 Regulatory assets	49,744	18,836	5,513	4,377	3,377	1,378	707	(939)
18 Regulatory liabilities	(11,382)	14,883	68,732	37,178	11,084	31,295	52,106	(33,337)
19 Accounts payable and accrued liabilities	27,214	(19,083)	4,903	14,122	(15,896)	(10,042)	27,497	6,908
20 Accrued interest	-	(1,899)	-	-	-	-	-	-
21 Due to related parties	(3,288)	268	20,991	15,783	12,034	(47,385)	(1,142)	4,831
23	84,158	85,127	159,419	127,024	64,754	49,797	121,633	75,604
<b>24 Financing activities</b>								
25 Increase (decrease) in long-term debt	12,691	(188,692)	(172)	-	-	-	-	-
26 Increase (decrease) in deferred capital contribution	-	470	(305)	(42)	3,374	(1,559)	(1,236)	(518)
27 Increase in contributed capital	-	-	100,000	-	-	-	-	-
28 Dividends	-	-	-	(30,900)	(21,150)	-	-	-
29 (Decrease) increase in promissory notes - non-regulated	(49,483)	172,911	(148,535)	(1,990)	403	(2,099)	(970)	-
30 Increase (decrease) in promissory notes	-	-	-	-	-	52,000	(11,000)	54,606
32 Transfer of employee future benefits to non-regulated	-	(484)	-	-	-	-	-	-
33	(36,792)	(15,795)	(49,012)	(32,932)	(17,373)	48,342	(13,206)	54,088
<b>34 Investing activities</b>								
35 Additions to property, plant and equipment	(36,023)	(45,785)	(54,097)	(55,401)	(63,083)	(77,474)	(80,657)	(104,982)
36 Decrease (increase) in short term investments	560	-	(20,000)	11,008	8,992	-	-	-
37 Proceeds on disposal of property, plant and equipment	602	693	1,229	463	301	1,200	3,997	317
38 Settlement of asset retirement obligation	-	-	-	-	-	-	-	(262)
39 Increase in sinking funds	(19,592)	(20,781)	(22,040)	(23,344)	(24,666)	(26,070)	(27,521)	(27,245)
40	(54,453)	(65,873)	(94,908)	(67,274)	(78,456)	(102,344)	(104,181)	(132,172)
41								
42 <b>Net (decrease) increase in cash</b>	(7,087)	3,459	15,499	26,818	(31,075)	(4,205)	4,246	(2,480)
43								
44 <b>Cash position, beginning of year</b>	(929)	(8,016)	(4,557)	10,942	37,760	6,685	2,480	2,480
45								
46 <b>Cash position, end of year</b>	(8,016)	(4,557)	10,942	37,760	6,685	2,480	6,726	-

Newfoundland and Labrador Hydro  
Financial Results and Forecasts  
Capital Structure  
(\$000s)

