

1 Q. Consumer Question: Further to the answer provided to CA/KPR-Nalcor-28 which
2 refers to Nalcor's response to PUB-Nalcor-5, please show and explain how Nalcor
3 arrives at its Retail Rate Projections in the right hand column given the cost of
4 electricity on a cents per kWh basis for each existing electricity generating facility
5 on the existing Island Interconnected System.
6
7

8 A. The analysis requested does not assist consideration of the Reference Question. NL
9 Hydro does not derive its rates from the costs, on a cents per kWh basis, for each
10 electric generating facility. As outlined in section 9 of Nalcor's Submission to the
11 Board, an annual requirement is prepared on a system wide basis and is comprised
12 of the aggregate of the operating costs, fuel costs, purchase power expenses and
13 annual capital charges which are comprised of depreciation, interest expense and
14 return on equity. Rates for NL Hydro are set at a level to recover those costs and
15 provide the approved return on equity.
16

17 Please refer to notes 1 through 5 accompanying PUB-Nalcor-5 for the methodology
18 used to translate the wholesale annual revenue requirement to retail rates.