

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 14(2015)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1 (the
3 "*EPCA*") and the *Public Utilities Act*, RSNL 1990,
4 Chapter P-47 (the "*Act*"), as amended, and regulations
5 thereunder; and
6

7 **IN THE MATTER OF** a general rate application
8 filed by Newfoundland and Labrador Hydro on
9 July 30, 2013; and
10

11 **IN THE MATTER OF** an amended general rate
12 application filed by Newfoundland and Labrador
13 Hydro on November 10, 2014; and
14

15 **IN THE MATTER OF** an application by
16 Newfoundland and Labrador Hydro for the
17 approval of, among other things, customer
18 electricity rates for 2015 on an interim basis.
19
20

21 **The Application**
22

23 On January 28, 2015 Newfoundland and Labrador Hydro ("Hydro") filed an application with the
24 Board seeking, among other things, approval of increases in base rates on an interim basis (the
25 "Interim Rate Application") in advance of the conclusion of its general rate application. The
26 Application requests:
27

28 *An interim Order pursuant to Section 75 of the Act, approving*
29

- 30 (i) *the schedule of rates, tolls and charges set out in Schedule 1 to this 2015 Interim*
31 *Rates Application to be effective on and after March 1, 2015, until superseded by*
32 *a final order of the Board;*
33
34 (ii) *changes to the RSP rules to implement the phase-in of changes to the IIC rates*
35 *and to remove the requirement for the RSP rate adjustment to NP scheduled for*
36 *July 1, 2015, as set out in Schedule 1 of this 2015 Interim Rates Application, as*
37 *follows:*

- 1 (a) to provide for the allocation and disposition of the RSP load variation
2 balance effective December 31, 2014;
3
4 (b) to provide for a one-time transfer from the IIC Surplus balance effective
5 December 31, 2014 to provide recovery of the IIC current plan balance;
6
7 (c) to approve the proposed RSP Surplus Credit Adjustments to mitigate the
8 rate impacts of implementing 2015 test year IIC base rates; and
9
10 (d) to suspend for 2015 the requirement for the July 1, RSP adjustment for
11 Utility rates.
12

13 A copy of the Interim Rate Application was provided to the parties in the general rate application
14 proceeding: Newfoundland Power Inc. (“Newfoundland Power”); the Consumer Advocate, Mr.
15 Thomas Johnson; Corner Brook Pulp and Paper Limited, NARL Refining Limited Partnership
16 (formerly North Atlantic Refining Limited) and Teck Resources Limited (the “Industrial
17 Customer Group”); Vale Newfoundland and Labrador Limited (“Vale”); the Innu Nation; the
18 Towns of Labrador City, Wabush, Happy Valley-Goose Bay, and North West River (the
19 “Towns”); Yvonne Jones, MP and the Nunatsiavut Government.
20

21 Beginning February 5, 2015 requests for information were filed in relation to the Interim Rate
22 Application.
23

24 On February 18, 2015 Newfoundland Power, the Consumer Advocate, and Vale filed
25 submissions. On February 23, 2015 the Industrial Customer Group filed a submission. On
26 February 25, 2015 Hydro filed a submission. Neither the Innu Nation, Yvonne Jones, MP nor the
27 Nunatsiavut Government filed requests for information or submissions.
28

29 Further requests for information were issued by the Board on March 5, 2015 and answered on
30 March 17, 2015. The parties were provided an opportunity to file further submissions and on
31 March 26, 2015 the Towns filed a submission. Hydro filed a reply submission on March 30,
32 2015. No other submissions were filed.
33

34 **Background** 35

36 On July 30, 2013 Hydro filed a general rate application proposing, among other things, revised
37 rates for its customers. This application was filed in accordance with Government direction
38 issued on April 4, 2013 pursuant to section 5.1 of the *EPCA*.¹
39

40 Hydro filed a second application on July 30, 2013, also in accordance with the direction of
41 Government, for approval of changes to Island Industrial customer rates and Hydro’s Rate
42 Stabilization Plan (“RSP”). On August 30, 2013 the Board issued Order No. P.U. 26(2013)
43 approving, on an interim basis, existing Island Industrial customer base rates with no RSP rate
44 and ordering that the Industrial Customer RSP (the “IC RSP”) be credited with \$49 million from
45 the accumulated load variation component of the RSP, with the remaining balance transferred to
46 the credit of the Newfoundland Power RSP (the “NP RSP”). On September 30, 2013 the Board

¹ OC2013-089, OC2013-090, OC2013-091, OC2013-207 and OC2013-208

1 issued Order No. P.U. 29(2013) which, among other things, continued the existing rates on an
2 interim basis for Island Industrial customers, except that a new RSP rate was established for
3 Teck Resources Limited.

4
5 On November 18, 2013 Hydro filed an application seeking interim rate relief in advance of the
6 conclusion of the general rate application. Hydro requested implementation of interim rate
7 changes effective January 1, 2014 for most of its customers or, in the alternative, a deferral and
8 recovery mechanism for the revenue shortfall. On December 13, 2013 the Board issued Order
9 No. P.U. 40(2013) deferring consideration of Hydro's proposals for interim rate changes pending
10 resolution of the issues and concerns raised in the Interim Rate Application and approving an
11 amendment to the RSP rules to suspend the January 1, 2014 RSP adjustment for Island Industrial
12 customers.

13
14 On January 17, 2014 Hydro filed another application for interim relief, which it stated was
15 supplemental to its November 18, 2013 application, changing its proposals in relation to several
16 matters, including rates for Newfoundland Power and certain Rural customers. On February 11,
17 2014 Hydro withdrew this application and filed an amended application, requesting new rates for
18 Island Industrial customers and a deferral mechanism for any revenue shortfall between interim
19 and final rates for other customers. On April 25, 2014 the Board issued Order No. P.U. 13(2014)
20 denying Hydro's amended interim application, finding that Hydro had not filed an Application
21 with supporting evidence setting out a comprehensive, unambiguous set of proposals.

22
23 On May 12, 2014 Hydro filed a further application for interim relief requesting approval, on an
24 interim basis, to transfer \$29.4 million from the credit balance in Hydraulic Production Variation
25 component of the RSP to be recognized as revenue by Hydro in 2014 and to change Island
26 Industrial customer rates for 2014. On June 6, 2014 Hydro provided notice by letter that in the
27 fall of 2014 it would be amending its general rate application to provide forecast information for
28 2014 and a 2015 test year. Hydro explained that revisions to the general rate application were
29 necessary to update financial information to provide a more current and relevant basis for rate
30 setting purposes. The other parties did not object to Hydro's proposal to amend the general rate
31 application or the resulting postponement of the hearing which was scheduled to begin on July 9,
32 2014. Hydro advised that it expected that the hearing would proceed in early 2015. Hydro did not
33 amend the May 12, 2014 application for interim relief and on September 17, 2014 the Board
34 issued Order No. P.U. 39(2014) denying the application.