Finance  
Schedule I  
Page 4 of 11  
Revision 1, Apr 16-14

	Actual							Proposed
	2007	2008	2009	2010	2011	2012	2013	2013
<b>1 Regulated capital structure</b>								
2 Long-term debt	1,353,513	1,154,736	1,149,768	1,144,905	1,139,692	1,134,051	1,128,808	1,128,026
3 Promissory notes	7,000	163,000	-	-	-	52,000	41,000	106,606
4 Promissory notes - related party	88	90	-	-	-	-	-	-
5 less: sinking funds	(151,765)	(163,881)	(179,613)	(208,381)	(246,966)	(263,330)	(267,610)	(284,010)
6 add: mark to market of sinking funds	19,535	15,920	14,802	25,515	45,108	41,425	23,967	41,425
7	<u>1,228,371</u>	<u>1,169,865</u>	<u>984,957</u>	<u>962,039</u>	<u>937,834</u>	<u>964,146</u>	<u>926,165</u>	<u>992,047</u>
8 Cost of service exclusions	-	-	-	-	-	-	-	-
9 Non-regulated debt pool	(40,421)	(17,996)	(3,531)	(5,521)	(5,118)	(7,217)	(8,187)	(7,217)
10 Net regulated debt	<u>1,187,950</u>	<u>1,151,869</u>	<u>981,426</u>	<u>956,518</u>	<u>932,716</u>	<u>956,929</u>	<u>917,978</u>	<u>984,830</u>
11 Asset retirement obligation	-	-	-	11,395	19,593	24,031	24,094	24,528
12 less: unfunded asset retirement obligation	-	-	-	(11,395)	(17,976)	(19,685)	(16,715)	(17,320)
13 Employee future benefits	39,805	41,881	44,060	48,348	53,556	56,890	61,553	63,836
14 Contributed capital	-	-	100,000	100,000	100,000	100,000	100,000	100,000
15 Retained earnings cost of service exclusions	-	-	-	-	-	113	641	161
16 Retained earnings	210,858	219,732	236,943	212,647	212,096	231,174	231,383	264,531
17 <b>Total</b>	<u>1,438,613</u>	<u>1,413,482</u>	<u>1,362,429</u>	<u>1,317,513</u>	<u>1,299,985</u>	<u>1,349,452</u>	<u>1,318,934</u>	<u>1,420,566</u>
18								
<b>19 Regulated capital structure (%)</b>								
20 Debt	82.5%	81.5%	72.1%	72.6%	71.8%	70.9%	69.6%	69.3%
21 Asset retirement obligation	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%	0.6%	0.5%
22 Employee future benefits	2.8%	3.0%	3.2%	3.7%	4.1%	4.2%	4.7%	4.5%
23 Equity	14.7%	15.5%	24.7%	23.7%	24.0%	24.5%	25.2%	25.7%
24 <b>Total</b>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
25								
<b>26 Regulated average capital structure (%)</b>								
27 Debt		82.0%	76.8%	72.4%	72.2%	71.4%	70.3%	70.1%
28 Asset retirement obligation		0.0%	0.0%	0.0%	0.1%	0.2%	0.4%	0.4%
29 Employee future benefits		2.9%	3.1%	3.4%	3.9%	4.2%	4.4%	4.4%
30 Equity		15.1%	20.1%	24.2%	23.8%	24.3%	24.9%	25.1%
31 <b>Total</b>		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
32								
<b>33 Weighted average cost of capital (WACC)</b>								
34 Embedded cost of debt		8.26%	8.26%	8.26%	8.26%	8.26%	8.26%	8.01%
35 Asset retirement obligation		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
36 Employee future benefits		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
37 Equity		4.47%	4.47%	4.47%	4.47%	4.47%	4.47%	8.80%
38 <b>WACC</b>		<u>7.45%</u>	<u>7.24%</u>	<u>7.06%</u>	<u>7.03%</u>	<u>6.98%</u>	<u>6.92%</u>	<u>7.83%</u>

A The asset retirement obligation is not part of capital structure until it has been funded by rate payers. As such, the unfunded amount is removed. The funded amount includes the depreciation and accretion charges that have been recorded in net income.

B Proposed 2013 return on equity based on NP's approved return on equity.

Newfoundland and Labrador Hydro  
Financial Results and Forecasts  
Rate of Return on Rate Base  
(\$000s)

