

**Undertaking 71**

**Re: Projected rate increases for 2020**

Please see Undertaking 71, Attachment 1, for the information that was provided to Newfoundland Power regarding forecast electricity rates for 2020.

From: Karen O'Neill/NLHydro  
To: "McCarthy, Karen" <kmccarthy@newfoundlandpower.com>  
Cc: Erin Squires/NLHydro  
Date: 10/16/2015 05:20 PM  
Subject: Information on rate forecasts

Hi Karen,

Here is background information on what we have issued to date on our forecast for rates to 2020.

Given that this information is generated by Nalcor, it's probably best that if you get any media questions on these that you send them to Erin and me to address. For public inquiries, you can send them to hydro@nlh.nl.ca (general inquiries). Erin and I will work together on answering these questions.

#### *Investing in the electricity system*

Increased and aggressive investment in the province's electricity system has been anticipated for some time. As the electrical system ages and demand grows, like other utilities in North America, continued capital investment in maintenance and replacement is required to provide the best possible service at least cost. The investments Newfoundland and Labrador Hydro (Hydro) is making now are particularly important as the company moves to becoming an interconnected grid; one that will see sustained reliable and affordable electricity for Newfoundland and Labrador electricity customers.

From 2010 to 2014, Hydro's annual capital programs averaged \$96 million per year and focused largely on planned maintenance and the rehabilitation of existing assets. Hydro's anticipated 2015 capital investment is \$136 million and the proposed 2016 capital plan is \$184 million.

Electricity bill forecasts include all transmission, distribution, and generation costs including operating, capital, fuel and financing costs plus an estimate of Newfoundland Powers costs. All of these items are included in the projected rates at the time of the forecast.

#### *Understanding your electricity bill*

There are several cost components of a customer's monthly electricity bill:

- 1) an energy charge - this is the actual cents per kilowatt hour of energy used
- 2) basic monthly charge
- 3) early payment discounts
- 4) applicable taxes

The current all in electricity rate including the energy charge, basic monthly charge, all applicable taxes and early payment rebate is 12.9 cents per kilowatt hour for the average residential customer on the island of Newfoundland. Based on information known at this time, the forecasted residential electricity rate for residential customers on the island is projected to

be 16.7 cents per kilowatt hour in 2018 and 19.8 cents per kilowatt hour in 2020. These rates include taxes and account for the removal of the home electricity rebate in July 2015 that was previously provided for electricity customers, as well as an assumption for the proposed HST adjustment effective January 2016.

For background, the 2015 Provincial Budget proposed changes to the home electricity rebate and the HST in 2016. In July 2015, the home electricity rebate was removed from electricity bills and there is an increase in HST proposed for January 2016. These items need to be accounted for if someone is doing a rate comparison to previously available information.

Thanks

Karen



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You owe it to yourself, and your family, to make it home safely every day. What have you done today so that nobody gets hurt?