35
36 On November 10, 2014 Hydro filed an amended general rate application (the "Amended General
37 Rate Application"). In the Amended General Rate Application Hydro requests, among other
38 things, an order of the Board approving interim rates for Island Industrial customers, effective
39 January 1, 2015, and for Newfoundland Power and Hydro Rural customers, effective February 1,
40 2015.

41
42 On November 28, 2014 Hydro filed an application for approval of the deferral and recovery of
43 \$45.9 million associated with a forecast revenue deficiency in 2014. In Order No. P.U. 58(2014)
44 the Board approved the creation of a deferral account and the segregation in the account of \$45.9
45 million as of December 31, 2014, but did not approve Hydro's proposals for recovery.

1 On December 4, 2014 the Board established a process for the consideration of the request in the
2 Amended General Rate Application for approval of interim rates. Submissions were filed by
3 Newfoundland Power, the Consumer Advocate, the Industrial Customer Group, Vale and Hydro.
4

5 On December 24, 2014, following the filing of submissions, the Board directed Hydro to file an
6 application setting out proposals for interim rates for Newfoundland Power and the Island
7 Industrial customers to be effective March 1, 2015.
8

9 **Interim Rate Application Proposals**

10
11 The Interim Rate Application was filed on January 28, 2015 seeking interim approval of
12 customer electricity rates effective on March 1, 2015 for Newfoundland Power, Island Industrial
13 customers, Labrador Interconnected customers, and Government Diesel customers. The rates for
14 Hydro's other customers will also be affected by this application as they are based on
15 Newfoundland Power customer rates. Hydro states that approval of the proposed rates on an
16 interim basis in advance of conclusion of the general rate application would reduce the amount
17 of 2015 costs deferred for future recovery.
18

19 The rates proposed in the Interim Rate Application are based on the forecast 2015 revenue
20 requirement and cost of service methodology set out in the Amended General Rate Application.
21 However the Interim Rate Application states that the rate increases proposed in the Amended
22 General Rate Application are no longer supported by the 2015 fuel forecast and therefore a fuel
23 cost reduction has been reflected in the rates proposed in the Interim Rate Application. Since the
24 filing of the Amended General Rate Application, the forecast cost of No. 6 fuel decreased
25 materially from \$93.32 per barrel to \$65.63 per barrel which is estimated to reduce the 2015 Test
26 Year cost of service by approximately \$73 million.² The Interim Rate Application also proposes
27 changes to the RSP rules, relating to:
28

- 29 i) the allocation and disposition of the load variation balance at December 31, 2014 using
30 the energy ratio allocation approach proposed in the Amended General Rate Application;
31 ii) the transfer of an amount from the IC RSP Surplus balance at December 31, 2014 to
32 provide recovery of the IC RSP current plan year-end balance and to approve the
33 proposed RSP Surplus credit adjustment to mitigate the impact of the proposed 2015 base
34 rates; and
35 iii) the suspension of the July 1, 2015 NP RSP adjustment.
36

37 The Interim Rate Application states that, based on existing rates, Hydro would achieve a forecast
38 return on rate base of 3.33% in 2015, which is below the bottom of the approved range of return
39 on rate base of 7.29% established in the 2007 general rate application.³ Hydro states that the
40 forecast income statement filed in the Amended General Rate Application shows that under
41 existing rates Hydro would have a net loss of \$34.6 million for 2015.⁴ Hydro explains that, with
42 approval of the proposed interim rates effective March 1, 2015, the net income shortfall resulting

² Interim Rate Application, Evidence, page 6-7

³ Interim Rate Application, page 2

⁴ Interim Rate Application, Evidence, page 1

1 from the delayed implementation is approximately \$20 million.⁵ The Amended General Rate
2 Application proposes that the revenue shortfall be recovered through a rate rider with the
3 implementation of final customer rates.

4
5 Hydro proposes to offset the 11.2% base rate increase to Newfoundland Power by resetting the
6 NP RSP fuel rider from 1.526¢ per kWh to zero.⁶ The net result is a 9.3% decrease to
7 Newfoundland Power and an approximate overall average 6.3% reduction for Newfoundland
8 Power customers. Given that Hydro Rural and Non-Government Diesel customer rates are based
9 on Newfoundland Power's rates Hydro's proposals will also reduce rates for these customers on
10 average by 6.3%. Hydro explains that Government Diesel customer rates are based on 100%
11 recovery of the allocated test year costs and, because the cost of fuel has decreased materially,
12 Hydro is proposing lower rate increases for these customers in the Interim Rate Application than
13 proposed in the Amended General Rate Application. The Interim Rate Application requests
14 approval of a 2.1% rate increase for the Labrador Interconnected system, which is the same
15 increase proposed in the Amended General Rate Application, on the basis that the cost of serving
16 these customers is not materially affected by the decrease in the cost of fuel.

17
18 The rate changes for Newfoundland Power are proposed to be implemented using the rate design
19 approach set out in the Amended General Rate Application, except that the tail block rate for
20 Newfoundland Power is reduced to reflect the reduced 2015 fuel forecast.⁷ Hydro also proposes
21 the suspension of the July 1, 2015 NP RSP adjustment and the continuation of the RSP current
22 plan adjustment of (0.551)¢ per kWh. Hydro states that approval of the proposed disposition of
23 the balance in the RSP segregated load variation balance December 31, 2014 would result in a
24 credit of approximately \$33 million to the NP RSP current balance, permitting the existing RSP
25 current plan adjustment to continue until the end of June 2016 without resulting in a large RSP
26 balance owing from customers.