Finance  
Schedule I  
Page 5 of 11  
Revision 1, Apr 16-14

	Actual						Proposed	
	2007	2008	2009	2010	2011	2012	2013	
1 Property, plant, and equipment	1,352,229	1,354,348	1,364,205	1,386,061	1,410,432	1,440,619	1,463,070	1,492,240
2 add: accumulated depreciation	570,225	603,362	632,085	669,742	707,241	88,865	138,317	140,043
3 add: contributions in aid of construction	96,396	96,143	96,749	97,257	98,054	14,052	15,786	22,269
5 less: work in progress	(2,535)	(9,456)	(10,579)	(17,002)	(23,736)	(32,948)	(13,822)	(21,472)
6 Capital assets in service	2,016,315	2,044,397	2,082,460	2,136,058	2,191,991	1,510,588	1,603,351	1,633,080
7 less: asset retirement obligation	-	-	-	(11,395)	(17,976)	(19,685)	(16,715)	(17,320) A
8 less: contributions in aid of construction	(96,396)	(96,143)	(96,749)	(97,257)	(98,054)	(14,052)	(15,786)	(22,269)
9 less: accumulated depreciation	(570,225)	(603,362)	(632,085)	(669,742)	(707,241)	(88,865)	(138,317)	(140,043)
10 Capital assets - current year	1,349,694	1,344,892	1,353,626	1,357,664	1,368,720	1,387,986	1,432,533	1,453,448
11 Capital assets - previous year	1,345,766	1,349,694	1,344,892	1,353,626	1,357,664	1,368,720	1,387,986	1,387,986 B
12 Unadjusted capital assets - average	1,347,730	1,347,293	1,349,259	1,355,645	1,363,192	1,378,353	1,410,259	1,420,717
13 less: Average net assets not in use	-	-	-	(777)	(423)	(1,428)	(7,102)	(3,005)
14 Capital assets - average	1,347,730	1,347,293	1,349,259	1,354,868	1,362,769	1,376,925	1,403,157	1,417,712
15								
16 Cash working capital allowance	3,496	3,548	2,668	3,092	4,625	7,810	5,875	5,336
17 Fuel	25,874	34,389	20,817	29,908	33,680	50,308	48,949	50,885
18 Materials and supplies	21,699	22,561	23,567	24,089	24,096	25,339	25,763	24,701
19 Deferred charges	84,725	81,996	76,870	71,925	68,048	65,670	64,627	65,451
20								
21 Average rate base	1,483,524	1,489,787	1,473,181	1,483,882	1,493,218	1,526,052	1,548,371	1,564,085
22								
23 Unadjusted return on regulated equity	2,711	8,874	17,211	6,604	20,599	16,900	209	33,357
24 add: Cost of service exclusions	-	-	-	-	-	113	528	48
25 Net interest	103,242	87,610	83,440	86,766	90,844	89,961	92,394	89,043
26 Return on rate base	105,953	96,484	100,651	93,370	111,443	106,974	93,131	122,448
27								
28 Rate of return on rate base	7.14%	6.48%	6.83%	6.29%	7.46%	7.01%	6.01%	7.83%

A Asset retirement obligation costs are not funded through debt or Hydro funds, but are to be fully recovered from rate payers over the life of the asset retirement obligation through depreciation. As such, we remove these costs from rate base.

B 2012 'Capital assets - previous year' value reflects Order No. P.U. 13 (2012).

Newfoundland and Labrador Hydro  
Financial Results and Forecasts  
Revenue Requirement Analysis  
(\$000s)

Finance  
Schedule I  
Page 6 of 11  
Revision 1, Apr 16-14

	Actual						Proposed
	2007	2008	2009	2010	2011	2012	2013
<b>1 Revenue requirement</b>							
2 Energy sales	429,794	425,196	425,528	414,774	443,796	453,178	472,785
3 Other revenue	1,983	2,197	2,218	2,287	2,317	2,116	2,343
<b>4 Total revenue requirement</b>	<u>431,777</u>	<u>427,393</u>	<u>427,746</u>	<u>417,061</u>	<u>446,113</u>	<u>455,294</u>	<u>475,128</u>
5							
<b>6 Expenses</b>							
7 Operating expenses	97,693	96,694	100,369	96,976	104,564	106,468	111,812
8 Loss on disposal of property, plant, and equipment	902	2,580	1,267	687	925	5,396	3,634
9 Fuels	150,281	149,854	136,933	137,994	131,275	132,003	155,957
10 Power purchases	38,606	41,388	46,782	44,244	52,222	56,986	59,379
11 Amortization	38,342	40,393	41,744	43,790	45,217	46,865	50,832
12 Accretion of asset retirement obligation	-	-	-	-	467	715	911
<b>13 Expenses prior to cost of service exclusions</b>	<u>325,824</u>	<u>330,909</u>	<u>327,095</u>	<u>323,691</u>	<u>334,670</u>	<u>348,433</u>	<u>382,525</u>
14 less: Cost of service exclusions	-	-	-	-	-	(113)	(528)
<b>15 Total expenses</b>	<u>325,824</u>	<u>330,909</u>	<u>327,095</u>	<u>323,691</u>	<u>334,670</u>	<u>348,320</u>	<u>381,997</u>
<b>16 Return on rate base</b>	<u>105,953</u>	<u>96,484</u>	<u>100,651</u>	<u>93,370</u>	<u>111,443</u>	<u>106,974</u>	<u>93,131</u>
17							
<b>18 Average rate base</b>	<u>1,483,524</u>	<u>1,489,787</u>	<u>1,473,181</u>	<u>1,483,882</u>	<u>1,493,218</u>	<u>1,526,052</u>	<u>1,548,371</u>
19							
<b>20 Rate of return on rate base</b>	<u>7.14%</u>	<u>6.48%</u>	<u>6.83%</u>	<u>6.29%</u>	<u>7.46%</u>	<u>7.01%</u>	<u>6.01%</u>

