Q. **Reference: Volume I, page 5.12, Table 5-8 Working Capital Allowance**

a) Explain why the Expense Lag Days for the Muskrat Falls Related working capital allowance is a credit of 7.8 days.

b) How is the monetized deferred energy factored into the working capital allowance calculation?

c) Provide the information to support the 2027 Muskrat Falls Related calculation and the 2027 Other calculation included in Table 5-8.

d) Did Hydro have a study completed to determine how the Muskrat Falls supply costs working capital allowance would be determined for this GRA? If so, please provide a copy.

A. **a)** The credit of 7.8 days was driven by Newfoundland and Labrador Hydro's ("Hydro") requirement to pre-pay for Muskrat Falls power purchase costs on the first day of the month, prior to receiving the power. Whereas, in the 'Working Capital Allowance – Other,' the Expense lag days are in a positive position because the expenses are primarily paid subsequent to the expenses being incurred.

b) The monetized deferred energy is included in the Revenue Lag calculation. It is assumed that the payment for the monetized deferred energy is received at the start of the following year upon the receipt of the Annual Energy Report from Muskrat Falls.

c) Please refer to PUB-NLH-098, Attachment 1 for the 2027 Working Capital Allowance – Muskrat Falls Related calculation and PUB-NLH-098, Attachment 2 for the 2027 Working Capital Allowance – Other calculation.

d) The Muskrat Falls supply costs working capital allowance methodology is consistent with the Working Capital Methodology Report completed by Christensen Associates Energy

Consulting on June 23, 2017[1] and approved in Board of Commissioners of Public Utilities Order No. P.U. 16(2019).

[1] "2017 General Rate Application," Newfoundland and Labrador Hydro, rev. July 4, 2018, vol. II, exh. 9.

Working Capital Allowance - Muskrat Falls Related
Summary
($ Millions)[1]

	2027
Revenue Lag Days	44.5
Less: Expense Lag Days	(7.8)
Net Lag Days	52.2
Divide by 365 Days	14.3%
O&M	-
Power Purchases	806.0
Regulated O&M and Power Purchases	806.0
Working Capital (%)	115.3
Less: HST Adjustment	0.2
Net Working Capital Required	115.1

[1] Numbers may not add due to rounding.

Working Capital Allowance - Muskrat Falls Related Revenue
2027 Test Year[1]

			LAG					
	($Millions)	**%**	**Service**	**Billing**	**Collection**	**Total Lag**	**Weighted Average**	
Rate Mitigation	(502)	86%	15	7	14	36	30.6	Note 1
Muskrat Falls - Monetization	(38)	7%				183	11.9	Note 2
Export Labrador	(27)	5%	15	-	3.0	18.2	0.8	
Tariff Revenue	(18)	3%	15	7	14	36	1.1	
	(585)	100.00%					**44.5**	

[1] Numbers may not add due to rounding.

Note 1: Historically, the balance of the prior year SCVDA has been paid in March of the subsequent calendar year. For Test Year purposes, Hydro assumed Rate Mitigation is paid monthly at the same lag rate as Newfoundland Power. This assumption reduces the Working Capital balance and corresponding revenue requirement in comparison to using a historical average approach.

Note 2: The Muskrat Falls monetization is calculated and paid subsequent to the calendar period upon receipt of the Annual Energy Report from Muskrat Falls. For purposes of this exercise, it was assumed that it was paid in January of the following period.

Working Capital Allowance - Muskrat Falls Related Expenses
2027 Test Year

	($ Millions)	%	# Days	Average
Power Purchases - Other	806.0	100.00%	(7.8)	-7.8
Cash Outflow	806.0	100.00%		**-7.8**

		15.00%		
HST Payable	**$(Millions)**	**Est. HST Payable**	**Lag # Days**	**$**
Revenue	18.3	3	29	0.220

Working Capital Allowance – Other
Summary
($ Millions)[1]

	2027
Revenue Lag Days	38.3
Less: Expense Lag Days	29.5
Net Lag Days	8.8
Divide by 365 Days	2.4%
O&M	156.4
Power Purchases	65.9
Regulated O&M and Power Purchases	222.3
Working Capital (%)	5.4
Less: HST Adjustment	3.8
Net Working Capital Required	1.6

[1] Numbers may not add due to rounding.