27
28 The Interim Rate Application proposes a different phase-in of rate increases for Island Industrial
29 customers than proposed in the Amended General Rate Application. Hydro states that reflecting
30 the updated Holyrood fuel cost forecast in the revenue requirement reduces the base rate increase
31 for Island Industrial customers from 39.2% to 18.1%.⁸ Hydro explains that the material reduction
32 in the proposed 2015 base rate increase for Island Industrial customers requires a modified
33 phase-in approach. In particular the September 1, 2015 rate increase proposed in the Amended
34 General Rate application for Island Industrial customers is eliminated and a rate increase is
35 proposed for January 1, 2016. Hydro also offers an alternative approach with only two rate
36 adjustments. The two alternatives are set out below with the rate phase-in proposed in the
37 Amended General Rate Application:

⁵ Interim Rate Application, Evidence, page 17

⁶ Interim Rate Application, page 3

⁷ Interim Rate Application, Evidence page 12

⁸ Interim Rate Application, Evidence, page 7

IC Rate Proposals ⁹				
	March 1, 2015	September 1, 2015	January 1, 2016	September 1, 2016
Alternative 1	2.7%	-	4.4%	10.2%
Alternative 2	4.9%	-	-	12.7%
Amended General Rate Application	17.9%	16.7%	-	10.0%

1 In its evidence, Hydro explains that the Island Industrial customer rates do not currently include
2 a fuel rider to recover the increased cost of fuel since 2007. Hydro proposes to use the existing
3 balance of \$10.9 million in the IC RSP Surplus at December 31, 2014 to recover the 2014 year-
4 end IC RSP current plan balance net of the credit associated with the disposition of the RSP
5 segregated load variation.¹⁰ Hydro explains that allocating the segregated net load variation
6 based on energy ratios would result in a credit of \$2.1 million to the IC RSP. The remaining
7 balance of the IC RSP Surplus is to be used to phase-in the Island Industrial customer base rate
8 increase over the period March 1, 2015 to August 31, 2016. Hydro notes that with either of the
9 two phase-in alternatives the forecast IC RSP Surplus balance is virtually depleted by September
10 1, 2016. Hydro argues in respect of the disposition of the load variation component of the RSP
11 that:

12
13 *The proposed disposition reduces customer rate impacts and partially addresses fairness*
14 *concerns related to the recovery of historic fuel costs through a future IC RSP recovery*
15 *factor which would apply to all customers including new customers that were not*
16 *operating at the time these costs were incurred.*¹¹
17

18 Hydro notes that, as Vale and Praxair enter into full operations, the portion of the IC RSP current
19 year-end balance recovered from them will increase. Hydro argues that it is reasonable to recover
20 the 2014 year-end IC RSP balance remaining, after the credit of \$2.1 million, from the IC RSP
21 Surplus which also accumulated prior to these customers becoming fully operational.
22

23 Hydro also proposes new specifically assigned charges for each of the Island Industrial
24 customers, as well as an RSP rate for Teck of (1.113)¢ per kWh to provide for the same rate
25 increase to Teck as proposed for the other Island Industrial customers.

⁹ Interim Rate Application, Evidence Table 1 and 2, pages 4 and 9; The proposed RSP adjustment for Teck is modified to provide the same 2015 rate increase for Teck as proposed for the other Island Industrial customers, Interim Rate Application, page 6.

¹⁰ Interim Rate Application, Evidence, page 9, Footnote 27; The 2014 year-end IC RSP current plan balance of \$6.8 million less the load variation credit of \$2.1 million results in a net amount to be recovered from the IC RSP Surplus of \$4.7 million.

¹¹ Interim Rate Application, Evidence, page 6

1 Submissions

2
3 Newfoundland Power submits that the Board should not approve the interim rates proposed in
4 the Interim Rate Application because the rates have not been shown to be reasonable.
5 Newfoundland Power suggests that the Board direct Hydro to create interim rates which exclude
6 recovery of specified untested 2015 costs which the Board determines should not be included in
7 interim rates. Newfoundland Power states that section 3 of the *EPCA* requires that rates should
8 be reasonable and that in setting rates the Board should apply tests that are consistent with
9 generally accepted sound public utility practice. Newfoundland Power argues that the recovery
10 of some of the proposed costs would be contentious or premature. Newfoundland Power notes
11 that there is an outstanding prudence review in relation to over \$200 million in Hydro
12 expenditures, that Hydro proposes a fuel conversion factor which is inconsistent with
13 longstanding practice, and that there is an issue with respect to the timing of the implementation
14 of the Government direction with respect to Hydro's return. Newfoundland Power references
15 recent decisions of the Alberta Utilities Commission and argues that Canadian regulatory
16 practice indicates consideration of excluding contentious costs and further that partial recovery
17 of a forecast utility revenue deficiency in interim rates may be appropriate in certain
18 circumstances. Newfoundland Power submits that reasonable interim rates for Hydro would not
19 be based upon full recovery of these costs. Newfoundland Power states that, in principle, it does
20 not oppose interim rates for Hydro but the interim rates set out in the Interim Rate Application
21 are not, in Newfoundland Power's view, consistent with the reasonableness requirement of the
22 legislation.

23
24 The Consumer Advocate submits that it is clear that Hydro requires an interim rate increase and
25 recommends that the Board approve the Interim Rate Application as proposed although he
26 suggests changes in relation to the proposals for the Island Industrial customer rates. The
27 Consumer Advocate proposes that the Board apply the interim rate test used by the Alberta
28 Utilities Commission and states:

29
30 *It is clear that given these circumstances, Hydro requires an interim rate increase and its*
31 *application passes Part 1 of the interim rates test. Hydro also shows that with respect to*
32 *Part 2 of the interim rates test, its proposed interim rates will promote rate stability, ease*
33 *rate shock, help to maintain inter-generational equity, and improve price signals to*
34 *consumers. The Consumer Advocate submits that Hydro's 2015 Interim Rates*
35 *Application meets the requirements set out in the two-part interim rates test. The key*
36 *consideration in the assessment of this Application is the impact on the electricity*
37 *consumers in the Province. The Consumer Advocate does not see how electricity*
38 *consumers can possibly benefit from Hydro's continuing financial deterioration.*¹²
39

40 In relation to the amount of revenue requested the Consumer Advocate notes that the Interim
41 Rate Application effectively requests 78.5% of the forecast revenue deficiency for 2015 as a
42 result of the March 1, 2015 effective date. The Consumer Advocate states that there are ample
43 opportunities to claw back any excess revenues. In relation to rate shock the Consumer Advocate
44 argues that in most cases customer classes will see a rate decrease and, where there are increases,

¹² Consumer Advocate Submission, page 5

1 they are manageable. In addition, the Consumer Advocate supports Hydro's proposal that there
2 be no July 1, 2015 RSP rate adjustment for Newfoundland Power customers.

3
4 The Consumer Advocate argues that, to be consistent with Government direction, the rate phase-
5 in for Island Industrial customer rates must be implemented retroactively to September 1, 2014
6 with annual increases on September 1, 2015 and September 1, 2016 and the operation of the IC
7 RSP in accordance with approved methodology effective January 1, 2014. The Consumer
8 Advocate argues that it is inappropriate to transfer \$2.1 million from the balance of the load
9 variation component of the RSP to offset the 2014 IC RSP year-end 2014 balance before the
10 Board rules that these funds are owed to the Island Industrial customers and further that the use
11 of these funds is not consistent with Government direction. The Consumer Advocate references
12 the evidence set out in TIR-IC-NLH-4 showing the impact on the phase-in without the \$2.1
13 million transfer and argues that the rate shock argument is not valid in the circumstances.