Newfoundland and Labrador Hydro  
 Financial Results and Forecasts  
 Rate Stabilization Plan  
 (\$000s)

Finance  
 Schedule I  
 Page 7 of 11  
 Revision 1, Apr 16-14

	Actual						Proposed
	2007	2008	2009	2010	2011	2012	2013
1 Historical rate stabilization plan balances							
2 Utility	12,053	-	-	-	-	-	-
3 Industrial	-	-	-	-	-	-	-
4 Total	<u>12,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5							
6 Current rate stabilization plan							
7 Hydraulic	(14,820)	(30,903)	(32,562)	(40,399)	(32,737)	(32,676)	(39,801)
8 Utility	(14,652)	(10,330)	(53,069)	(56,251)	(55,940)	(64,905)	(80,174)
9 Industrial	(8,829)	(11,994)	(36,884)	(62,612)	(81,653)	(104,080)	566
10 Segregated Load Variation	-	-	-	-	-	-	(8,200)
11 Utility Surplus	-	-	-	-	-	-	(115,330)
12 Industrial Surplus	-	-	-	-	-	-	(10,858)
13 Total	<u>(38,301)</u>	<u>(53,227)</u>	<u>(122,515)</u>	<u>(159,262)</u>	<u>(170,330)</u>	<u>(201,661)</u>	<u>(253,797)</u>
14							
15 Combined rate stabilization plan balances	<u>(26,248)</u>	<u>(53,227)</u>	<u>(122,515)</u>	<u>(159,262)</u>	<u>(170,330)</u>	<u>(201,661)</u>	<u>(168,361)</u>
16							
17 Average fuel cost per barrel	<u>\$ 52.51</u>	<u>\$ 71.59</u>	<u>\$ 52.51</u>	<u>\$ 73.90</u>	<u>\$ 91.92</u>	<u>\$ 114.80</u>	<u>\$ 108.74</u>



Newfoundland and Labrador Hydro  
**Financial Results and Forecasts**  
**Employee Future Benefits**  
(\$000s)

Finance  
**Schedule I**  
Page 8 of 11  
Revision 1, Apr 16-14

	Actual						Proposed
	2007	2008	2009	2010	2011	2012	2013
<b>1 Accrued employee future benefits liability</b>							
2 Balance at beginning of year	35,537	39,805	41,881	44,060	48,348	52,207	56,890 <b>A</b>
3 Current service	1,885	1,666	1,143	1,651	2,068	2,875	3,332
4 Interest	3,057	3,079	3,197	3,767	4,036	4,137	3,758
5 Amortization of actuarial losses	1,215	911	-	676	1,166	-	- <b>B</b>
6 Amortization of past service costs	20	20	20	20	20	-	-
7 Transfers	-	(1,456)	(43)	32	-	-	-
8 Benefits paid	(1,909)	(2,144)	(2,138)	(1,858)	(2,082)	(2,329)	(2,368)
9 <b>Balance at end of year</b>	<b>39,805</b>	<b>41,881</b>	<b>44,060</b>	<b>48,348</b>	<b>53,556</b>	<b>56,890</b>	<b>63,836</b>
10 Unamortized losses	20,307	702	14,007	20,875	35,630	30,006	21,036
11 <b>Accrued employee future benefits obligation</b>	<b>60,112</b>	<b>42,583</b>	<b>58,067</b>	<b>69,223</b>	<b>89,186</b>	<b>86,896</b>	<b>91,618</b>
12							
<b>13 Funded employee future benefits balance</b>							
14 Balance at beginning of year	35,537	39,805	41,881	44,060	48,348	52,207	56,890 <b>A</b>
15 Employee future benefits expense	6,177	5,676	4,360	6,114	7,290	7,012	9,314
16 Amortization of actuarial losses	-	-	-	-	-	-	-
17 Transfers	-	(1,456)	(43)	32	-	-	-
18 Benefits paid	(1,909)	(2,144)	(2,138)	(1,858)	(2,082)	(2,329)	(2,368)
19 <b>Balance at end of year</b>	<b>39,805</b>	<b>41,881</b>	<b>44,060</b>	<b>48,348</b>	<b>53,556</b>	<b>56,890</b>	<b>63,836</b>

**A** 2012 Balance at beginning of year reflects Order No. P.U. 13 (2012).

**B** Pursuant to Order No. P.U. 13 (2012), in 2013 Hydro deferred the amortization of actuarial gains and losses of \$1,708 (2012 - \$2,264).