Working Capital Allowance – Other Revenue
($ Millions)[1]

			LAG				Weighted
	($ Millions)	**%**	**Service**	**Billing**	**Collection**	**Total Lag**	**Average**
Newfoundland Power Inc.	(576.7)	72%	15	7	14	36	25.7
Revenue Deficiency - Utility	(60.1)	8%	15	7	14	36	2.7
Industry							
Corner Brook Pulp and Paper Limited	(0.3)	0%	15	7	26	48	0.0
Braya Renewable Fuels (formerly NARL)	(9.1)	1%	15	7	49	72	0.8
IOCC Cost Recovery	(4.8)	1%	15	7	26	48	0.3
Teck Resources Inc. (Aur Resources)	(0.1)	0%	15	7	24	46	0.0
Vale Inco	(21.5)	3%	15	7	21	43	1.1
Praxair	(2.9)	0%	15	7	14	36	0.1
Marathon Gold	(7.1)	1%	15	7	25	47	0.4
Wabush	(1.0)	0%	15	7	18	40	0.1
Revenue Deficiency - Island Industrial	(1.8)	0%	15	7	25	48	0.1
Revenue Deficiency - Lab Industrial	(1.7)	0%	15	7	26	48	0.1
Rural	(107.3)	13%	15	7	28	50	6.7
Revenue Deficiency - Lab Rural	(1.7)	0%	15	7	28	50	0.1

[1] Numbers may not add due to rounding.

Other	(4.93)	0.01	(15.20)	-	17.00	1.80	0.01
	(801.1)	**100%**					**38.3**

Working Capital Allowance – Other Expenses
($ Millions)[1]

	($ Millions)	%	# Days	Average
Salaries and Benefits	96.4	43.4%	12.0	5.2
Materials Maintenance	27.5	12.4%	61.5	7.6
Professional Services	13.6	6.1%	54.0	3.3
Miscellaneous	6.1	2.8%	54.2	1.5
Travel	2.3	1.0%	45.0	0.5
Transportation	3.0	1.3%	45.0	0.6
Office Supplies	2.5	1.1%	45.0	0.5
Equipment Rentals	1.8	0.8%	45.0	0.4
Insurance	4.6	2.1%	(149.5)	-3.1
Property Rentals & Safety Supplies	1.2	0.5%	38.7	0.2
Customer Costs	0.1	0.0%	-	0.0
Subtotal	**159.3**	**71.6%**		**16.7**
Recoveries				
Business Admin Fee Amortization	1.9	0.8%	-	0.0
Accomodation Chg/Recovery	(0.1)	0.0%	-	0.0

[1] Numbers may not add due to rounding.

External Recoveries	(0.41)	(0.00)	30.00	(0.06)
CDM Program Deferral	(1.8)	-0.8%	-	0.0
Interco Vehicle Fee	(0.0)	0.0%	30.0	0.0
Interco Fixed Fee	(0.3)	-0.1%	30.0	0.0
Fixed Charge Recovery	(0.1)	0.0%	30.0	0.0
Business System Admin Fee	(1.0)	-0.5%	30.0	-0.1
Interco Admin Fee	2.2	1.0%	30.0	0.3
Removal and Decommissioning Recovery	(1.0)	-0.4%	-	0.0
Productivity Allowance	(4.0)	-1.8%	-	0.0
Non-Reg Exec Admin Fee	0.5	0.2%	30.0	0.1
Accounts Payable Allocation	0.8	0.4%	30.0	0.1
Shared Service Allocation	0.3	0.2%	30.0	0.0
Subtotal	**(2.8)**	**-1.3%**		**0.3**
Total	**156.4**			
Power Purchases - Other	65.9	29.64%	42.2	12.5
Cash Outflow	222.3	100.00%		**29.5**

HST Payable	**($ Millions)**	**15.00% Est. HST Payable**	**Lag # Days**	**$**
Revenue	754.3	113.1	29.1	9.0
O&M	(156.4)	(23.5)		
Less: Salaries	96.4	14.5		
Misc (Write-offs, taxes, amort of deferred charges, deferred charges)	3.9	0.6		
Insurance	4.6	0.7		
Customer Costs	0.1	0.0		
Admin Fees	1.0	0.2		
Net O&M	(50.4)	(7.6)	15.6	(0.3)
Fuel - No. 6 Purchases - Cash	(67.8)	(10.2)	31.6	(0.9)
Diesel, GT, etc. - Cash	(42.4)	(6.4)	15.6	(0.3)
Power Purchases	(65.9)	(9.9)	25.6	(0.7)
Removal Costs	(1.0)			
Disposal Proceeds	-			
Capital - Expenditures to PUB (excluding GEC and IDC top up)	(532.7)	(79.9)		
Less: Cap. Salaries/OH (excluding GEC)	37.5	5.6		
Less: IDC (Excl IDC top up)	16.8	2.5		
Net Capital	(478.4)	(71.8)	15.6	(3.1)
HST Adjustment		7.4		**3.8**