14
15 The Industrial Customer Group states that it does not object to Hydro's proposals for interim rate
16 increases effective March 1, 2015, except the rate increase to Corner Brook Pulp and Paper
17 Limited associated with the proposed specifically assigned charge. The Industrial Customer
18 Group notes that the proposed specifically assigned charge will result in an effective rate
19 increase for Corner Brook Pulp and Paper Limited of 5.1%, and that the Corner Brook Pulp and
20 Paper Limited specifically assigned charge was 0.4% of its power bill in 2001 but would be 25%
21 of its bill if Hydro's proposals are approved. The Industrial Customer Group also argues that the
22 specifically assigned charge sends no important price signal, that the monthly amount is not
23 material to Hydro's application for revenue requirement relief but is very material as an interim
24 rate impact on a contested rate issue, and further that if the general rate application had
25 proceeded as originally filed this issue would in all likelihood have been addressed at this point.

26
27 The Industrial Customer Group states that it does not object to the interim allocation of the 2014
28 year-end segregated RSP load variation balance but that it is premature and unnecessary to make
29 a final determination. The Industrial Customer Group submits that the \$2.1 million allocation of
30 the RSP load variation balance is the minimum which the Island Industrial customers can expect
31 will be allocated to their benefit from the 2014 segregated RSP load variation balance. The
32 Industrial Customer Group states:

33
34 *It is neither reasonable nor necessary, in the context of an application for interim rates,*
35 *that the island industrial customers be faced with the invidious choice of either*
36 *acquiescing to a de facto final allocation of the current segregated load variation*
37 *balance, in accordance with Hydro's proposed energy ratio approach, prior to a GRA*
38 *where they reasonably expected a full and fair opportunity to make submissions on this*
39 *issue, on the one hand, or should they not so acquiesce, be subjected to higher-than-*
40 *warranted interim rates effective March 1, 2015.¹³*

41
42 The Industrial Customer Group expresses significant concerns in relation to a rate increase of
43 more than 2.7% on March 1, 2015 and argues that, given the substantial RSP surplus balances
44 available, the rate impact should be limited to no more than 2.7%. Further the Industrial

¹³ Industrial Customer Group Submission, February 23, 2015, page 2

1 Customer Group reserves the right to make submissions in the general rate application regarding
2 the proposed January 1, 2016 and September 1, 2016 rate increases.

3
4 In reference to the Consumer Advocate's submission that the proposed phase-in is not in
5 accordance with Government direction, the Industrial Customer Group argues that it is not a
6 reasonable interpretation of the Government direction that the rate phase-in must occur on
7 September 1 each year. Further the Industrial Customer Group notes that some of the issues
8 raised by the Consumer Advocate are addressed or determined by the Government directions.

9
10 Vale accepts that Hydro requires interim rate relief subject to Hydro demonstrating that the
11 interim rates reasonably reflect the cost of service. Vale submits that Hydro should be granted
12 interim rates to reduce the potential for intergenerational inequity. Vale argues that, because the
13 makeup of the Island Industrial customers is changing radically over time, future recovery of
14 current deficiencies will result in intergenerational inequity. Vale argues that fairness dictates
15 that an order for interim rates should become effective at the earliest possible date. Vale supports
16 Hydro's proposed method of calculating interim rates by adjusting the forecast cost of No. 6 fuel
17 to \$65.63 per barrel which, according to Vale, has the benefit of reducing the potential for rate
18 shock and ensures that interim rates are based on the most up-to-date information in relation to
19 fuel costs. Vale supports Hydro's proposed method for recovery of the IC RSP current plan year-
20 end balance of \$6.8 million because it reduces or eliminates the potential for intergenerational
21 inequity created by the use of future rate riders to recover past balances. In relation to the rate
22 phase-in proposal set out by Hydro, Vale prefers the alternate proposal as it reduces the number
23 of rate changes. Vale argues that the difference between 10.2% and 12.7% is marginal and is
24 offset by the increased rate stability, which is preferable for budgeting purpose.

25
26 The Towns submit that the application for interim relief should be dismissed. The Towns argue
27 that Hydro has failed to demonstrate any basis for applying for interim rate relief at this time.
28 The Towns further argue that the Board has no basis to grant any interim rate increase because
29 there is no evidence provided of exigent circumstances to ground an application for interim relief
30 or for any rate increase. The Towns explain that in 2009 Hydro commenced a project to upgrade
31 its distribution system in western Labrador. This project was originally scheduled for completion
32 in 2013 but is now not scheduled for completion until 2015. In addition the Towns explain that
33 this upgrade has jeopardized the emergency back-up power line to Labrador West and that Hydro
34 failed to inform Labrador West customers that the back-up system was no longer available. The
35 Towns argue that it is inappropriate to grant Hydro's interim application to increase rates to its
36 customers on the Labrador Interconnected system. The Towns argue that these matters should be
37 addressed in Hydro's general rate application and that there should be no increase in rates
38 charged to customers on the Labrador Interconnected system without a hearing.

39
40 In reply Hydro submits that the Interim Rate Application provides a reasonable balance of the
41 interests of both the utility and customers and that the two-part test established by the Alberta
42 Utilities Commission for consideration of interim rate adjustments is met in the circumstances.
43 Hydro submits that it has shown that its 2015 net income deficiency is probable and material.
44 Hydro argues that approval of the Interim Rate Application effective March 1, 2015 will provide
45 recovery of approximately 70% of the forecast net income deficiency and further that if it is
46 determined upon final testing in the general rate application that Hydro has received excess

1 revenue the Board has considerable flexibility to dispose of it in a variety of ways. Hydro further
2 argues that approval of the Interim Rate Application will add rate stability for 2015, enable the
3 phase-in of Island Industrial customer rates with materially lower customer impacts, and help to
4 mitigate intergenerational equity concerns.

5
6 Hydro disagrees with Newfoundland Power that the proposed interim rates are not consistent
7 with the reasonableness requirement of the *EPCA*. Hydro states that when final costs are
8 approved the Board can remedy any discrepancy between the rate of return allowed in the
9 interim rate and the final decision so as to achieve just and reasonable rates throughout the
10 period. Hydro submits that the evidence shows that: i) Hydro has not had a base rate increase
11 since 2007; ii) Hydro's net income in 2013 was \$209,000; iii) Hydro, at the end of the third
12 quarter 2014, forecast a net loss of approximately \$27 million for 2014; iv) Hydro is forecasting
13 a net loss of \$68 million for 2015; and v) if the Interim Rate Application is approved effective
14 April 1, 2015 Hydro forecasts a net income of \$5.2 million for 2015. Hydro states that it has
15 provided a complete filing of evidence and has responded to in excess of 1,400 requests for
16 information and this constitutes strong prima facie evidence of a revenue shortfall.