Newfoundland and Labrador Hydro  
 Financial Results and Forecasts  
 Net Interest  
 (\$000s)

Finance  
 Schedule I  
 Page 10 of 11  
 Revision 1, Apr 16-14

	Actual						Proposed
	2007	2008	2009	2010	2011	2012	2013
<b>1 Net Interest</b>							
2 Long-term debt	101,450	94,051	90,450	90,450	90,450	90,450	90,450
3 Interest on rate stabilization plan	1,125	2,746	7,026	10,244	12,237	13,188	17,113
4 Accretion of long-term debt	675	479	394	426	460	499	540
5 Amortization of foreign exchange losses	2,157	2,157	2,157	2,157	2,157	2,157	2,157
6 Debt guarantee fee	13,145	-	-	-	3,874	3,693	3,735
7 Other interest	2,398	10,434	(1,885)	(160)	(231)	705	14
8 Interest on sinking fund	(11,439)	(12,629)	(13,891)	(15,190)	(16,557)	(18,025)	(19,434)
9 Interest capitalized during construction	(6,269)	(9,628)	(811)	(1,161)	(1,546)	(2,706)	(2,181)
<b>10 Net interest</b>	<u>103,242</u>	<u>87,610</u>	<u>83,440</u>	<u>86,766</u>	<u>90,844</u>	<u>89,961</u>	<u>92,394</u>

Newfoundland and Labrador Hydro  
 Financial Results and Forecasts  
 Funded Asset Retirement Obligation  
 (\$000s)

	Actual							Proposed
	2007	2008	2009	2010	2011	2012	2013	2013
1 Funded asset retirement obligation:								
2 Opening	-	-	-	-	-	1,617	4,346	4,346
3 Accretion	-	-	-	-	468	715	911	843
4 Depreciation	-	-	-	-	1,149	2,044	2,274	2,280
6 Asset retirement obligation disposed	-	-	-	-	-	(30)	(151)	(262)
7 Ending	-	-	-	-	1,617	4,346	7,380	7,207

**Newfoundland and Labrador Hydro**  
**Financial Results and Forecasts**  
**Revenue Requirement Analysis - 2013 Actual vs. GRA Proposed Budget**  
**(\$000s)**

	<b>Actual 2013</b>	<b>GRA Proposed 2013</b>	<b>Actual to Proposed</b>	<b>Reference</b>
<b>1 Revenue requirement</b>				
2 Energy sales	472,785	565,737	(92,952)	1
3 Other revenue	2,343	2,350	(7)	
<b>4 Total revenue requirement</b>	<b>475,128</b>	<b>568,087</b>	<b>(92,959)</b>	
5				
<b>6 Expenses</b>				
7 Operating expenses				
8 Salaries and fringe benefits	76,246	77,241	(995)	2
9 System equipment maintenance	22,005	21,495	510	3
10 Office supplies and expenses	2,595	2,571	24	
11 Professional services	5,874	7,022	(1,148)	4
12 Insurance	2,422	2,211	211	5
13 Equipment rentals	1,877	1,731	146	
14 Travel	3,338	3,156	182	
15 Miscellaneous expenses	5,218	6,380	(1,162)	6
16 Building rental and maintenance	1,186	1,070	116	
17 Transportation	2,107	2,273	(166)	
18 Cost recoveries	(9,111)	(9,222)	111	7
19 Allocated to non-regulated customer	(1,945)	(2,108)	163	
<b>20 Net operating expenses</b>	<b>111,812</b>	<b>113,820</b>	<b>(2,008)</b>	
21 Fuels	-			
22 No. 6 fuel	171,786	200,315	(28,529)	8
23 Rate stabilization plan deferral	(35,315)	(84)	(35,231)	8
24 Diesel and other	19,486	19,159	327	8
25 Total fuels	155,957	219,390	(63,433)	
26 Power purchases	59,379	58,674	705	9
27 Amortization	50,832	51,656	(824)	10
28 Accretion of asset retirement obligation	911	843	68	
29 Loss on disposal	3,634	1,304	2,330	11
<b>30 Expenses before cost of service exclusions</b>	<b>382,525</b>	<b>445,687</b>	<b>(63,162)</b>	
31 less: cost of service exclusions	(528)	(48)	(480)	14
32	<b>381,997</b>	<b>445,639</b>	<b>(63,642)</b>	
33				
<b>34 Return on rate base</b>	<b>93,131</b>	<b>122,448</b>	<b>(29,317)</b>	
35				
<b>36 Average rate base</b>	<b>1,548,371</b>	<b>1,564,085</b>	<b>(15,714)</b>	
37				
38 Rate of return on rate base	6.01%	7.83%	-1.82%	

