

- 1 **Q. (Reference Application Schedule B, page 3 of 98) Please provide a detailed**
 2 **calculation of the cost to own and operate Newfoundland Power's hydro**
 3 **facilities, and the amount of money recovered annually from customers**
 4 **attributable to Newfoundland Power's hydro generation facilities.**
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 6 A. Table 1 provides a *pro forma* estimate of the total 2023 revenue requirement associated
 7 with hydro facility assets for Newfoundland Power.¹

Table 1 2023 Pro Forma Revenue Requirement Analysis Hydro Facility Assets (\$millions)	
Operating Expense ²	3.5
Depreciation Expense ³	5.5
Return on Rate Base ⁴	9.3
Income Taxes ⁵	2.4
2023 Pro Forma Revenue Requirement	20.7

8 The total cost in 2023 related to Newfoundland Power's hydro facilities is estimated at
 9 \$20.7 million.

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 11 Newfoundland Power's hydro facilities reduce the amount of electricity required from
 12 Newfoundland and Labrador Hydro ("Hydro"). Hydro has provided an updated marginal
 13 cost report dated March 7, 2022.⁶ Based on the marginal cost update, the cost to
 14 replace the production from the Company's hydro facilities after completion of the
 15 Muskrat Falls Project is estimated at \$29.8 million annually.⁷

¹ Customer rates are based on: (i) Newfoundland Power's 2023 test year revenue requirement approved in Order No. P.U. 3 (2022); and (ii) the flow through of Hydro's purchased power costs in Order No. P.U. 20 (2022).

² Newfoundland Power's hydro facility operating costs totalled \$3.2 million in 2021.

³ Based on the depreciation rates approved by the Board in Order No. P.U. 3 (2022). The depreciation rate associated with generation assets is 2.35%.

⁴ Based on Newfoundland Power's 2023 test year return on rate base of 6.39%.

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

⁶ See *Marginal Cost Update – 2021 Summary Report, March 7, 2022, Appendix A*, filed in the response to Request for Information TC-IC-NLH-001, Attachment 1, *Electrification, Conservation and Demand Management Plan: 2021-2025*.

⁷ These estimates are calculated to reflect post-Muskrat Falls marginal costs using the 2023 marginal cost values for energy and capacity. The energy-related value of production from the Company's hydro facilities is estimated at \$12.9 million annually, while the capacity-related value is estimated at \$16.9 million annually.