17
18 Hydro submits that approval of interim rates based on untested costs and a forecast loss is
19 consistent with regulatory practice. Hydro states:

20
21 *As is discussed at greater length below, there is nothing in the Public Utilities Act or in*
22 *the decision of other Canadian utility regulators that suggests that an application for an*
23 *interim order ought to be denied on the basis that the evidence upon which it is grounded*
24 *has not been tested. Moreover, there is nothing in section 75 of the Public Utilities Act to*
25 *support the Board's characterization of interim rates as being an extraordinary measure*
26 *and the regulatory and judicial jurisprudence make it clear that interim orders are part*
27 *of the normal and common remedial measures to address circumstances such as those*
28 *which Hydro finds itself in at present.*¹⁴
29

30 Hydro submits that the existing rates are based on 2007 tested forecast costs and are
31 demonstrably not reasonable at this time. In relation to the inclusion of contentious costs Hydro
32 notes that the Board has the authority to grant interim rates and to later provide a refund to
33 customers. Hydro states:

34
35 *Hydro submits that, as stated above in section 3.2 of this submission, if upon final testing*
36 *of Hydro's costs in the GRA the Board determines that Hydro has received more*
37 *revenues than it requires, subsection 75(3) of the Public Utilities Act provides*
38 *considerable flexibility to the Board to dispose of any excess revenue earned by Hydro as*
39 *a result of an interim order, that is not confirmed in the final order, in a variety of ways.*¹⁵
40

41 In relation to the RSP load variation proposals Hydro submits that the disposition of the 2014
42 year-end load variation balance using the energy ratio allocation approach set out in the
43 Amended General Rate Application reduces customer rate impacts and supports the principle of
44 intergenerational equity in the phase-in of Island Industrial customer rates.

¹⁴ Hydro Submission, page 12

¹⁵ Hydro Submission, page 29

1 In relation to the suspension of the July 1, 2015 NP RSP adjustment Hydro states that the
2 implementation of revised retail rates on March 1, 2015 which reflect both the disposition of the
3 balance in the RSP segregated load variation component and the updated fuel forecast avoids the
4 necessity for a July 1, 2015 rate change. Hydro states that it sees no additional benefit in
5 providing a further fuel cost update effective July 1, 2015. Hydro further states in its submission
6 that it is proposing that there be no NP RSP rate adjustment for 2015 to avoid any implications
7 on Newfoundland Power's customers of the interim changes to the RSP rules.

8
9 Hydro submits that intergenerational equity is material to Newfoundland Power customers and
10 explains that, if interim rates are not implemented and final rates take effect December 1, 2015,
11 Hydro's net income deficiency would be approximately \$61.0 million which, combined with the
12 2014 deferrals, represents a potential of \$116.5 million to be recovered from future customers.
13 Hydro states:

14
15 *The magnitude of these deferred costs is the main driver for Hydro's intergenerational*
16 *equity concerns for all customers, particularly those of NP. Keeping 2007 base rates in*
17 *effect for the majority of 2015 will effectively require 2016 customers (and beyond) to*
18 *subsidize the service provided to 2015 customers, as the rates charge in 2015 will not*
19 *reflect the costs associated (sic) the service provided in that period.¹⁶*
20

21 With respect to Island Industrial customer interim rates Hydro states that it considers either of
22 the two Island Industrial customer rate phase-in alternatives acceptable. Hydro disagrees with the
23 submission of the Consumer Advocate that Hydro's alternatives are not in compliance with
24 Government direction, arguing that the proposed approach starts and concludes within the three-
25 year period specified by Government direction. In relation to the proposed increase in the
26 specifically assigned charge for Corner Brook Pulp and Paper, Hydro states that it has invested
27 significant funds in the plant dedicated to serve this customer since 2001. Hydro argues that the
28 level of increase arising from this component of this customer's rate should not be singled out for
29 differential treatment for purposes of the proposed interim order. Hydro disagrees with the
30 Consumer Advocate in relation to the disposition of \$2.1 million of the RSP segregated load
31 variation balance to the Island Industrial customers on the basis that it reduces customer rate
32 impacts and supports the principle of intergenerational equity. Hydro agrees with Vale's views
33 on intergenerational equity and states that the composition of the Island Industrial customer class
34 is changing radically with Vale ramping up production, which will make it Hydro's largest
35 Island Industrial customer, and Teck Resources anticipating closing operations in 2015.

36
37 With respect to the submission of the Towns, Hydro notes that the Towns did not previously
38 object to the Interim Rate Application. Hydro suggests that it would be more efficient and
39 appropriate to respond to the reliability concerns raised by the Towns at another stage of the
40 Amended General Rate Application or another proceeding. Hydro submits that the Interim Rate
41 Application and its submission provide ample support which establish that the presence of
42 exigent circumstances is not a prerequisite for the issuance of an interim rates order. Hydro
43 states:

¹⁶ Hydro Submission, page 34

1 *The Board's discretion to order interim rates is properly triggered where doing so*
2 *provides a utility with sufficient and reasonable revenues in circumstances where*
3 *denying them would not accord with generally accepted sound utility practice.*¹⁷
4

5 Hydro suggests that the requirement for interim rates may arise from delays in regulatory
6 proceedings and that requiring that a utility demonstrate exigent circumstances before interim
7 rates are awarded is unduly onerous.

8 9 **Board Findings**

10
11 Pursuant to section 75 of the *Act* the Board may make an interim order unilaterally and without
12 public hearing or notice approving with or without modification a schedule of rates, tolls and
13 charges submitted by a utility. In exercising its discretion in relation to an interim rate
14 application the Board balances the interests of the utility and consumers, considering the
15 provisions of the *EPCA* which set out that rates should be reasonable and not unjustly
16 discriminatory and should enable a utility to earn a just and reasonable return so that it is able to
17 achieve and maintain a sound credit rating. The Board is directed to apply tests which are
18 consistent with generally accepted sound public utility practice, which would include
19 consideration of principles such as fair return, rate stability, rate shock, predictability, certainty,
20 fair cost apportionment, appropriate price signals and intergenerational equity. It is notable that
21 rate making is generally prospective and a utility has no guarantee that it will earn the approved
22 rate of return but must manage its business effectively to do so.
23