**Newfoundland and Labrador Hydro**  
**Financial Results and Forecasts**  
**Revenue Requirement Analysis - 2013 Actual vs. GRA Proposed Budget**  
**(\$000s)**

	<b>Actual 2013</b>	<b>GRA Proposed 2013</b>	<b>Actual to Proposed</b>	
1 <b>Capital assets</b>	1,603,351	1,633,080	(29,729)	12
2 less: asset retirement obligation costs	(16,715)	(17,320)	605	
3 less: contributions in aid of construction	(15,786)	(22,269)	6,483	13
4 less: accumulated depreciation	<u>(138,317)</u>	<u>(140,043)</u>	<u>1,726</u>	
5 <b>Capital assets - current year</b>	1,432,533	1,453,448	(20,915)	
6 <b>Capital assets - previous year</b>	<u>1,387,986</u>	<u>1,387,986</u>	<u>-</u>	
7 Unadjusted Capital assets - average	1,410,259	1,420,717	(10,458)	
8 less: Average net assets not in use	<u>(7,102)</u>	<u>(3,005)</u>	<u>(4,097)</u>	15
9 <b>Capital assets - average</b>	<u>1,403,157</u>	1,417,712	(14,555)	
10			-	
11 Cash working capital allowance	5,875	5,336	539	
12 Fuel	48,949	50,885	(1,936)	
13 Materials and supplies	25,763	24,701	1,062	
14 Deferred charges	64,627	65,451	(824)	
15			-	
16 <b>Average rate base</b>	<u>1,548,371</u>	<u>1,564,085</u>	<u>(15,714)</u>	

<b>Newfoundland and Labrador Hydro</b>				
<b>Significant Adjustments To The Test Year</b>				
<b>(\$000s)</b>				
<b>Reference</b>	<b>Account</b>	<b>Actual</b>	<b>GRA</b>	<b>Actual to</b>
		<b>2013</b>	<b>Proposed</b>	<b>Proposed</b>
			<b>2013</b>	
1	<b>Energy sales</b>	472,785	565,737	(92,952)
	Variance in energy sales is primarily due to the 2013 GRA Proposed Sales having twelve months of new rates as compared to the actuals with twelve months of existing rates.			
2	<b>Salaries and fringe benefits</b>	76,246	77,241	(995)
	Main contributor to the variance is the proposed amortization of actuarial loss included in the 2013 test year but not in the 2013 Actual.			
3	<b>System equipment maintenance</b>	22,005	21,495	510
	Increase mainly due to more materials needed on operating jobs particularly in the Transmission and Rural Operations as well as the Project Execution and Technical Services Division for work completed on Sandy Pond project for Department of Transportation and Works (recovered in external cost recoveries - see Note 7).			
4	<b>Professional services</b>	5,874	7,022	(1,148)
	Variance mainly due to decrease in PUB related costs, no amortization of the proposed GRA deferral costs and a decrease in support departments' consultants' costs.			
5	<b>Insurance</b>	2,422	2,211	211
	Increased costs for new premium renewal which were effective July 1, 2013.			
6	<b>Miscellaneous expenses</b>	5,218	6,380	(1,162)
	Primarily due to delays in customer participation in the Energy Demand Management Program (later recovered in cost recoveries - see Note 7).			
7	<b>Cost recoveries</b>	(9,111)	(9,222)	111
	Decrease in Conservation Demand Management Recoveries (\$1.2M) due to delays in customer participation (see costs above in Miscellaneous expenses - Note 6) but offset by increase in external recoveries (\$1.1M) due to work completed on Sandy Pond Project for Department of Transportation and Works (see costs above in system equipment maintenance - Note 3).			

