

- 1 **Q. (Reference Application Schedule B, page 3 of 98) Please provide a detailed calculation**
 2 **of the cost to own and operate Newfoundland Power’s hydro facilities, and the**
 3 **amount of money recovered annually from customers attributable to Newfoundland**
 4 **Power’s hydro generation facilities.**
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 6 A. Table 1 provides a *pro forma* estimate of the total 2020 revenue requirement associated
 7 with hydro facility assets for Newfoundland Power.¹

Table 1
2020 Pro Forma Revenue Requirement Analysis
Hydro Facility Assets
(\$millions)

Operating Expense ²	3.3
Depreciation Expense ³	5.3
Return on Rate Base ⁴	9.6
Income Taxes ⁵	2.2
2020 Pro Forma Revenue Requirement	20.4

8 The total cost in 2020 related to Newfoundland Power’s hydro facilities was
 9 \$20.4 million.

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 11 Newfoundland Power’s hydro facilities reduce the amount of electricity required from
 12 Newfoundland and Labrador Hydro (“Hydro”). Based on Hydro’s marginal cost update,
 13 as provided to Newfoundland Power on April 9, 2020, the cost to replace the production
 14 from the Company’s hydro facilities after completion of the Muskrat Falls Project is
 15 estimated at \$37.1 million annually.⁶

¹ Customer rates are based on: (i) Newfoundland Power’s 2020 test year revenue requirement approved in Order No. P.U. 2 (2019); and (ii) the flow through of Hydro’s purchased power costs in Order No. P.U. 31 (2019).

² Newfoundland Power’s hydro facility operating costs totalled \$3.3 million in 2020.

³ Based on the depreciation rates approved by the Board. The depreciation rate associated with generation assets is 2.42%.

⁴ Based on Newfoundland Power’s 2020 test year return on rate base of 7.04%.

⁵ Income taxes associated with return on equity. The income tax rate is 30%.

⁶ These estimates are calculated to reflect post Muskrat Falls marginal costs using the 2022 marginal cost values for energy and capacity. The energy related value of production from the Company’s hydro facilities is estimated at \$18.6 million annually, while the capacity-related value is estimated at \$18.5 million annually.