24 There is no issue in this proceeding as to whether the Board has the jurisdiction to order interim
25 rates. The issue for the Board is whether it should exercise its discretion to do so in the
26 circumstances. The Alberta Utilities Commission has recently issued several decisions setting
27 out some of the factors which it considers in assessing an interim rate application. The Board
28 believes that, fundamentally, the assessment of an application for an interim rate increase
29 requires that the interests of the utility in relation to its opportunity to earn a fair return must be
30 balanced with the interests of consumers. The Board can consider alternatives to the proposed
31 rate increase which may, in the circumstances better balance the competing interests. In the
32 Board's view, where there has not been an opportunity for a full review of proposed rate
33 increases, only those proposals which are demonstrated to be necessary and appropriate to
34 provide interim relief should be approved.
35

36 *Interim Rate Application Proposals*

37 The Interim Rate Application requests interim implementation of most of the Amended General
38 Rate Application proposals.¹⁸ Approval of the Interim Rate Application would result in
39 significant base rate increases for most consumers as well as significant changes to Hydro's cost
40 of service methodology and the operation of the RSP. In many cases the proposed changes are
41 complex and may have unique impacts on particular customer groups which may be difficult to
42 appreciate fully at this stage of the proceeding. For example, the Interim Rate Application
43 proposes changes to the allocation of the Rural Deficit which would tend to decrease the rates for
44 Labrador Interconnected customers and increase the rates for Newfoundland Power customers.

¹⁷ Hydro's Second Submission, page 2

¹⁸ TIR-PUB-NLH-001

1 In addition, the Interim Rate Application proposes the disposition of the segregated RSP load
 2 variation balance based on the proposed energy ratio allocation. Further there are other cost of
 3 service issues which have not been fully assessed at this stage such as the Holyrood capacity
 4 factor, treatment of wind capacity and the capacity assistance agreements. The implications of
 5 the extensive changes proposed in the Interim Rate Application, especially the cost of service
 6 and RSP changes, are not clear at this stage of the general rate application proceeding.

7
 8 In addition the Board notes that the forecast fuel price reflected in the proposed rates in the
 9 Interim Rate Application is substantially lower than the price reflected in the Amended General
 10 Rate Application, the price reflected in answers to requests for information, and the price in the
 11 NP RSP Fuel Price Projection filed on April 21, 2015.¹⁹ The Board does not believe that Hydro
 12 has demonstrated that it is appropriate in the circumstances to suspend the July 1, 2015 NP RSP
 13 adjustment and continue the existing RSP recovery adjustment, given the volatility in the
 14 forecast price of fuel and the balance in the current plan.²⁰ Further, the Board notes that the
 15 forecast fuel cost reflects a revised Holyrood fuel conversion factor which is contentious.²¹

16
 17 The Board has significant concerns in relation to the interim implementation of the extensive
 18 changes proposed in the Interim Rate Application. Hydro has not demonstrated that it is
 19 necessary or appropriate to reflect these proposals in interim rates established in advance of the
 20 conclusion of the general rate application. The Board will not approve the Interim Rate
 21 Application as proposed but instead will consider whether Hydro has demonstrated that base
 22 rates should be increased to provide interim revenue relief in advance of the conclusion of the
 23 general rate application.

24
 25 *Interim Revenue Relief*

26 The Interim Rate Application states that under existing rates Hydro's forecast income statement
 27 shows a net loss of \$34.6 million for 2015 with a forecast return on rate base of 3.33%, which is
 28 below the bottom of the approved range of rate of return on rate base of 7.29% established in the
 29 2007 general rate application.²² Hydro explains that it has not had a base rate increase since
 30 2007, that its net income in 2013 was \$209,000, and that there was a forecast revenue shortfall in
 31 2014. Further Hydro states that, if only 50% of the proposed base rate increases are approved
 32 effective July 1, 2015, it forecasts a loss in 2015.²³ The Board is satisfied based on the evidence
 33 that Hydro has demonstrated a probable and material revenue shortfall for 2015 based on
 34 existing rates. In relation to whether this revenue shortfall will impact Hydro's financial integrity
 35 Hydro explains:

¹⁹ The fuel price in TIR-PUB-NLH-012 is \$76.05/bbl, in TIR-PUB-NLH-016 it is \$71.05/bbl, and in the April 21, 2015 letter from Hydro to the Board it is \$73.35/bbl.

²⁰ TIR-PUB-NLH-018, Attachment 1 shows that the forecast recovery adjustment on July 1, 2015 is (0.749)¢ per kWh and the April 21, 2015 RSP adjustment report to the Board shows the recovery adjustment on July 1, 2015 would be (0.715)¢ per kWh.

²¹ Newfoundland Power Submission, page 3 challenged the proposed fuel conversion factor of 607 kWh/bbl which is significantly reduced from the current factor of 630 kWh/bbl.

²² Interim Rate Application, Evidence, page 1. It is noted that this is based on evidence filed in the Amended General Rate Application.

²³ TIR-PUB-NLH-019

1 *The impact of a continued denial of the Board to permit cost recovery on Hydro's*
 2 *creditworthiness needs to be considered over the longer-term. Because the Province has*
 3 *unconditionally guaranteed Hydro's existing long-term debt, there is a direct linkage*
 4 *between Hydro's creditworthiness, which is influenced by Hydro's ability to achieve*
 5 *financial targets consistent with an investment-grade utility, and the credit rating of the*
 6 *Province. To the extent that credit rating agencies continue to view Hydro to be self-*
 7 *supporting, then the Province's credit rating is not likely to be affected. A poor financial*
 8 *position for Hydro over the long-term could adversely impact the Province's credit rating*
 9 *and thereby, increase the borrowing costs of the Province, and hence Hydro's own*
 10 *borrowing costs.*²⁴

11
 12 The Board notes that this explanation does not speak directly to Hydro's financial integrity and
 13 further that it relates to long-term considerations rather than the issues associated with the
 14 Interim Rate Application. In addition the Board notes that Hydro has stated that interim relief is
 15 not necessary for the continued safe operations of the utility.²⁵

16
 17 The Board finds that the evidence demonstrates deterioration of Hydro's financial position since
 18 the 2007 Test Year, and particularly since the filing of the latest general rate application in 2013.
 19 In addition the Board notes that Hydro has filed three applications for interim relief in the
 20 general rate application proceeding, the first of which was filed in November of 2013 for 2014.
 21 The Board accepts Hydro's submission that that there has been significant exchange of
 22 information in relation to Hydro's general rate application, with over 1400 requests for
 23 information filed and answered. While concerns were raised with respect to various discreet
 24 aspects of the Interim Rate Application, the parties, with the exception of the Towns, do not
 25 oppose reasonable interim rates. Vale states that it accepts that Hydro requires interim relief.
 26 Newfoundland Power states that it does not oppose interim rates for Hydro in principle. The
 27 Consumer Advocate goes so far as to say that he does not see how consumers can benefit from
 28 Hydro's continuing financial deterioration. The Board finds that based on existing rates Hydro
 29 will suffer a material loss in 2015 and given that the general rate application hearing is now
 30 scheduled for the fall of 2015 it is likely that an order will not be issued before very late in the
 31 year. In the circumstances the Board accepts that Hydro requires interim revenue relief in
 32 advance of the conclusion of the general rate application proceeding.