8	<b>Fuels</b>			
	No. 6 fuel	171,786	200,315	(28,529)
	Rate stabilization plan deferral	(35,315)	(84)	(35,231)
	Diesel and other	19,486	19,159	327
	Total fuels	<u>155,957</u>	<u>219,390</u>	<u>(63,433)</u>

No. 6 and diesel fuel variance is due to volume and price changes. Rate stabilization plan deferral variance is due to changes in hydraulic production, load and price compared to the 2007 Cost of Service (COS). There is no COS variances in a test year - GRA Proposed.

9	<b>Power purchases</b>	59,379	58,674	705
---	------------------------	--------	--------	-----

Primarily due to increased wind energy production and higher supplier costs.

10	<b>Amortization</b>	50,832	51,656	(824)
----	---------------------	--------	--------	-------

The in service date of capital projects was delayed resulting in reduced depreciation expense.

11	<b>Loss on disposal</b>	3,634	1,304	2,330
----	-------------------------	-------	-------	-------

Higher loss on disposal of assets and addition of removal costs.

12	<b>Capital Assets</b>	1,603,351	1,633,080	(29,729)
----	-----------------------	-----------	-----------	----------

Decrease in net book value of assets due to the carry over of projects from 2013 to 2014 as well as lower costs than budgeted on completed projects.

13	<b>Contributions in aid of construction</b>	(15,786)	(22,269)	6,483
----	---	----------	----------	-------

Decrease is mainly due to Muskrat Falls construction power project that was budgeted (fully contributed) but these assets were not transferred to Hydro in 2013.

14	<b>Cost of service exclusions</b>	(528)	(48)	(480)
----	-----------------------------------	-------	------	-------

Increase in cost of service exclusions is primarily due to the depreciation of Holyrood Unit #1 depreciation and Labrador City 25 kV Terminal Stations which were excluded as an asset not in service.

15	<b>Average net assets not in use</b>	(7,102)	(3,005)	(4,097)
----	--------------------------------------	---------	---------	---------

Increase in average net assets not in use is primarily due to Holyrood Unit #1 and Labrador City 25 kV terminal stations.