33 34 *Quantum of Rate Increase*

35 The Board agrees with the Consumer Advocate that a key consideration in an interim rates
 36 application is the impact of the proposed rate increase on electricity consumers. The Board also
 37 agrees with Hydro that the reasonableness of the end result should be considered in the
 38 evaluation of the Interim Rate Application.²⁶ The Board notes that approval of the Interim Rate
 39 Application would result in significant base rate increases for most consumers. The Board also
 40 notes that the implementation of the interim rates after January 1, 2015 results in partial recovery
 41 of Hydro's forecast 2015 net income deficiency. Hydro explains that there is a revenue
 42 requirement shortfall of approximately \$20 million associated with the Interim Rate Application
 43 proposals.²⁷ Further, Hydro explains that if an increase in base rates of 50% of the proposed

²⁴ TIR-CA-NLH-001, page 6

²⁵ TIR-CA-NLH-001, page 7

²⁶ TIR-IC-NLH-006

²⁷ Interim Rate Application, Evidence, page 17

1 increase is approved, effective July 1, 2015, assuming the existing cost of service methodology,
 2 it forecasts a 2015 loss of \$18.8 million with a rate of return of 3.93%.²⁸ The Board will
 3 consider the rate proposals for each customer class balancing the interests of the utility and
 4 consumers so that the rates, to the extent practical in the circumstances, allow the utility the
 5 opportunity to earn a fair return and ease rate shock and contribute to rate stability and
 6 intergenerational equity.

7
 8 The Interim Rate Application proposes a base rate increase to Newfoundland Power of 11.2% as
 9 well as changes to the NP RSP which would result in an approximate average decrease of 6.3%
 10 to Newfoundland Power customers, Hydro Rural customers and Non-Government Diesel
 11 customers.²⁹ The Board notes Newfoundland Power's position that the proposed rates are not
 12 reasonable and that certain expenses included in the proposed revenue requirement are
 13 contentious. In particular Newfoundland Power takes issue with costs associated with the
 14 Board's Investigation and Hearing into Supply Issues and Power Outages on the Island
 15 Interconnected System, the proposed reduced Holyrood fuel conversion factor, and the proposed
 16 increase in Hydro's rate of return. In total, Newfoundland Power raises concerns in relation to
 17 \$43.4 million of expenses included in the 2015 Revenue Requirement.³⁰ The Board notes that
 18 approximately 3.3% of the proposed 11.2% increase in Newfoundland Power's base rates flows
 19 from the updated forecast fuel cost.³¹ Hydro estimates that, if the Board does not approve the
 20 Interim Rate Application and instead approves a base rate increase to Newfoundland Power of
 21 8%, with no other changes so that the July 1, 2015 NP RSP adjustment operates normally, rates
 22 for Newfoundland Power customers would decrease on average by 5.9% on July 1, 2015.³² The
 23 Board acknowledges that Hydro estimates a forecast 2015 net loss if only half of the proposed
 24 base rate increases are approved effective July 1, 2015 but notes that the Interim Rate
 25 Application proposals also resulted in a forecast revenue deficiency.³³ The Interim Rate
 26 Application notes that Hydro proposes in the Amended General Rate Application that the 2015
 27 loss would be recovered through a rate rider when final rates are implemented. The Board will
 28 address this proposal in the general rate application proceeding. The Board is satisfied that
 29 approval on an interim basis of an 8.0% base rate increase for Newfoundland Power is a
 30 reasonable balance of the interests of the utility and customers in the circumstances.

31
 32 The Interim Rate Application proposes that the rate increase for customers on the Labrador
 33 Interconnected system set out in the Amended General Rate Application of 2.1% be approved on
 34 an interim basis. The proposed increase does not reflect the revised forecast fuel cost set out in
 35 the Interim Rate Application, which would result in an increase to customers on the Labrador
 36 Interconnected system of 3.4%.³⁴ Hydro submits that, upon the Board's final determination of
 37 revenue requirement, any net income deficiency from customers on the Labrador Interconnected
 38 system may be recovered through future rates. The Board notes that some of the costs reflected

²⁸ TIR-PUB-NLH-019

²⁹ Interim Rate Application, page 3

³⁰ TIR-NP-NLH-003, TIR-NP-NLH-007 and PUB-NLH-056, Revision 1, from the general rate application

³¹ TIR-PUB-NLH-007

³² TIR-PUB-NLH-018. It is noted that the updated RSP Fuel Price Projection filed with the Board on April 21, 2015 suggests a somewhat lower decrease in the overall average rates for Newfoundland Power customers

³³ TIR-PUB-NLH-019

³⁴ TIR-PUB-NLH-010

1 in the proposed rate increase are contentious. Further the Board notes that the increased revenue
2 associated with the proposed rate increase is not material in relation to Hydro's forecast revenue
3 shortfall.³⁵ The Board accepts the position of the Towns that there should be no increase to the
4 rates charged to customers on the Labrador Interconnected system without a hearing into the
5 matters raised in the submission. The Board finds that it is not necessary or appropriate to
6 approve the Interim Rate Application proposals in relation to the Labrador Interconnected
7 system.
8

9 The Interim Rate Application also proposes significant rate increases for Government Diesel
10 customers ranging from 14% to 27.5%. These rate increases are based on 100% recovery of the
11 allocated 2015 Test Year costs. No party commented on these increases. The Board has concerns
12 in relation to approving such large rate increases in advance of the conclusion of the general rate
13 application proceeding. At the same time the Board is concerned about the impact of potentially
14 larger increases for these customers at the end of the general rate application proceeding. The
15 Board also acknowledges the impact on Hydro of delayed approval of rates which reflect cost
16 recovery for these customers. Therefore Board will approve 50% of the proposed interim rate
17 increases for these customers on the basis of rate stability and to reduce the potential for rate
18 shock following the general rate application.
19