Chart 3.3 Revision 1

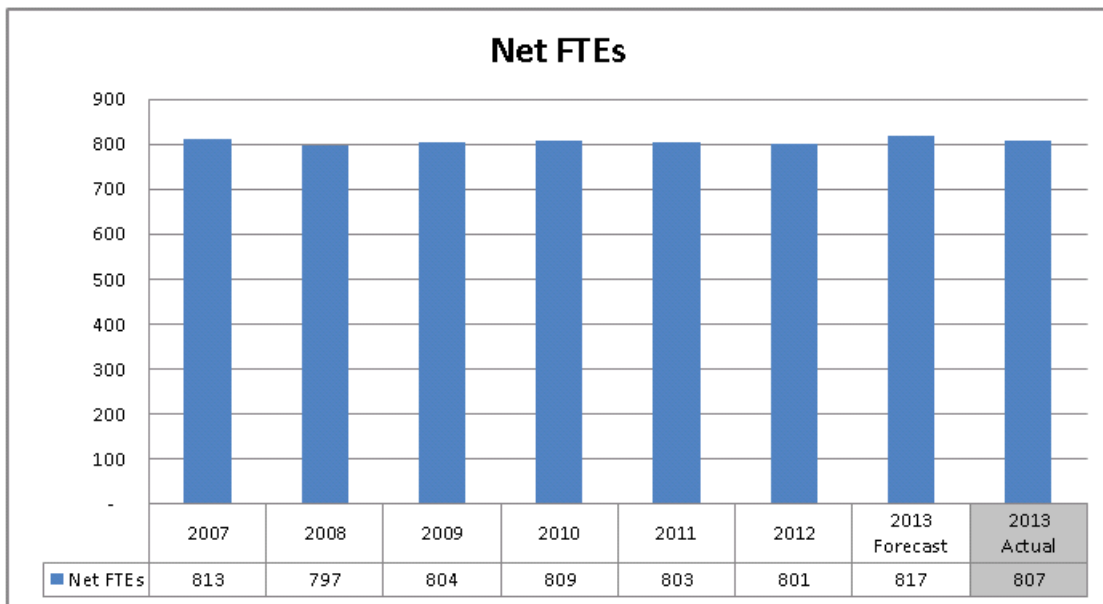


Chart 3.4 Revision 1

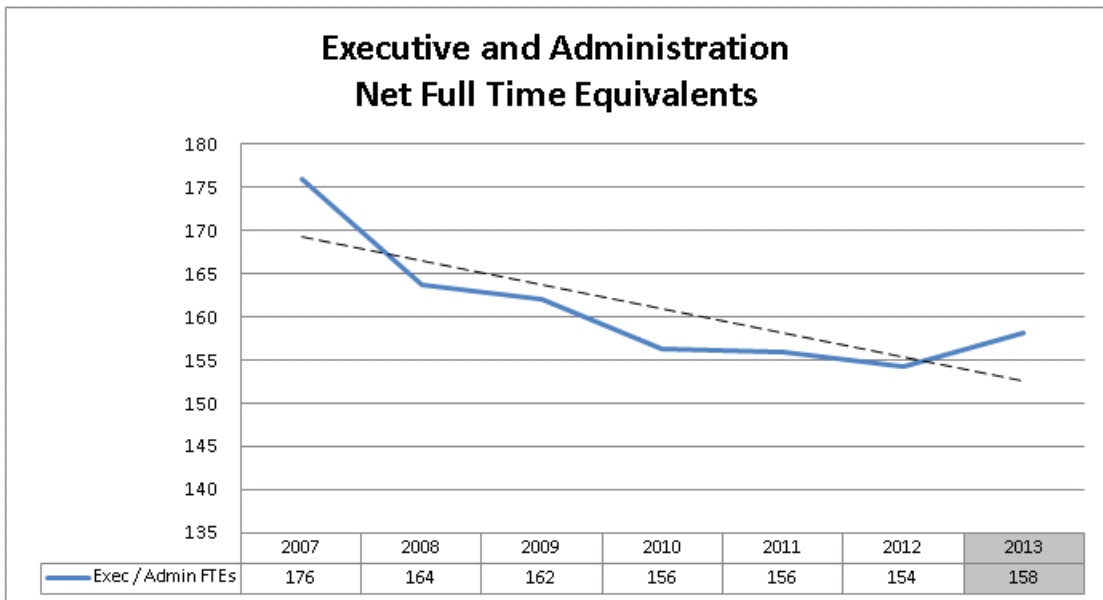


Chart 3.5 Revision 1

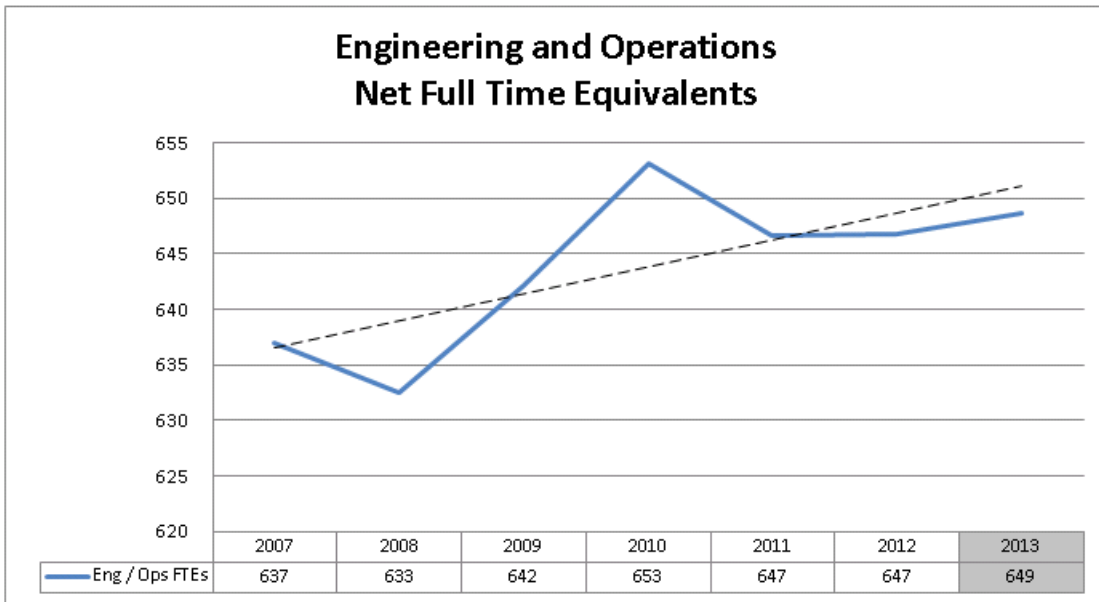


Chart 3.6 Revision 1