20 The Interim Rate Application proposes a base rate increase of 18.1% for Island Industrial
21 customers with a phase-in of this increase in three stages: 2.7% on March 1, 2015, 4.4% on
22 January 1, 2016 and 10.2% on September, 2016. The Board notes that the affected customers do
23 not oppose an interim base rate increase but the Industrial Customer Group expresses significant
24 concerns in relation to an effective rate increase of more than 2.7% and Vale supports a larger
25 initial increase. The Board also notes the Consumer Advocate's position that the Island Industrial
26 customer rate proposals are not consistent with the direction of Government. The Board believes
27 that it is not necessary or appropriate to address how the phase-in of the Island Industrial
28 customer rates is to be completed in advance of the general rate application, especially given the
29 differing views expressed by the parties. The Board will therefore only address the increases
30 proposed for 2015. Further, the Board agrees with the Industrial Customer Group that changes to
31 the specifically assigned charges for the Island Industrial customers should not be addressed in
32 advance of the general rate application. The Board notes that, based on the evidence, if there is a
33 10% increase in the base rate to Island Industrial customers, the amount in the IC RSP Surplus is
34 adequate to fund an effective 2.7% rate increase as well as the 2014 year-end IC RSP current
35 balance. The Board will approve an interim base rate increase for Island Industrial customers,
36 effective July 1, 2015 of 10% and the necessary drawdown from the IC RSP Surplus to fund an
37 effective interim rate increase of 2.7% for all Island Industrial customers, including Teck. The
38 Board will also approve the necessary drawdown from the IC RSP Surplus to fund the full
39 amount of the 2014 year-end IC RSP current balance.
40

41 *Conclusions*

42 The Board will not approve the Interim Rate Application as the Board is not satisfied that it is
43 necessary or appropriate to approve the extensive proposals on an interim basis in advance of the
44 conclusion of the general rate application. Specifically, the Board will not approve the proposals
45 to reflect an updated forecast cost of fuel in base rates and to suspend the July 1, 2015 NP RSP

³⁵ Amended General Rate Application, Volume 1, Section 4, page 4.50

1 adjustment. In relation to the Island Industrial customers the proposed specifically assigned
 2 charges and the 2016 phase-in of base rate increases will not be approved and the provision
 3 relating to the January 1 IC RSP adjustment will not be removed. Further the Board will not
 4 approve the proposed changes to the cost of service including the proposed allocation of the RSP
 5 segregated load variation and the disposition of \$2.1 million to the IC RSP and \$33 million to the
 6 NP RSP. In addition the changes to the Rural Deficit allocation and the proposed increases for
 7 Labrador Interconnected system customers will not be approved at this time.

8
 9 The Board does accept that Hydro requires interim revenue relief and considering Hydro's
 10 financial need and the impact on customers the Board will approve, effective July 1, 2015:

- 11
 12 i) An interim increase of 8.0% in the base rate for Newfoundland Power;
 13 ii) An interim increase of 50% of the proposed increase in the rates for Government Diesel
 14 customers;
 15 iii) An interim increase of 10.0% in the base rate for Island Industrial customers;
 16 iv) Changes to the RSP rules to allow a transfer from the IC RSP Surplus and to implement
 17 an IC RSP rate so that there is an effective interim increase of 2.7% in Island Industrial
 18 customer rates, including Teck; and
 19 v) Changes to the RSP rules to allow a transfer from the IC RSP Surplus to fund the full
 20 amount of the 2014 year-end IC RSP current balance.

21
 22 Hydro will be required to re-file a proposed Schedule of Rates, Tolls and Charges and RSP rules
 23 reflecting the findings of the Board in this decision and Order. The re-filing should include
 24 updated evidence detailing the impact on customer rates, Hydro's forecast 2015 revenue
 25 requirement, revenue, and rate of return, including an updated Table 5 from the evidence with
 26 additional columns showing the overall rate impacts for all customers effective July 1, 2015 and
 27 the impacts on rates including the effect of the Northern Strategic Plan.

28
 29
 30 **Costs**

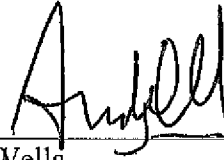
31
 32 Both the Industrial Customer Group and Vale requested an Order for costs. The Board finds that
 33 both of these intervenors have a genuine interest in the outcome of the Interim Rate Application
 34 and further that both participated in an efficient and meaningful manner and contributed to the
 35 Board's understanding of the issues. Therefore the Board will make an award of costs to the
 36 Industrial Customer Group and Vale. These Intervenor should file a detailed claim for the
 37 consideration of the Board within 30 days.

38
 39 No other intervenors made a claim for costs. The Board will grant leave to any other intervenor
 40 to this Application to apply for an award of costs setting out a detailed claim for costs within 30
 41 days of the Order.

1 **IT IS THEREFORE ORDERED THAT:**

- 2
- 3 1. The Interim Rate Application is denied.
- 4
- 5 2. Newfoundland and Labrador Hydro shall file a revised Schedule of Rates, Tolls and
- 6 Charges and RSP Rules, effective July 1, 2015, with evidence showing the impacts on
- 7 consumers and Hydro, incorporating the findings of the Board in this Order, including:
- 8
- 9 i) an interim base rate increase of 8.0% for Newfoundland Power Inc.;
- 10
- 11 ii) an interim base rate increase for Government Diesel customers of 50% of the
- 12 proposed increases; and
- 13
- 14 iii) in relation to Island Industrial customers:
- 15
- 16 a) an interim base rate increase of 10.0%;
- 17 b) an interim RSP rate adjustment which will result in an effective 2.7% rate
- 18 increase for all Island Industrial customers;
- 19 c) a transfer from the IC RSP Surplus to fund the difference between the approved
- 20 10.0% base rate increase and the effective 2.7% increase; and
- 21 d) a transfer from the IC RSP Surplus to fund the full amount of the 2014 year-
- 22 end IC RSP current balance.
- 23
- 24 3. The Industrial Customer Group and Vale Newfoundland and Labrador Limited are entitled
- 25 to an award of costs in an amount to be fixed by the Board upon the filing of a detailed cost
- 26 submission within 30 days of this Order.
- 27
- 28 4. Leave is granted to the other intervenors to apply for an award of costs setting out a
- 29 detailed cost submission within 30 days of this Order.
- 30
- 31 5. Newfoundland and Labrador Hydro shall pay all the expenses of the Board arising from
- 32 the Interim Rate Application.

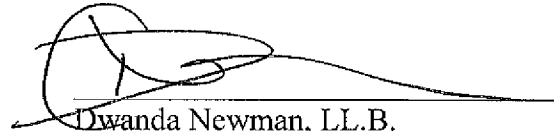
DATED at St. John's, Newfoundland and Labrador, this 8th day of May 2015.



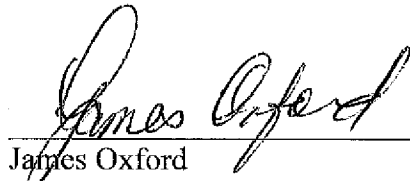
Andy Wells
Chair & Chief Executive Officer



Darlene Whalen, P.Eng.
Vice-Chair



Dwanda Newman, LL.B.
Commissioner



James Oxford
Commissioner



Cheryl Blundon
Board Secretary